



Accounting checklist

International Financial Reporting Standards

AUDIT

About this publication

Scope

The purpose of this Accounting Checklist is to assist entities involved in general business in preparing financial statements in accordance with International Financial Reporting Standards (referred to as IFRS(s) or standards in this publication) by identifying the **black-letter** recognition and measurement requirements of IFRS.

The Accounting Checklist is intended to apply to financial statements for periods beginning on or after 1 January 2005. The transitional requirements of standards and interpretations that came into force before that date are not included.

The Accounting Checklist reflects standards issued by the IASB and related interpretations (together IFRSs) issued to 1 April 2004.

When preparing financial statements in accordance with IFRSs, an entity should have regard to its local legal and regulatory requirements. This Accounting Checklist does not consider any requirements of a particular jurisdiction.

In addition to the bold type recognition and measurement requirements of IFRSs, Appendix 1 identifies the scope of each standard and Appendix 2 contains the definitions that are used in IFRSs. For information about the disclosure requirements of IFRSs you should refer to KPMG's Disclosure Checklist. This Accounting Checklist should not be used as a substitute for referring to the IFRSs themselves. In particular, the *Preface to International Financial Reporting Standards* clarifies that the plain type paragraphs in the standards, which are not included in the Accounting Checklist, have equal authority with the bold type paragraphs. The plain type paragraphs provide further guidance on the general principles for recognition and measurement in the bold type paragraphs.

Because this Accounting Checklist is intended to assist entities involved in general business, it does not include the following standards:

- IAS 26 *Accounting and Reporting by Retirement Benefit Plans*; and
- IAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*.

Content

The Accounting Checklist is arranged by topic. The references to the left of each accounting requirement indicate its source. For example, the reference *IAS 1.7* means paragraph 7 of IAS 1. To the right of each accounting requirement we have left space for you to check off whether the requirements have been complied with, give references to the financial statements or make other comments.

Keep in contact and stay up-to-date

This Accounting Checklist has been produced by KPMG's International Financial Reporting Group. For more information on KPMG's International Financial Reporting Group, please visit <http://ias.kpmg.com> where you will find up-to-date technical information and a briefing on our IFRS conversion resources.

In addition, we would be pleased to assist you further with your analysis and interpretation of the requirements of IFRSs. Please get in touch with your usual KPMG contact, or phone KPMG's International Financial Reporting Group at +44 (0)20 7694 8871.

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1. General issues

1.1 Form and elements of financial statements¹

IAS 1.8 The financial statements include:

- a) balance sheet;
- b) income statement;
- c) a statement of equity showing either:
 - i) all changes in equity; or
 - ii) changes in equity other than those arising from transactions with owners acting in their capacity as equity holders;
- d) cash flow statement; and
- e) notes, comprising a summary of significant accounting policies and other explanatory notes.

Going concern

IAS 1.23 When preparing financial statements, management makes an assessment of the entity's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

IAS 10.14 Financial statements are not prepared on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

Accrual basis of accounting

IAS 1.25 The financial statements are prepared under the accrual basis of accounting, except for cash flow information.

Consistency of presentation

IAS 1.27 The presentation and classification of items in the financial statements are retained from one period to the next unless:

- a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for selection and application of accounting policies in IAS 8; or
- b) a standard or an interpretation requires a change in presentation.

Consistency of accounting policies

IAS 8.13 Select and apply accounting policies consistently for similar transactions, other events and conditions, unless a standard or an interpretation specifically requires or permits categorisation of items for which different policies may be appropriate.

IAS 8.13 When a standard or an interpretation requires or permits such categorisation, select and apply an appropriate accounting policy consistently to each category.

Materiality and aggregation

IAS 1.29 Each material class of similar items is presented separately in the financial statements.

IAS 1.29 Items of a dissimilar nature or function are presented separately unless they are immaterial.

Offsetting

IAS 1.32 Assets and liabilities are not offset unless required or permitted by a standard or an interpretation.

IAS 1.32 Income and expenses are not offset unless required or permitted by a standard or an interpretation.

¹ See Appendix 1 for scope of IAS 1, 8 and 10.

Comparative information

IAS 1.36 Comparative information is included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. _____

IAS 1.38 When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified, unless the reclassification is impracticable. _____

1.2 Statement of changes in equity²

Treasury shares and other equity instruments

IAS 32.33 If an entity reacquires its own equity instruments, those instruments ('treasury shares') are deducted from equity. _____

IAS 32.33 No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. _____

IAS 32.33 Such equity instruments (e.g., treasury shares) may be acquired and held by the entity or by other members of the consolidated group. _____

IAS 32.33 Consideration paid or received is recognised directly in equity. _____

1.3 Statement of cash flows³

Presentation

IAS 7.10 Cash flows during the period are classified between operating, investing and financing activities. _____

Cash flows from operating activities

IAS 7.18 Cash flows from operating activities are reported using either:

- a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or _____
- b) the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. _____

Cash flows from investing and financing activities

IAS 7.21 Major classes of gross cash receipts and gross cash payments arising from investing and financing activities are reported separately, except to the extent that cash flows are reported on a net basis. _____

Cash flows on a net basis

IAS 7.22 Cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

- a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity; and _____
- b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short. _____

IAS 7.24 Cash flows arising from each of the following activities of a financial institution may be reported on a net basis:

- a) cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date; _____
- b) the placement of deposits with and withdrawals of deposits from other financial institutions; and _____
- c) cash advances and loans made to customers and the repayment of those advances and loans. _____

² See Appendix 1 for scope of IAS 1 and 32.

³ See Appendix 1 for scope of IAS 7.

Foreign currency cash flows

IAS 7.25 Cash flows arising from transactions in a foreign currency are recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow. _____

IAS 7.26 Cash flows of a foreign subsidiary are translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows. _____

Interest and dividends

IAS 7.31 Cash flows from interest and dividends received and paid are appropriately classified consistently from period to period as either operating, investing or financing activities. _____

Taxes on income

IAS 7.35 Cash flows arising from taxes on income are classified as operating activities unless they can be specifically identified with financing and investing activities. _____

Acquisitions and disposals of subsidiaries and other business units

IAS 7.39 Cash flows from acquisitions and from disposals of subsidiaries or other business units are classified as investing activities. _____

Non-cash transactions

IAS 7.43 Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from the cash flow statement. _____

Components of cash and cash equivalents

IAS 7.45 Present a reconciliation of the amounts of cash and cash equivalents in the cash flow statement with the equivalent items reported in the balance sheet. _____

1.4 Basis of accounting⁴

Accrual basis of accounting

IAS 1.25 The financial statements are prepared under the accrual basis of accounting, except for cash flow information. _____

Accounting policies**Selection and application of accounting policies**

IAS 8.7 When a standard or an interpretation specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item are determined by applying the standard or interpretation and considering any relevant implementation guidance issued by the IASB for the standard or interpretation. _____

IAS 8.10 In the absence of a standard or an interpretation that specifically applies to a transaction, other event or condition, management uses its judgement in developing and applying an accounting policies that results in information that is:

- a) relevant to the economic decision-making needs of users; and _____
- b) reliable in that the financial statements:
 - i) represent faithfully the financial position, financial performance and cash flows of the entity; _____
 - ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form; _____
 - iii) are neutral, i.e., free from bias; _____
 - iv) are prudent; and _____
 - v) are complete in all material respects. _____

⁴ See Appendix 1 for scope of IAS 1, 8, 27, 29, and SIC-27.

IAS 8.11 In making the judgement described in IAS 8.10 above, management refers to, and considers the applicability of, the following sources in descending order:

- a) the requirements and guidance in standards, and interpretations dealing with similar and related issues; and
- b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

IAS 8.12 In making the judgement described in IAS 8.10 above, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature, and accepted industry practices, to the extent that these do not in conflict with the sources in IAS 8.11 above.

Consistency of accounting policies

IAS 8.13 Select and apply accounting policies consistently for similar transactions, other events and conditions, unless a standard or an interpretation specifically requires or permits categorisation of items for which different policies may be appropriate.

IAS 8.13 When a standard or an interpretation requires or permits such categorisation, select and apply an appropriate accounting policy consistently to each category.

Consolidation procedures

IAS 27.28 Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in accounting policies

IAS 8.14 Changes in accounting policy are made only if the change:

- a) is required by a standard or an interpretation; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

IAS 8.16 The following are not changes in accounting policies:

- a) the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring; and
- b) the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were immaterial.

IAS 8.17 The initial application of a policy to revalue assets under IAS 16 or IAS 38 is a change in accounting policy to be dealt with as a revaluation in accordance with IAS 16 or IAS 38, rather than in accordance with IAS 8 (i.e., IAS 8.19-31 do not apply).

Applying changes in accounting policies

IAS 8.19(a) Changes in accounting policy resulting from the initial application of a standard or an interpretation are accounted for in accordance with the specific transitional provisions, if any, in that standard or interpretation, subject to IAS 8.23 below.

IAS 8.19(b) When an entity changes an accounting policy upon initial application of a standard or an interpretation that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it applies the change retrospectively, subject to IAS 8.23 below.

IAS 8.22 When a change in accounting policy is applied retrospectively in accordance with IAS 8.19(a) or (b) above, adjustments are made as if the new accounting policy had always been applied. Therefore:

- a) the opening balance of each affected component of equity is adjusted for the earliest prior period presented; and
- b) the other comparative amounts disclosed are adjusted for each prior period presented.

IAS 8.23 When retrospective application is required by IAS 8.19(a) or (b) above, a change in accounting policy is applied retrospectively except to the extent that it is impracticable to determine either:

- a) the period-specific effects; or
- b) the cumulative effect of the change.

IAS 8.24 When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented:

- a) apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable (which may be the current period); and
- b) make a corresponding adjustment to the opening balance of each affected component of equity for that period.

IAS 8.25 When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

Hyperinflation

IAS 29.8 If an entity's functional currency is the currency of a hyperinflationary economy, state the following in terms of the measuring unit current at the balance sheet date:

- a) the financial statements for the current period;
- b) the corresponding figures for the previous period (as required by IAS 1); and
- c) any information in respect of earlier periods.

IAS 29.8 For the purpose of presenting comparative amounts in a different presentation currency, apply IAS 21.42(b) and 43 (see *1.7 Foreign currency translation*, page 12).

IAS 29.9 The gain or loss on the net monetary position is included in net income.

Evaluating substance of the transactions involving the legal form of a lease

SIC 27.3 If a series of transactions that involve the legal form of a lease is linked and the overall economic effect cannot be understood without reference to the series of transactions as a whole, the series of transactions is accounted for as one transaction.

SIC 27.3 This is the case, for example, when the series of transactions are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence.

SIC 27.4 The accounting reflects the substance of the arrangement.

SIC 27.4 All aspects and implications of an arrangement are evaluated to determine its substance, with weight given to those aspects and implications that have an economic effect.

SIC 27.5 Indicators that individually demonstrate that an arrangement may not, in substance, involve a lease under IAS 17 include:

- a) an entity retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;
- b) the primary reason for the arrangement is to achieve a particular tax result, and not to convey the right to use an asset; and
- c) an option is included on terms that make its exercise almost certain (e.g., a put option that is exercisable at a price sufficiently higher than the expected fair value when it becomes exercisable).

SIC 27.6 The definitions and guidance in paragraphs 49-64 of the Framework are applied in determining whether in substance, a separate investment account and lease payment obligations represent assets and liabilities of the entity.

SIC 27.6 Indicators that collectively demonstrate that, in substance, a separate investment account and lease payment obligations do not meet the definitions of an asset and a liability and are recognised by the entity include:

- a) the inability on the part of the entity to control the investment account in pursuit of its own objectives and is not obliged to pay the lease payments; _____
- b) the entity has only a remote risk of reimbursing the entire amount of any fee received from an Investor and possibly paying some additional amount, or, when a fee has not been received, only a remote risk of paying an amount under other obligations (e.g., guarantee); and _____
- c) other than the initial cash flows at inception of the arrangement, the only cash flows expected under the arrangement are the lease payments that are satisfied solely from funds withdrawn from the separate investment account established with the initial cash flows. _____

SIC 27.7 Other obligations of an arrangement, including any guarantees provided and obligations incurred upon early termination under IAS 37 (see *2.10 Provisions*, page 53) or IAS 39 (see *2.6 Financial instruments, including hedging*, page 32) are accounted for depending on the terms. _____

SIC 27.8 The criteria in IAS 18.20 (see *3.2 Revenue*, page 58) are applied to the facts and circumstances of each arrangement in determining when to recognise a fee as income that an entity might receive. _____

SIC 27.8 The following factors are also considered:

- a) whether there is continuing involvement in the form of significant future performance obligations necessary to earn the fee; _____
- b) whether there are retained risks; _____
- c) the terms of any guarantee arrangements; and _____
- d) the risk of repayment of the fee. _____

SIC 27.8 The following indicate that recognition of the entire fee as income when received, if received at the beginning of the arrangement, is inappropriate:

- a) obligations either to perform or to refrain from certain significant activities are conditions of earning the fee received, and therefore execution of a legally binding arrangement is not the most significant act required by the arrangement; _____
- b) limitations are put on the use of the underlying asset that have the practical effect of restricting and significantly changing the entity's ability to use (e.g., deplete, sell or pledge as collateral) the asset; and _____
- c) the possibility of reimbursing any amount of the fee and possibly paying some additional amount is not remote. _____

SIC 27.8 These indicators are not exhaustive. _____

1.5 Consolidation⁵

Presentation of consolidated financial statements

IAS 27.9 A parent presents consolidated financial statements in which it consolidates its investments in subsidiaries (except as noted in IAS 27.10 below). _____

IAS 27.10 A parent need not present consolidated financial statements if, and only if:

- a) the parent is:
 - i) itself a wholly-owned subsidiary; or _____
 - ii) a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements; _____
- b) the parent's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); _____
- c) the parent did not file and is not in the process of filing its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and _____
- d) the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with IFRSs. _____

Scope of consolidated financial statements

IAS 27.12 Consolidated financial statements include all subsidiaries of the parent.⁶ _____

Consolidation procedures

IAS 27.24 The following are eliminated in full on consolidation:

- a) intragroup balances; _____
- b) intragroup transactions; _____
- c) intragroup income; and _____
- d) intragroup expenses. _____

IAS 27.26 The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same reporting date. _____

IAS 27.26 When the reporting dates of the parent and a subsidiary are different, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the parent unless is impracticable to do so. _____

IAS 27.27 When in accordance with IAS 27.26 above, the financial statements of a subsidiary that are used in the preparation of consolidated financial statement are prepared as of a reporting date different from that of the parent, the effects of significant transactions or events that occur between that date and the date of the parents financial statements (which must be within three months of each other) are adjusted. _____

IAS 27.27 The length of the reporting periods and any difference in the reporting dates is the same from period to period. _____

IAS 27.28 Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. _____

IAS 27.31 From the date that an entity ceases to be a subsidiary, it is accounted for:

- a) under IAS 28, if it becomes an associate (see *2.5 Investments in associates and joint ventures*, page 28); _____
- b) under IAS 31, if it becomes a jointly controlled entity (see *2.5 Investments in associates and joint ventures*, page 28); or _____

⁵ See Appendix 1 for scope of IAS 27 and SIC-12.

⁶ If on acquisition a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5 it shall be accounted for in accordance with that standard.

- c) under IAS 39, if it does not become any of the above – see *2.6 Financial instruments, including hedging*, page 32.
-

IAS 27.32 The carrying amount of the investment at the date that it ceases to be a subsidiary is regarded as cost on initial measurement as a financial asset under IAS 39.

Special purpose entities

SIC 12.8 A special purpose entity (SPE) is consolidated when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.

SIC 12.9 The application of the control concept requires, in each case, judgement in the context of all relevant factors.

SIC 12.9 In the context of an SPE, control may arise through the predetermination of the activities of the SPE (operating on “auto-pilot”) or otherwise. IAS 27.13 indicates several circumstances which result in control even in cases where an entity owns one half or less of the voting power of another entity. Similarly, control may exist even in cases where an entity owns little or none of the SPE’s equity.

SIC 12.10 The following circumstances, for example, may indicate a relationship in which an entity controls an SPE and consequently the SPE is consolidated:

- a) in substance, the activities of the SPE are being conducted on behalf of the entity according to its specific business needs so that the entity obtains benefits from the SPE’s operation;
 - b) in substance, the entity has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an “auto-pilot” mechanism, the entity has delegated these decision making powers;
 - c) in substance, the entity has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE; or
 - d) in substance, the entity retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.
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Parent’s separate financial statements

IAS 27.37 When separate financial statements are prepared, investments in subsidiaries that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 are accounted for either:

- a) at cost; or
 - b) in accordance with IAS 39 (see *2.6 Financial instruments, including hedging*, page 32).
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IAS 27.37 The same accounting is applied for each category of investments.

IAS 27.37 Investments in subsidiaries that are classified as held for sale (or included in a disposal group that is classified as held for sale) under IFRS 5 are accounted for in accordance with that standard (see *4.4 Non-current assets held for sale and discontinued operations*, page 79).

IAS 27.39 Investments in subsidiaries, jointly controlled entities and associates that are accounted for in accordance with IAS 39 (see *2.6 Financial instruments, including hedging*, page 32) in the consolidated financial statements are accounted in the same way in the investor’s separate financial statements.

1.6 Business combinations⁷

Method of accounting

IFRS 3.14 All business combinations are accounted for by applying the purchase method. _____

Application of the purchase method

Identifying the acquirer

IFRS 3.17 Identify an acquirer for all business combinations. The acquirer is the combining entity that obtains control of the other combining entities or businesses. _____

Cost of a business combination

IFRS 3.24 The acquirer measures the cost of a business combination as the aggregate of:

- a) the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus _____
- b) any costs directly attributable to the business combination. _____

Adjustments to the cost of a business combination contingent on future events

IFRS 3.32 When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. _____

Allocating the cost of a business combination to the assets acquired and liabilities and contingent liabilities assumed

IFRS 3.36 An acquirer allocates at the acquisition date the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria in IFRS 3.37 (below) at their fair values at that date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, which are recognised at fair value less costs to sell. _____

IFRS 3.36 Any difference between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for in accordance with IFRS 3.51-57 (see 2.3 *Intangible assets and goodwill*, page 21). _____

IFRS 3.37 An acquirer recognises separately the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date only if they satisfy the following criteria at that date:

- a) in the case of an asset other than an intangible asset, it is probable that any associated future economic benefits will flow to the acquirer, and its fair value can be measured reliably; _____
- b) in the case of a liability other than a contingent liability, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and its fair value can be measured reliably; and _____
- c) in the case of an intangible asset or a contingent liability, its fair value can be measured reliably. _____

Acquiree's contingent liabilities

IFRS 3.48 After their initial recognition, the acquirer measures contingent liabilities that are recognised separately in accordance with IFRS 3.36 (above) at the higher of:

- a) the amount that would be recognised in accordance with IAS 37; and _____
- b) the amount initially recognised. _____

Goodwill

IFRS 3.51 At the acquisition date, the acquirer:

- a) recognises goodwill acquired in a business combination as an asset; and _____

⁷ See Appendix 1 for scope of IFRS 3.

- b) initially measures that goodwill at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised in accordance with IFRS 3.36 (above).

IFRS 3.54 After initial recognition, the acquirer measures goodwill acquired in a business combination at cost less any accumulated impairment losses.

IFRS 3.56 If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised in accordance with IFRS 3.36 (above) exceeds the cost of the business combination (previously referred to as "negative goodwill"), the acquirer:

- a) reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
- b) recognises immediately in profit or loss any excess remaining after that reassessment.

Transitional provisions and effective date

IFRS 3.78 Except as provided in paragraph 85, IFRS 3 shall apply to the accounting for business combinations for which the *agreement date* is on or after 31 March 2004. It shall also apply to the accounting for:

- (a) goodwill arising from a business combination for which the agreement date is on or after 31 March 2004; or
- (b) any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination for which the agreement date is on or after 31 March 2004.

Previously recognised goodwill

IFRS 3.79 An entity shall apply IFRS 3 prospectively, from the beginning of the first annual period beginning on or after 31 March 2004, to goodwill acquired in a business combination for which the agreement date was before 31 March 2004, and to goodwill arising from an interest in a jointly controlled entity obtained before 31 March 2004 and accounted for by applying proportionate consolidation.

Therefore, an entity shall:

- a) from the beginning of the first annual period beginning on or after 31 March 2004, discontinue amortising such goodwill;
- b) at the beginning of the first annual period beginning on or after 31 March 2004, eliminate the carrying amount of the related accumulated amortisation with a corresponding decrease in goodwill; and
- c) from the beginning of the first annual period beginning on or after 31 March 2004, test the goodwill for impairment in accordance with IAS 36 (see 2.9 *Impairment*, page 47).

IFRS 3.80 If an entity previously recognised goodwill as a deduction from equity, it shall not recognise that goodwill in profit or loss when it disposes of all or part of the business to which that goodwill relates or when a cash-generating unit to which the goodwill relates becomes impaired.

Previously recognised negative goodwill

IFRS 3.81 The carrying amount of negative goodwill at the beginning of the first annual period beginning on or after 31 March 2004 that arose from either: (a) a business combination for which the agreement date was before 31 March 2004 or (b) an interest in a jointly controlled entity obtained before 31 March 2004 and accounted for by applying proportionate consolidation shall be derecognised at the beginning of that period, with a corresponding adjustment to the opening balance of retained earnings.

Previously recognised intangible assets

IFRS 3.82 The carrying amount of an item classified as an intangible asset that either (a) was acquired in a business combination for which the agreement date was before 31 March 2004 or (b) arises from an interest in a jointly controlled entity obtained before 31 March 2004 and accounted for by applying proportionate consolidation shall be reclassified as goodwill at the beginning of the first annual

period beginning on or after 31 March 2004, if that intangible asset does not at that date meet the identifiability criterion in IAS 38 (see 2.3 *Intangible assets and goodwill*, page 21).

Equity accounted investments

IFRS 3.83 For investments accounted for by applying the equity method and acquired on or after 31 March 2004, an entity shall apply IFRS 3 in the accounting for:

- a) any acquired goodwill included in the carrying amount of that investment. Therefore, amortisation of that notional goodwill shall not be included in the determination of the entity's share of the investee's profits or losses; and
- b) any excess included in the carrying amount of the investment of the entity's interest in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment. Therefore, an entity shall include that excess as income in the determination of the entity's share of the investee's profits or losses in the period in which the investment is acquired.

IFRS 3.84 For investments accounted for by applying the equity method and acquired before 31 March 2004:

- a) an entity shall apply IFRS 3 on a prospective basis, from the beginning of the first annual period beginning on or after 31 March 2004, to any acquired goodwill included in the carrying amount of that investment. Therefore, an entity shall, from that date, discontinue including the amortisation of that goodwill in the determination of the entity's share of the investee's profits or losses; and
- b) an entity shall derecognise any negative goodwill included in the carrying amount of that investment at the beginning of the first annual period beginning on or after 31 March 2004, with a corresponding adjustment to the opening balance of retained earnings.

Limited retrospective application

IFRS 3.85 An entity is permitted to apply the requirements of IFRS 3 to goodwill existing at or acquired after, and to business combinations occurring from, any date before the effective dates outlined in IFRS 3.78-84, provided: (a) the valuations and other information needed to apply the IFRS to past business combinations were obtained at the time those combinations were initially accounted for; and (b) the entity also applies IAS 36 (see 2.9 *Impairment*, page 47) and IAS 38 (see 2.3 *Intangible assets and goodwill*, page 21) prospectively from that same date, and the valuations and other information needed to apply those standards from that date were previously obtained by the entity so that there is no need to determine estimates that would need to have been made at a prior date.

1.7 Foreign currency translation⁸

Reporting foreign currency transactions in the functional currency

Initial recognition

IAS 21.21 Foreign currency transactions are recorded in the functional currency on initial recognition, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Reporting at subsequent balance sheet dates

IAS 21.23 At each balance sheet date:

- a) foreign currency monetary items are translated using the closing rate;
- b) non-monetary items which are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- c) non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined.

Recognition of exchange differences

IAS 21.28 Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recognised during the period, or in previous

⁸ See Appendix 1 for scope of IAS 21, 29 and SIC-7.

financial statements, are recognised in profit or loss in the period in which they arise, with the exception of exchange differences dealt with in accordance with IAS 21.32 below. _____

IAS 21.30 When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. _____

IAS 21.30 Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss. _____

IAS 21.32 Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation (see IAS 21.15) are recognised in profit or loss in the separate financial statements of the reporting entity or the individual financial statements of the foreign operation, as appropriate. _____

IAS 21.32 In the financial statements that include the foreign operation and the reporting entity (e.g. consolidated financial statements when the foreign operation is a subsidiary), exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognised initially in a separate component of equity and recognised in profit or loss on disposal of the net investment in accordance with IAS 21.48 below. _____

Change in functional currency

IAS 21.35 When there is a change in the functional currency of an entity, the translation procedures applicable to the new functional currency are applied prospectively from the date of the change. _____

Use of a presentation currency other than functional currency

Translation to the presentation currency

IAS 21.39 The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:

- a) assets and liabilities for each balance sheet presented (i.e., including comparatives) are translated at the closing rate existing at the date of that balance sheet; _____
- b) income and expenses recognised in the period (i.e., including comparatives) are translated at the exchange rates existing at the dates of the transactions; and _____
- c) all resulting exchange differences are recognised as a separate component of equity. _____

IAS 21.42 The results and financial position of an entity whose functional currency is the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:

- a) all amounts (i.e., assets, liabilities, equity items, income items and expense items, including comparatives) are translated at the closing rate at the date of the most recent balance sheet; except _____
- b) when amounts are being translated into the currency of a non-hyperinflationary economy, comparative amounts are those that were presented as current year amounts in the relevant prior year financial statements (i.e., not adjusted for either subsequent changes in the price level or subsequent changes in exchange rates). _____

IAS 21.43 When the functional currency of an entity is the currency of a hyperinflationary economy, its financial statements are restated in accordance with IAS 29 (see *1.4 Basis of accounting*, page 4) before the translation method set out in IAS 21.42 above is applied except for comparative amounts that are being translated into a currency of a non-hyperinflationary economy (see IAS 21.42(b) above). _____

IAS 21.43 When an economy ceases to be hyperinflationary and the financial statements are no longer restated in accordance with IAS 29, use the amounts restated to the price level at the date the entity ceased restating its financial statements as the historical costs for translation into the presentation currency. _____

Translation of a foreign operation

IAS 21.47 Goodwill arising on acquisition of a foreign operation and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and are therefore expressed in the functional currency of the foreign operation and translated at the closing rate in accordance with IAS 21.39 and 42 above. _____

Disposal of a foreign operation

IAS 21.48 On the disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised. _____

Transition

IAS 21.59 Apply IAS 21.47 above prospectively to all acquisitions occurring after the beginning of the financial reporting period in which IAS 21 (revised 2003) is applied. Retrospective application of IAS 21.47 above to earlier acquisitions is permitted. _____

IAS 21.59 For an acquisition of a foreign operation treated prospectively but which occurred before the date on which IAS 21 is first applied, the entity does not restate prior years and accordingly may, when appropriate, treat goodwill and fair value adjustments arising on that acquisition as assets and liabilities of the entity rather than assets and liabilities of the foreign operation. Therefore, those goodwill and fair value adjustments are either already expressed in the entity's functional currency or are non-monetary foreign currency items that are reported using the exchange rate at the date of acquisition. _____

IAS 21.60 All other changes resulting from the application of IAS 21 are accounted in accordance with the requirements of IAS 8 (see *1.8 Prior period adjustments and other accounting changes*, page 15). _____

Economies ceasing to be hyperinflationary

IAS 29.38 When an economy ceases to be hyperinflationary and the financial statements cease to be prepared in accordance with IAS 29, treat the amounts expressed in the measuring unit at the end of the previous reporting period as the basis for the carrying amounts in subsequent financial statements. _____

Introduction of the euro

SIC 7.3 The requirements of IAS 21 regarding the translation of foreign currency transactions and financial statements of foreign operations are strictly applied to the change over to euro. The same rationale applies to the fixing of exchange rates when countries join the European Monetary Union at later stages. _____

SIC 7.4 This means that, in particular:

- a) foreign currency monetary assets and liabilities resulting from transactions are continued to be translated into the functional currency at the closing rate. Any resultant exchange differences are recognised as income or expense immediately, except that an entity continues to apply its existing accounting policy for exchange gains and losses related to hedges of the currency risk of a forecast transaction; _____
- b) cumulative exchange differences relating to the translation of financial statements of foreign operations continue to be classified as equity and are recognised as income or expense only on the disposal of the net investment in the foreign operation; and _____
- c) exchange differences arising from the translation of liabilities denominated in participating currencies shall not be included in the carrying amount of related assets. _____

1.8 Prior period adjustments and other accounting changes⁸

Changes in accounting policies

Applying changes in accounting policies

IAS 8.14 Changes in accounting policy are made only if the change:

- a) is required by a standard or an interpretation; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

IAS 8.16 The following are not changes in accounting policies:

- a) the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring; and
- b) the application of a new accounting policy for transactions, other events or conditions which did not occur previously or that were immaterial.

IAS 8.17 The initial application of a policy to carry assets at revalued amounts under IAS 16 or IAS 38 is a change in accounting policy to be dealt with as a revaluation in accordance with IAS 16 or IAS 38, rather than in accordance with IAS 8 (i.e., IAS 8.19-31 do not apply, see below).

Adoption of a standard or an interpretation and other voluntary changes in accounting policy

IAS 8.19(a) Subject to IAS 8.23 below, changes in accounting policy made on the initial application of a standard or an interpretation are accounted for in accordance with the specific transitional provisions, if any, in that standard or interpretation.

IAS 8.19(b) Subject to IAS 8.23 below, when an entity changes an accounting policy upon initial application of a standard or an interpretation that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it applies the change retrospectively.

Retrospective application

IAS 8.22 Subject to IAS 8.23 below, when a change in accounting policy is applied retrospectively in accordance with IAS 8.19(a) or (b) above, adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Limitations on retrospective application

IAS 8.23 When retrospective application is required by IAS 8.19(a) or (b) above, apply a change in accounting policy retrospectively except to the extent that it is impracticable to determine either:

- a) the period-specific needs; or
- b) the cumulative effect of the change.

IAS 8.24 When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented:

- a) apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable (which may be the current period); and
- b) make a corresponding adjustment to the opening balance of each affected component of equity for that period.

IAS 8.25 When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable.

⁸ See Appendix 1 for scope of IAS 8 and 33.

Changes in accounting estimates

IAS 8.36 The effect of a change in an accounting estimate, other than a change to which IAS 8.37 below applies, is recognised prospectively by including it in profit or loss in:

- a) the period of the change, if the change affects that period only; or _____
- b) the period of the change and future periods, if the change affects both. _____

IAS 8.37 To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it is recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change. _____

Errors

IAS 8.42 Subject to IAS 8.43 below, correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or _____
- b) if the error occurred before the earliest prior period presented, restating the opening balance of assets, liabilities and equity for the earliest period presented. _____

Limitations on retrospective restatement

IAS 8.43 A prior period error is corrected retrospectively except to the extent that it is impracticable to determine either:

- a) the period-specific effects; or _____
- b) the cumulative effect of the error. _____

IAS 8.44 When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period). _____

IAS 8.45 When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, restate the comparative information to correct the error prospectively from the earliest date practicable. _____

Earnings per share

IAS 33.64 If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively. _____

IAS 33.64 Basic and diluted earnings per share of all the periods presented are adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively. _____

1.9 Events after the balance sheet date⁹

Recognition and measurement

Adjusting events after the balance sheet date

IAS 10.8 Adjust the amounts recognised in the financial statements to reflect adjusting events after the balance sheet date. _____

Earnings per share

IAS 33.64 If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively. If these changes occur after the balance sheet date but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented are based on the new number of shares. _____

Non-adjusting events after the balance sheet date

IAS 10.10 Do not adjust the amount recognised in the financial statements to reflect non-adjusting events after the balance sheet date. _____

Dividends

IAS 10.12 Dividends to holders of equity instruments that are declared after the balance sheet date are not recognised as a liability at the balance sheet date. _____

Going concern

IAS 1.23 When preparing financial statements, management makes an assessment of the entity's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. _____

IAS 10.14 Financial statements are not prepared on a going concern basis if management determines after the balance sheet date either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so. _____

⁹ See Appendix 1 for scope of IAS 1, 10 and 33.

2. Specific balance sheet items

2.1 General¹

Current / non-current distinction

IAS 1.51 Present current and non-current assets and current and non-current liabilities, as separate classifications on the face of its balance sheet in accordance with IAS 1.57-67 except when a presentation based on liquidity provides information that is reliable and is more relevant, in which case all assets and liabilities are presented broadly in order of liquidity. _____

IAS 1.57 An asset is classified as a current asset when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle; _____
- b) it is held primarily for trading purposes; _____
- c) it is expected to be realised within twelve months of the balance sheet date; or _____
- d) it is cash or a cash equivalent asset unless it is restricted from being exchanged or used to settle a liability for at least twelve months from the balance sheet date. _____

IAS 1.57 All other assets are classified as non-current assets. _____

IAS 1.60 A liability is classified as a current liability when it satisfies any of the following criteria:

- a) it is expected to be settled in the entity's normal operating cycle; _____
- b) it is held primarily for trading purposes; _____
- IFRS 5.3* c) it is due to be settled within twelve months after the balance sheet date (provided also that, in the case of a non-current asset, it meets the criteria to be classified as held for sale under IFRS 5 (see 4.4 *Non-current assets held for sale and discontinued operations*, page 79)); or _____
- d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. _____

IAS 1.60 All other liabilities are classified as non-current liabilities. _____

Offsetting

IAS 1.32 Assets and liabilities are not offset except when offsetting is required or permitted by a standard or an interpretation. _____

Comparative information

IAS 1.36 Unless an IFRS permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements. _____

IAS 1.36 Comparative information is included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. _____

IAS 1.38 When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified to ensure comparability with the current period, unless the reclassification is impracticable. _____

Treasury shares

IAS 32.33 If an entity reacquires its own equity instruments, those instruments (e.g., treasury shares) are deducted from equity. _____

¹ See Appendix 1 for scope of IAS 1 and 32.

2.2 Property, plant and equipment²

Recognition

- IAS 16.7 The cost of an item of property, plant and equipment is recognised as an asset if, and only if:
- a) it is probable that future economic benefits associated with the item will flow to the entity; and
 - b) the cost of the item can be measured reliably.

Initial measurement

- IAS 16.15 Property, plant and equipment recognised as assets are measured initially at cost.

Measurement after recognition

- IAS 16.29 An entity chooses an accounting policy and applies it to an entire class of property, plant and equipment using either:
- a) the cost model under IAS 16.30 (below); or
 - b) the revaluation model under IAS 16.31 (below).

Measurement after recognition

Cost model

- IAS 16.30 Subsequent to recognition as assets, items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Revaluation model

- IAS 16.31 Subsequent to recognition as assets, items of property, plant and equipment whose fair value can be reliably measured are carried at a revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

- IAS 16.31 Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Revaluations

- IAS 16.36 When an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued.

- IAS 16.39 When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity under the heading of revaluation surplus.

- IAS 16.39 However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

- IAS 16.40 When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss.

- IAS 16.40 However, the decrease is debited directly to equity under the heading revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Depreciation

- IAS 16.43 Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

- IAS 16.48 An entity recognises depreciation charge for each period in profit or loss unless it is included in the carrying amount of another asset (see 2.7 *Inventories*, page 45 and 2.3 *Intangible assets and goodwill*, page 21).

² See Appendix 1 for scope of IAS 16 and IFRS 5.

Specific balance sheet items

2.2 Property, plant and equipment

IFRS 5.25 Property plant and equipment that is classified as held for sale under IFRS 5 is not depreciated (see 4.4 *Non-current assets held for sale and discontinued operations*, page 79).

Depreciable amount and depreciation period

IAS 16.50 The depreciable amounts of items of property, plant and equipment are allocated on a systematic basis over their useful lives.

Depreciation method

IAS 16.60 Depreciation methods reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

Review of useful life and residual value

IAS 16.51 Residual value and the useful life of an asset are reviewed at least at each financial year-end, and if expectations differ from previous estimates, such a change is accounted as a change in an accounting estimate under IAS 8 (see 1.8 *Prior period adjustments and other accounting changes*, page 15).

Review of depreciation method

IAS 16.61 Depreciation methods are reviewed at least at each financial year end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in those assets, the method is changed to reflect the changed pattern.

IAS 16.61 Such a change is accounted for as a change in accounting estimate under IAS 8 (see 1.8 *Prior period adjustments and other accounting changes*, page 15).

Derecognition

IAS 16.67 Carrying amounts of items of property, plant and equipment are derecognised:

- a) on disposal; or
 - b) when no future economic benefits are expected from its use or disposal.
-

IAS 16.68 Gains or losses arising from the derecognition of an item of property, plant and equipment are included in profit or loss when the items are derecognised (unless IAS 17 requires otherwise on a sale and lease back – see 4.1 *Leases*, page 71).

IAS 16.68 Gains are not classified as revenue.

IAS 16.71 Gains or losses arising from the derecognition of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation for impairments

IAS 16.65 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up are included in profit or loss when the compensation becomes receivable.

Recognition and measurement of an impairment loss

See 2.9 *Impairment*, page 47.

Transitional provisions

IAS 16.80 The requirements of IAS 16.24-26 regarding the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction are applied prospectively only to transactions occurring after the beginning of the financial reporting in which IAS 16 (revised 2003) is applied.

2.3 Intangible assets and goodwill³

Definitions

Intangible assets

Identifiability

IAS 38.12 An asset meets the identifiability criterion in the definition of an intangible asset when it:

- a) is separable, i.e., is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Recognition and measurement

IAS 38.18 An intangible item is recognised if, and only if:

- 38.21
- a) it meets the definition of an intangible asset;
 - b) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
 - c) the cost of the asset can be measured reliably.

IAS 38.22 The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

IAS 38.24 An intangible asset is measured initially at cost.

Acquisition as part of a business combination

Subsequent expenditure on an acquired in-process research and development project

IAS 38.42 Research or development expenditure that:

- a) relates to an in-process research or development project acquired separately or in a business combination and recognised as an intangible asset; and
 - b) is incurred after the acquisition of that project;
- is accounted for in accordance with IAS 38.54-62.

Internally generated goodwill

IAS 38.48 Internally generated goodwill is not recognised as an asset.

Goodwill arising from a business combination

IFRS 3 Any goodwill arising from a business combination is accounted for under IFRS 3 (see 1.6 Business combinations, page 10).

Research phase

IAS 38.54 No intangible asset arising from research (or from the research phase of an internal project) is recognised. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Development phase

IAS 38.57 An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following can be demonstrated:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) the intention to complete the intangible asset and use or sell it;
- c) the ability to use or sell the intangible asset;

³ See Appendix 1 for scope of IFRS 3, IAS 38 and SIC-32.

Specific balance sheet items

2.3 Intangible assets and goodwill

- d) how the intangible asset will generate probable future economic benefits. Among other things, the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset needs to be demonstrated; _____
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and _____
- f) the ability to measure reliably the expenditure attributable to the intangible asset during its development. _____

IAS 38.63 Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. _____

Web site costs

SIC 32.7 The requirements of IAS 38 are applicable to an entity's own Web site that arises from development and is for internal or external access. _____

SIC 32.8 A Web site arising from development is recognised as an intangible asset if, and only if, it complies with: _____

- a) the general requirements described in IAS 38.21 above, for recognition and initial measurement; and _____
- b) the requirements in IAS 38.57, in particular IAS 38.57(d) above. _____

SIC 32.8 When an entity is unable to demonstrate probable future economic benefits (IAS 38.57(d) above) flowing from a Web site, e.g., when the Web site is developed primarily for the purpose of promoting and advertising, all expenditure on developing the Web site is recognised as an expense when incurred. _____

SIC 32.9 Any internal expenditure on the development and operation of an entity's own Web site is accounted for in accordance with IAS 38. _____

SIC 32.9 The nature of each activity for which expenditure is incurred and the Web site's stage of development or post development is evaluated to determine the appropriate accounting treatment. For example: _____

- a) the planning stage is similar to the research phase in IAS 38.54-56. Expenditure incurred in this stage is recognised as an expense when it is incurred; _____
- b) the application and infrastructure development stage, the graphical design stage and the content development stage, to the extent that content is developed for purposes other than to advertise and promote an entity's own products and services, are similar in nature to the development phase in IAS 38.57-64. Expenditure incurred in these stages is recognised as an intangible asset if in accordance with SIC-32.8 (above), i.e., expenditure can be directly attributed or allocated on a reasonable and consistent basis, to preparing the Web site for its intended use; _____
- c) if expenditure incurred in the content development stage relates to content developed to advertise and promote an entity's own products and services then such expenditure is recognised as an expense in accordance with IAS 38.69(c); and _____
- d) the operating stage begins once development of a Web site is complete. Expenditure incurred in this stage is recognised as an expense when it is incurred unless it meets the recognition criteria in IAS 38.18 (above). _____

SIC 32.10 A Web site that is recognised as an intangible asset under SIC-32.8 (above) is measured after initial recognition by applying the requirements of IAS 38.72-87. The best estimate of a Web site's useful life is short. _____

Recognition of an expense

- IAS 38.68* Expenditure on an intangible item is recognised as an expense when it is incurred unless:
- a) it forms part of the cost of an intangible asset that meets the recognition criteria (see IAS 38.18-67); or
 - b) the item is acquired in a business combination and cannot be recognised as an intangible asset. If this is the case, this expenditure (included in the cost of the business combination) forms part of the amount attributed to goodwill at the acquisition date (see IFRS 3).

Past expenses not to be recognised as an asset

- IAS 38.71* Expenditure on an intangible item that was initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

Measurement after recognition

- IAS 38.72* Choose either the cost model (IAS 38.74 below) or the revaluation model (IAS 38.75 below) as an accounting policy (see below for further details).

- IAS 38.72* If an intangible asset is accounted for using the revaluation model, all the other assets in its class are also accounted for using the same model, unless there is no active market for those assets.

Cost model

- IAS 38.74* After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Revaluation model

- IAS 38.75* After initial recognition, an intangible asset is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. For the purpose of revaluations under IAS 38, fair value is determined by reference to an active market. Revaluations are made with such regularity that at the balance sheet date the carrying amount of the asset does not differ materially from its fair value.

- IAS 38.81* If an intangible asset in a class of revalued intangible assets cannot be revalued because there is no active market for this asset, the asset is carried at its cost less any accumulated amortisation and impairment losses.

- IAS 38.82* If the fair value of a revalued intangible asset can no longer be determined by reference to an active market, the carrying amount of the asset is its revalued amount at the date of the last revaluation by reference to the active market less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

- IAS 38.85* If an intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity under the heading of revaluation surplus. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

- IAS 38.86* If an intangible asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is debited directly to equity under the heading of revaluation surplus to the extent of any credit balance in the revaluation surplus in respect of that asset.

Useful life

- IAS 38.88* Assess whether the useful life of an intangible asset is finite or indefinite and, if finite, assess the length of, or number of production or similar units constituting, that useful life. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors,

Specific balance sheet items

2.3 Intangible assets and goodwill

there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

IAS 38.94 The useful life of an intangible asset that arises from contractual or other legal rights does not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity expects to use the asset.

IAS 38.94 If the contractual or other legal rights are conveyed for a limited term that can be renewed, the useful life of the intangible asset includes the renewal period(s) only if there is evidence to support renewal by the entity without significant cost.

Intangible assets with finite useful lives**Amortisation period and amortisation method**

IAS 38.97 Allocate the depreciable amount of an intangible asset with a finite useful life on a systematic basis over its useful life.

IAS 38.97 Amortisation begins when the asset is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

IAS 38.97 Amortisation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognised (see 4.4 *Non-current assets held for sale and discontinued operations*, page 79).

IAS 38.97 The amortisation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method is used.

IAS 38.97 The amortisation charge for each period is recognised in profit or loss unless IAS 38 or another standard permits or requires it to be included in the carrying amount of another asset.

Residual value

IAS The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

- 38.100*
- a) there is a commitment by a third party to purchase the asset at the end of its useful life; or
 - b) there is an active market for the asset and:
 - i) residual value can be determined by reference to that market; and
 - ii) it is probable that such a market will exist at the end of the asset's useful life.
-

Review of amortisation period and amortisation method

IAS The amortisation period and the amortisation method for an intangible asset with a finite useful life
38.104 is reviewed at least at each financial year-end.

IAS If the expected useful life of the asset is different from previous estimates, the amortisation period
38.104 is changed accordingly.

IAS If there has been a change in the expected pattern of consumption of the future economic benefits
38.104 embodied in the asset, the amortisation method is changed to reflect the changed pattern. Such changes are accounted for as changes in accounting estimates under IAS 8 (see 1.8 *Prior period adjustments and other accounting changes*, page 15).

Intangible assets with indefinite useful lives

IAS An intangible asset with an indefinite useful life is not amortised.
38.107

Review of useful life assessment

IAS
38.109 The useful life of an intangible asset that is not being amortised is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate in accordance with IAS 8 (see *1.8 Prior period adjustments and other accounting changes*, page 15).

Retirements and disposals

IAS
38.112 An intangible asset is derecognised:
a) on disposal; or
b) when no future economic benefits are expected from its use or disposal.

IAS
38.113 The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

IAS
38.113 The gain or loss arising from the derecognition is recognised in profit or loss when the intangible asset is derecognised (unless IAS 17 requires otherwise on a sale and leaseback).

IAS
38.113 Gains are not classified as revenue.

Transitional provisions and effective date

IAS
38.129 If an entity elects in accordance with paragraph 85 of IFRS 3 (see *1.6 Business combinations*, page 10) to apply IFRS 3 from any date before the effective dates set out in paragraphs 78-84 of IFRS 3, it also shall apply IAS 38 (revised 2004) prospectively from that same date. The entity:
a) shall not adjust the carrying amount of intangible assets recognised at that date; and
b) shall, at that date, apply IAS 38 (revised 2004) to reassess the useful lives of its recognised intangible assets. If, as a result of that reassessment, the entity changes its assessment of the useful life of an asset, that change shall be accounted for as a change in an accounting estimate in accordance with IAS 8 (see *1.8 Prior period adjustments and other accounting changes*, page 15).

IAS
38.130 An entity that does not apply IAS 38.129 (above) shall apply IAS 38 (revised 2004): (a) to the accounting for intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004; and (b) to the accounting for all other intangible assets prospectively from the beginning of the first annual period beginning on or after 31 March 2004. Thus, the entity:
a) shall not adjust the carrying amount of intangible assets recognised at that date; and
b) shall, at that date, apply this standard to reassess the useful lives of such intangible assets. If, as a result of that reassessment, the entity changes its assessment of the useful life of an asset, that change shall be accounted for as a change in an accounting estimate in accordance with IAS 8 (see *1.8 Prior period adjustments and other accounting changes*, page 15).

Early application

IAS
38.132 Entities to which paragraph 130 applies are encouraged to apply the requirements of IAS 38 (revised 2004) before the effective dates specified in paragraph 130. However, if an entity applies this standard before those effective dates, it also shall apply IFRS 3 and IAS 36 (revised 2004) at the same time (see *1.6 Business combinations*, page 10 and *2.9 Impairment*, page 47).

2.4 Investment property⁴

Classification

IAS 40.6 A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property meets the definition of an investment property and the lessee uses the fair value model set out in IAS 40.33-35 (below) for the asset recognised. _____

IAS 40.6 This classification alternative is available on a property-by-property basis. _____

IAS 40.6 When this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property is accounted for using the fair value model. _____

Recognition

IAS 40.16 Investment property is recognised as an asset when:

- a) it is probable that future economic benefits associated with the asset will flow to the entity; and _____
- b) the cost of the asset to the entity can be measured reliably. _____

Measurement at recognition

IAS 40.20 Investment property is measured initially at cost, including transaction costs. _____

IAS 40.25 The initial cost of a property interest held under a lease and classified as an investment property is the amount as prescribed for a finance lease by IAS 17.20 (see 4.1 Leases, page 71) i.e., the asset is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. _____

IAS 40.25 An equivalent amount is recognised as a liability in accordance with IAS 17.20 (see 4.1 Leases, page 71). _____

Measurement after recognition

Accounting policy

IAS 40.30 With the exceptions noted in IAS 40.32A and 34 below, choose either the fair value model (IAS 40.33-55) or the cost model (IAS 40.56 below) as accounting policy and applies that policy to all investment property. _____

Investment property linked to liabilities

IAS An entity may:

- 40.32A* a) choose either the fair value model or the cost model for all investment property backing liabilities that pay a return linked directly to the fair value of, or returns from, specified assets including that investment property; and _____
- b) choose either the fair value model or the cost model for all other investment property, regardless of the choice made in (a). _____

Fair value model

IAS 40.33 After initial recognition, an entity that chooses the fair value model measures all investment property at its fair value (subject to the limited exception in IAS 40.53 below). _____

IAS 40.34 When a property interest held by a lessee under an operating lease is classified as an investment property under IAS 40.6 above, the fair value model must be applied (i.e., there is no choice under IAS 40.30 above). _____

IAS 40.35 A gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises. _____

IAS 40.38 The fair value of investment property reflects market conditions at the balance sheet date. _____

⁴ See Appendix 1 for scope of IAS 40.

Inability to determine fair value reliably

IAS 40.53 There is a rebuttable presumption that the fair value of investment property can be determined reliably on a continuing basis.

IAS 40.53 In exceptional cases there is clear evidence when an entity first acquires an investment property (or when an existing property first becomes investment property following the completion of construction or development, or after a change in use) that the entity will not be able to determine the fair value of the property reliably on a continuing basis. This arises when, and only when, comparable market transactions are infrequent and alternative estimates of fair value are not available (e.g., based on discounted cash flow projections). In such cases that investment property is measured using the cost model in accordance with IAS 16 (see 2.2 *Property, plant and equipment*, page 19). The residual value is assumed to be zero. IAS 16 is applied to such property until its disposal.

IAS 40.55 If an entity has previously measured an investment property at fair value, it continues to measure it at fair value until disposal (or until the property becomes owner-occupied property or the entity begins to develop the property for subsequent sale in the ordinary course of business) even if comparable market transactions become less frequent or market prices becomes less readily available.

Cost model

IAS 40.56 After initial recognition, an entity that chooses the cost model measures all of its investment properties in accordance with the requirements for the cost model in IAS 16 (see 2.2 *Property, plant and equipment*, page 19) other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) under IFRS 5, which are measured in accordance with the requirements in IFRS 5 (see 4.4 *Non-current assets held for sale and discontinued operations*, page 79).

Transfers

IAS 40.57 Transfers to or from investment property are made when, and only when, there is a change in use, evidenced by:

- a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
 - b) commencement of development with a view to sale, for a transfer from investment property to inventories;
 - c) end of owner-occupation, for a transfer from owner-occupied property to investment property;
 - d) commencement of an operating lease to another party, for a transfer from inventories to investment property; and
 - e) end of construction or development, for a transfer from property in the course of construction or development (covered by IAS 16) to investment property.
-

IAS 40.60 For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting under IAS 16 (see 2.2 *Property, plant and equipment*, page 19) or IAS 2 (see 2.7 *Inventories*, page 45) is its fair value at the date of change in use.

IAS 40.61 If an owner-occupied property becomes an investment property that will be carried at fair value, IAS 16 is applied up to date of change in use. Any difference at that date between the carrying amount of the property and its fair value is accounted for in the same way as a revaluation under IAS 16.

IAS 40.63 For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

IAS 40.65 When the construction or development of a self-constructed investment property that will be carried at fair value is completed, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Disposals

IAS 40.66 Investment property is derecognised (eliminated from the balance sheet) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal.

IAS 40.69 Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss (unless IAS 17 requires otherwise on a sale and leaseback – see 4.1 Leases, page 71) in the period of retirement or disposal.

IAS 40.72 Compensation from third parties for investment property that was impaired, lost or given up is recognised in profit or loss when the compensation becomes receivable.

Transitional provisions

Fair value model

IAS 40.80 An entity that has previously applied IAS 40 (2000) and elects for the first time to classify and account for some or all eligible property interests held under operating leases as investment property recognises the effect of that election as an adjustment to the opening balance of retained earnings for the period in which the election is first made.

2.5 Investments in associates and joint ventures⁵

Associates

Application of the equity method

IAS 28.13 An investment in an associate is accounted for using the equity method except when:

- a) the investment is classified as held for sale in accordance with IFRS 5;
- b) the exception in IAS 27.10 allowing a parent that also has an investment in an associate not to present consolidated financial statements is applicable;
- c) all of the following apply:
 - i) the investor is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owner, including those not otherwise entitled to vote, have been informed about, and do not object to, the investor not applying the equity method;
 - ii) the investor's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
 - iii) the investor did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and
 - iv) the ultimate or any intermediate parent of the investor produces consolidated financial statements available for public use that comply with IFRS.

IAS 28.14 Investments classified as held for sale under IFRS 5 are accounted for in accordance with that standard (see 4.4 Non-current assets held for sale and discontinued operations, page 79).

IAS 28.18 An investor discontinues the use of the equity method from the date that it ceases to have significant influence and accounts for the investment in accordance with IAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in IAS 31 (see below).

⁵ See Appendix 1 for scope of IAS 27, 28, 31 and SIC-13.

IAS 28.19 The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset under IAS 39 (see 2.6 *Financial instruments, including hedging*, page 32).

IAS 28.24 The investor uses the most recent available financial statements of the associate in applying the equity method.

IAS 28.24 When the reporting dates of the investor and the associate are different, the associate prepares for the investor's use, financial statements as of the same date as of the financial statements of the investor unless it is impracticable to do so.

IAS 28.25 When, in accordance with IAS 28.24 above, the financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the investor, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

IAS 28.25 The difference between the reporting date of the associate and that of the investor is not more than three months.

IAS 28.25 The length of the reporting periods and any difference in the reporting dates is same from period to period.

IAS 28.26 The investor's financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Separate financial statements

IAS 28.35 An investment in an associate is accounted for in the investor's separate financial statements in accordance with IAS 27.37-42 (see 1.5 *Consolidation*, page 8).

IAS 27.37 When separate financial statements are prepared, investments in associates that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 are accounted for either:

- a) at cost; or
 - b) in accordance with IAS 39 (see 2.6 *Financial instruments, including hedging*, page 32).
-

IAS 27.37 The same accounting is applied for each category of investments.

IAS 27.37 Investments in associates that are classified as held for sale (or included in a disposal group that is classified as held for sale) under IFRS 5 are accounted for in accordance with that standard.

IAS 27.39 Investments in associates that are accounted for in accordance with IAS 39 (see 2.6 *Financial instruments, including hedging*, page 32) in the consolidated financial statements are accounted in the same way in the investor's separate financial statements.

Joint ventures

Jointly controlled operations

IAS 31.15 In respect of its interests in jointly controlled operations, a venturer recognises in its financial statements:

- a) the assets that it controls and the liabilities that it incurs; and
 - b) the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.
-

Jointly controlled assets

IAS 31.21 In respect of its interests in jointly controlled assets, a venturer recognises in its financial statements:

- a) its share of the jointly controlled assets, classified according to the nature of the assets;
-

Specific balance sheet items

2.5 Investments in associates and joint ventures

- b) any liability which it has incurred; _____
- c) its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; _____
- d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and _____
- e) any expenses which it has incurred in respect of its interest in the joint venture. _____

Jointly controlled entities

IAS 31.1 A venturer's interest in jointly controlled entities held by venture capital organisations, mutual funds, unit trusts and similar entities including investment-linked insurance funds that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IAS 39 with changes in fair value recognised in profit or loss in the period of the change. _____

Proportionate consolidation

IAS 31.30 A venturer recognises its interests in jointly controlled entities using one of the two reporting formats for proportionate consolidation (combine on a line-by-line basis or use separate line items) or equity method as described in IAS 31.38 below. _____

IAS 31.36 A venturer discontinues the use of proportionate consolidation from the date on which its joint control over a jointly controlled entity ceases. _____

Equity method

IAS 31.38 As an alternative to proportionate consolidation as described in IAS 31.30 above, a venturer may recognise its interest in a jointly controlled entity using the equity method. _____

IAS 31.41 A venturer discontinues the use of the equity method from the date on which it ceases to have joint control over, or significant influence in, a jointly controlled entity. _____

Exceptions to proportionate consolidation and equity method

IAS 31.2 A venturer with an interest in a jointly controlled entity is exempted from proportionate consolidation (see IAS 31.30 above) and equity method (see IAS 31.38 above) when it meets the following conditions:

- a) the interest is classified as held for sale in accordance with IFRS 5; _____
- b) the exception in IAS 27.10 allowing a parent that also has an interest in a jointly controlled entity not to present consolidated financial statements is applicable; or _____
- c) all of the following apply:
 - i) the venturer is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the venturer not applying proportionate consolidation or the equity method; _____
 - ii) the venturer's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); _____
 - iii) the venturer did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and _____
 - iv) the ultimate or any intermediate parent of the venturer produces consolidated financial statements available for public use that comply with IFRS. _____

IAS 31.42 A venturer accounts for its interest in a jointly controlled entity that is classified as held for sale under IFRS 5 in accordance with that standard. _____

IAS 31.45 From the date on which a jointly controlled entity becomes a subsidiary of a venturer, the interest is accounted for in accordance with IAS 27 (see 1.5 Consolidation, page 8). _____

IAS 31.45 From the date on which a jointly controlled entity becomes an associate of a venturer, the interest is accounted for in accordance with IAS 28 (see above). _____

Separate financial statements of a venturer

IAS 31.46 A venturer accounts for its interest in a jointly controlled entity in its separate financial statements in accordance with IAS 27.37-42 (see 1.5 *Consolidation*, page 8). _____

IAS 27.37 When separate financial statements are prepared, investments in jointly controlled entities that are not classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 are accounted for either:

a) at cost; or _____

b) in accordance with IAS 39 (see 2.6 *Financial instruments, including hedging*, page 32). _____

IAS 27.37 The same accounting is applied for each category of investments. _____

IAS 27.37 Investments in jointly controlled entities that are classified as held for sale (or included in a disposal group that is classified as held for sale) under IFRS 5 are accounted for in accordance with that standard. _____

IAS 27.39 Investments in jointly controlled entities that are accounted for in accordance with IAS 39 (see 2.6 *Financial instruments, including hedging*, page 32) in the consolidated financial statements are accounted in the same way in the investor's separate financial statements. _____

Transactions between a venturer and a joint venture

IAS 31.48 When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction reflects the substance of the transaction. _____

IAS 31.48 While the assets are retained by the joint venture, and provided the joint venturer has transferred the significant risks and rewards of ownership, the venturer recognises only that portion of the gain or loss that is attributable to the interests of the other venturers (see also SIC-13 below). _____

IAS 31.48 A venturer recognises the full amount of any loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss. _____

IAS 31.49 When a venturer purchases assets from a joint venture, the venturer does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. _____

IAS 31.49 A venturer recognises its share of losses resulting from these transactions in the same way as profits except that losses are recognised immediately when they represent a reduction in the net realisable value of current assets or an impairment loss. _____

Non-monetary contributions

SIC 13.5 When a venturer contributes a non-monetary asset to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity, a venturer recognises in profit or loss for the period the portion of a gain or loss attributable to the equity interests of the other venturers except when:

a) the significant risks and rewards of ownership of the contributed non-monetary asset(s) have not been transferred to the jointly controlled entity; _____

b) the gain or loss on the non-monetary contribution cannot be measured reliably; or _____

c) the contributed transaction lacks commercial substance, as that term is described in IAS 16. _____

SIC 13.5 Where any of the exceptions (a), (b) or (c) applies, the gain or loss is regarded as unrealised and is therefore not recognised in profit or loss unless SIC-13.6 below also applies. _____

SIC 13.6 If, in addition to receiving an equity interest in the jointly controlled entity, a venturer receives monetary or non-monetary assets, an appropriate portion of gain or loss on the transaction is recognised by the venturer in profit or loss. _____

Specific balance sheet items

2.6 Financial instruments, including hedging

SIC 13.7 Unrealised gains or losses on non-monetary assets contributed to a jointly controlled entity are eliminated against the underlying assets under the proportionate consolidation method or against the investment under the equity method. _____

SIC 13.7 Such unrealised gains or losses are not presented as deferred gains or losses in the venturer's consolidated balance sheet. _____

Reporting interests in joint ventures in the financial statements of an investor

IAS 31.51 An investor in a joint venture that does not have joint control accounts for that investment in accordance with IAS 39 (see 2.6 *Financial instruments, including hedging*, page 32) or, if it has significant influence in the joint venture, in accordance with IAS 28. _____

Operators of joint ventures

IAS 31.52 Operators or managers of a joint venture account for any fees in accordance with IAS 18 (see 3.2 *Revenue*, page 58). _____

2.6 Financial instruments, including hedging^{6,7}**Presentation****Liabilities and equity**

IAS 32.15 The issuer of a financial instrument classifies the instrument, or its component parts, as a financial liability, financial asset or an equity instrument in accordance with the substance of the contractual arrangement on initial recognition and the definitions of a financial liability, financial asset and an equity instrument. _____

IAS 32.26 When a derivative financial instrument gives one party a choice over how it is settled (e.g., the issuer or the holder can choose settlement net in cash or by exchanging shares for cash), it is a financial asset or a financial liability unless all of the settlement alternatives would result in it being an equity instrument. _____

Classification of compound instruments by the issuer

IAS 32.28 The issuer of a non-derivative financial instrument evaluates the terms of the financial instrument to determine whether it contains both a liability and an equity component. Such components are classified separately as financial liability, financial assets or equity instruments in accordance with IAS 32.15 above. _____

Treasury shares

IAS 32.33 If an entity reacquires its own equity instruments, those instruments (e.g., treasury shares) are deducted from equity. _____

IAS 32.33 No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. _____

IAS 32.33 Such equity instruments may be acquired and held by the entity or by other members of the consolidated group. _____

IAS 32.33 Consideration paid or received is recognised directly in equity. _____

Interest, dividends, losses and gains

IAS 32.35 Interest, dividends, losses and gains relating to a financial instrument, or a component that is a financial liability are recognised in profit or loss as income or expense. _____

⁶ See Appendix 1 for scope of IAS 32 and 39

⁷ The KPMG publication *Financial Instruments Accounting*, issued in March 2004, provides further guidance on the requirements of IAS 39.

IAS 32.35 Distributions to holders of an equity instrument are debited by the entity directly to equity, net of any related income tax benefit. _____

IAS 32.35 Transaction costs of an equity transaction, other than costs of issuing an equity instrument that are directly attributable to the acquisition of a business (see *1.6 Business combinations*, page 10) are accounted for as a deduction from equity, net of any related income tax benefit. _____

Offsetting

IAS 32.42 A financial asset and a financial liability are offset and the net amount reported in the balance sheet when an entity both:

- a) currently has a legally enforceable right to set off the recognised amounts; and _____
- b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. _____

IAS 32.42 In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability (see *IAS 39.36* below). _____

Embedded derivatives

IAS 39.11 An embedded derivative is separated from the host contract and accounted for as a derivative under *IAS 39* if all of the following conditions are met:

- a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; _____
- b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and _____
- c) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e., a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated). _____

IAS 39.11 If an embedded derivative is separated, the host contract itself is accounted for:

- a) under *IAS 39* if it is, itself, a financial instrument; and _____
- b) in accordance with other appropriate standard if it is not a financial instrument. _____

IAS 39.12 If an entity is required by *IAS 39* to separate an embedded derivative from its host contract but is unable to separately measure the embedded derivative either at acquisition or at a subsequent financial reporting date, the entire combined contract is treated as a financial instrument held for trading. _____

Recognition and derecognition

Initial recognition

IAS 39.14 An entity recognises a financial asset or financial liability on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. _____

Derecognition of a financial asset

IAS 39.16 Before evaluating whether, and to what extent, derecognition is appropriate under *IAS 39.17-23*, an entity determines whether those paragraphs should be applied to a part of a financial asset (or a part of a group of similar financial assets) or a financial asset (or a group of similar financial assets) in its entirety as described below. _____

IAS 39.16(a) *IAS 39.17-23* are applied to a part of a financial asset (or part of a group of similar financial asset) if, and only if, the part being considered for derecognition meets one of the following three conditions:

- a) the part comprises only specifically identified cash flows from a financial asset (or a group of similar financial assets); _____
- b) the part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset (or a group of similar financial assets); and _____

- c) the part comprises only a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets). _____

IAS 39.16(b) In cases other than those described in IAS 39.16(a) above, IAS 39.17-23 are applied to the financial asset in its entirety (or to the group of similar financial assets in their entirety). _____

IAS 39.16 In IAS 39.17-26 (referred to below) the term 'financial asset' refers to either a part of a financial asset (or a part of a group of similar financial assets) as identified in 39.16(a) above or, otherwise, a financial asset (or a group of similar financial assets) in its entirety. _____

IAS 39.17 An entity derecognises a financial asset when and only when:

- a) the contractual rights to cash flows form the financial asset expire; or _____
 b) it transfers the financial asset in accordance with IAS 39.18 and 19 below and the transfer qualifies for derecognition in accordance with IAS 39.20 below. _____

Refer to IAS 39.38 below for regular way sales of financial assets. _____

IAS 39.18 An entity transfers a financial asset, if and only if, it either:

- a) transfers the contractual rights to receive the cash flows of the financial asset; or _____
 b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in IAS 39.19 below. _____

IAS 39.19 When an entity retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), the entity treats the transaction as a transfer of financial asset if, and only if, all of the following three conditions are met:

- a) the entity has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition; _____
 b) the entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and _____
 c) the entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients. _____

IAS 39.20 When an entity transfers a financial asset (see IAS 39.18 above), it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. In this case:

- a) if the entity transfers substantially all the risks and rewards of ownership of the financial asset, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; _____
 b) if the entity retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the financial asset; _____
 c) if the entity neither transfers not retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case:
 i) if the entity has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; and _____
 ii) if the entity has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset (see IAS 39.30 below). _____

Transfers that qualify for derecognition

IAS 39.24 If an entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. _____

IAS 39.24 If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. _____

IAS 39.24 If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset in accordance with IAS 39.27 below. _____

IAS 39.25 If as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liabilities at fair value. _____

IAS 39.26 On derecognition of a financial asset in its entirety, the difference between: _____

- a) the carrying amount; and _____
- b) the sum of: _____
 - i) the consideration received (including any new asset obtained less any new liability assumed); and _____
 - ii) any cumulative gain or loss that had been recognised directly in equity (see IAS 39.55(b) below). _____

IAS 39.27 If the transferred asset is part of a larger financial asset (e.g., when an entity transfers interest cash flows that are part of a debt instrument, see IAS 39.16(a) above) and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between: _____

- a) the carrying amount allocated to the part derecognised; and _____
- b) the sum of: _____
 - i) the consideration received for the part derecognised (including any new asset obtained less any new liability assumed); and _____
 - ii) any cumulative gain or loss allocated to it that had been recognised directly in equity (see IAS 39.55(b) below); _____

is recognised in profit or loss. A cumulative gain or loss that had been recognised in equity is allocated between that part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts. _____

Transfers that do not qualify for derecognition

IAS 39.29 If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. _____

In subsequent periods, the entity recognises any income on the transferred asset and any expense incurred on the financial liability. _____

Continuing involvement in transferred assets

IAS 39.30 If an entity neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the entity continues to recognise the transferred asset to the extent of its continuing involvement. The extent of the entity's continuing _____

involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. For example:

- a) when the entity's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity's continuing involvement is the lower of:
 - i) the amount of the asset; and
 - ii) the maximum amount of the consideration received that the entity could be required to repay ('the guarantee amount');
- b) when the entity's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase. However, in the case of written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price; and
- c) when the entity's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the entity's continuing involvement is measured in the same way as that which results from non-cash settled options as set in (b) above.

IAS 39.31 When an entity continues to recognise an asset to the extent of its continuing involvement, the entity also recognises an associated liability. Despite the other measurement requirements in IAS 39, the transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

- a) the amortised cost of the rights and obligations retained by the entity, if the transferred asset is measured at amortised cost; or
- b) equal to the fair value of the rights and obligations retained by the entity when measured on a stand-alone basis, if the transferred asset is measured at fair value.

IAS 39.32 The entity continues to recognise any income arising on the transferred asset to the extent of its continuing involvement and recognises any expense incurred on the associated liability.

IAS 39.33 For the purpose of subsequent measurement, recognised changes in the fair value of the transferred asset the associated liability are accounted for, consistently with each other in accordance with IAS 39.55 (below), and they are not offset.

IAS 39.34 If an entity's continuing involvement is in only a part of a financial asset (e.g., when an entity retains an option to repurchase part of a transferred asset, or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the entity retains control), the entity allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. For this purpose, IAS 39.28 applies.

The difference between:

- a) the carrying amount allocated to the part that is no longer recognised; and
- b) the sum of:
 - i) the consideration received for the part no longer recognised; and
 - ii) any cumulative gain or loss allocated to it that had been recognised directly in equity (see IAS 39.55(b) below);

is recognised in profit or loss. A cumulative gain or loss that had been recognised in equity is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

All transfers

IAS 39.36 If a transferred asset continues to be recognised, the asset and the associated liability are not offset. Similarly, the entity does not offset any income arising from the transferred asset with any expense incurred on the associated liability (see IAS 32.42 above).

IAS 39.37 If a transferor provides non-cash collateral (such as debt or equity instruments) to the transferee, the accounting for the collateral by the transferor and the transferee depends on whether the transferee has the right to sell or repledge the collateral and on whether the transferee has defaulted.

The transferor and transferee account for the collateral as follows:

- a) if the transferee has the right by contract or custom to sell or repledge the collateral, then the transferor reclassifies that asset in its balance sheet (e.g., as a loaned asset, pledged equity instruments or repurchase receivable) separately from other assets; _____
- b) if the transferee sells collateral pledged to it, it recognises the proceeds from the sale and a liability measured at fair value for its obligation to return the collateral; _____
- c) if the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, it derecognises the collateral, and the transferee recognises the collateral as its asset initially measured at fair value or, if it has already sold the collateral, derecognise its obligation to return the collateral; and _____
- d) except as provided in (c) above, the transferor continues to carry the collateral as its asset, and the transferee does not recognise the collateral as an asset. _____

Regular way purchase or sale of a financial asset [trade date versus settlement date]

IAS 39.38 A “regular way” purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (the date an entity commits to purchase the asset) or settlement date accounting (the day the asset is delivered to the entity) – see IAS 39.AG53-56. _____

Derecognition of a financial liability

IAS 39.39 An entity removes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished – i.e., when the obligation specified in the contract is discharged, cancelled, or expires. _____

IAS 39.40 An exchange between an existing borrower and lender of debt instruments with substantially different terms is an extinguishment of the original financial liability and recognition of a new debt instrument. _____

IAS 39.40 Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not due to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. _____

IAS 39.41 The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party, including any non-cash assets transferred or liabilities assumed is recognised in profit or loss. _____

Measurement

Initial measurement of financial assets and financial liabilities

IAS 39.43 When a financial asset or financial liability is recognised initially, an entity measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. _____

Subsequent measurement of financial assets

IAS 39.46 After initial recognition, an entity measures financial assets, including derivatives that are assets, at their fair values, without any deduction for transaction costs that it may incur on sale or other disposal, except for the following categories of financial assets:

- a) loans and receivables as defined in IAS 39.9 are measured at amortised cost using the effective interest method; _____
- b) held-to-maturity investments as defined in IAS 39.9 are measured at amortised cost using the effective interest method; and _____
- c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost. _____

IAS 39.46 Financial assets that are designated as hedged items are subject to measurement under the hedge accounting provisions in IAS 39.89-102. _____

IAS 39.46 All financial assets except those measured at fair value through profit or loss are subject to review for impairment in accordance with the guidance in IAS 39.58-70 and AG84-93. _____

Subsequent measurement of financial liabilities

IAS 39.47 After initial recognition, an entity measures all financial liabilities at amortised cost using the effective interest method except for:

- a) financial liabilities at fair value through profit or loss; _____
Such liabilities, including derivatives that are liabilities are measured at fair value except for a derivative liability that is linked to and must be settled by delivery of a unquoted equity instrument whose fair value cannot be reliably measured, which is measured at cost. _____
- b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or is accounted for using the continuing involvement approach. IAS 39.29 and 31 (above) apply to the measurement of such financial liabilities. _____

IAS 39.47 Financial liabilities that are designated as hedged items are subject to measurement under the hedge accounting provisions in IAS 39.89-102 below. _____

Fair value measurement considerations

IAS 39.48 In determining the fair value of a financial asset or a financial liability for the purpose of applying IAS 39 or IAS 32, an entity applies IAS 39.AG69-82. _____

Reclassifications

IAS 39.50 An entity does not reclassify a financial instrument into or out of the fair value through profit or loss category while it is held or issued. _____

IAS 39.51 If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held to maturity, it is reclassified as available-for-sale and remeasured at fair value. On such reclassification, the difference between the carrying amount of such an investment and its fair value is accounted for in accordance with IAS 39.55(b) below. _____

IAS 39.52 Whenever sales or reclassifications of more than an insignificant amount of held-to-maturity investment do not meet any of the conditions in IAS 39.9, any remaining held-to maturity investments are reclassified as available-for-sale. On such reclassification, the difference between the carrying amount of the investment and its fair value is accounted for in accordance with IAS 39.55(b) below. _____

IAS 39.53 If a reliable measure becomes available for a financial asset or financial liability for which such a measure was previously not available, and the asset or liability is required to be measured at fair value if a reliable measure is available (see IAS 39.46(c) and 47 above), the asset or liability is remeasured at fair value, and the difference between its carrying amount and fair value is accounted for in accordance with IAS 39.55 below. _____

IAS 39.54 If, as a result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available (see IAS 39.46(c) and 47 above) or because the 'two preceding financial years' referred to in IAS 39.9 have passed, it becomes appropriate to carry a financial asset or financial liability at cost or amortised cost rather than at fair value, the fair value carrying amount of the financial asset or the financial liability on that date becomes its new cost or amortised cost, as applicable. _____

IAS 39.54 Any previous gain or loss on that asset which previously has been carried at fair value that has been recognised directly in equity in accordance with IAS 39.55(b) below are accounted for as follows:

- a) In the case of a financial asset with a fixed maturity, the gain or loss is amortised to profit or loss over the remaining life of the held-to-maturity investment using the effective interest method. Any difference between the new amortised cost and maturity amount is also amortised over the remaining life of the financial asset using the effective interest method, similar to the amortisation of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognised directly in equity is recognised in profit or loss in accordance with IAS 39.67 below.
- b) In the case of a financial asset that does not have a fixed maturity, the gain or loss remains in equity until the financial asset is sold or otherwise disposed of, when it is recognised in profit or loss. If the financial asset is subsequently impaired any previous gain or loss that has been recognised directly in equity is recognised in profit or loss in accordance with IAS 39.67 below.

Gains and losses

IAS 39.55 A gain or loss arising from a change in the fair value of a financial asset or financial liability that is not part of a hedging relationship is recognised as follows:

- a) a gain or loss on a financial asset or liability classified as at fair value through profit or loss are recognised in profit or loss;
- b) a gain or loss on an available-for-sale financial asset is recognised directly in equity through the statement of changes in equity (see IAS 1 and 1.2 *Statement of changes in equity*, page 3) except for:
 - i) impairment losses (see IAS 39.67-70); and
 - ii) foreign exchange gains and losses (see IAS 39.AG83).

When the asset is derecognised the cumulative gain and loss previously recognised in equity is recognised in profit or loss.

However, interest calculated using the effective interest method (see IAS 39.9) is recognised in profit or loss (see IAS 18).

Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established (see IAS 18 and 3.2 *Revenue*, page 58)

IAS 39.56 For financial assets and financial liabilities carried at amortised cost (see IAS 39.46 and 47 above), a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process. However, for financial assets or financial liabilities that are hedged items (see IAS 39.78-84 and AG98-101) the gain or loss is accounted for under IAS 39.89-102.

IAS 39.57 If an entity recognises financial assets using settlement date accounting (see IAS 39.38, AG53 and AG56), any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost (other than impairment losses). For assets carried at fair value, however, the change in fair value is recognised in profit or loss or in equity, as appropriate under IAS 39.55 above.

Impairment and uncollectibility of financial assets

IAS 39.58 An entity assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

IAS 39.58 If any such evidence exists, to determine the amount of any impairment loss an entity applies:

- a) IAS 39.63 (below) for financial assets carried at amortised cost;
- b) IAS 39.66 (below) for financial assets carried at cost; or
- c) IAS 39.67 (below) for available-for-sale financial assets.

Specific balance sheet items

2.6 Financial instruments, including hedging

Financial assets carried at amortised cost

IAS 39.63 If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). _____

IAS 39.63 Where such an impairment loss arises, the carrying amount of the asset is reduced either directly or through use of an allowance account. _____

IAS 39.63 The amount of the loss resulting from that impairment loss is recognised in profit or loss. _____

IAS 39.65 If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss of the financial asset is reversed either directly or by adjusting an allowance account. _____

IAS 39.65 The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment loss is reversed. _____

IAS 39.65 The amount of the reversal of the impairment loss is recognised in profit or loss. _____

Financial assets carried at cost

IAS 39.66 If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured at the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset (see IAS 39.46(c), AG80 and AG81). _____

IAS 39.66 Such impairment losses are not reversed. _____

Available-for sale financial assets

IAS 39.67 If a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired (see IAS 39.59 above), the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. _____

IAS 39.68 The amount of the cumulative loss that is removed from equity and recognised in profit or loss under IAS 39.67 (above) is the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. _____

IAS 39.69 Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss. _____

IAS 39.70 If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. _____

Hedging

IAS 39.71 If there is a designated hedging relationship between a hedging instrument and a hedged item as described in IAS 39.85-88 and AG102-104, accounting for the gain or loss on the hedging instrument and the hedged item follows IAS 39.89-102 below. _____

Hedged items

Designation of a non-financial item as hedged items

IAS 39.82 If the hedged item is a non-financial asset or liability, it is designated as a hedged item either (a) for foreign currency risks or (b) in its entirety for all risks, because of the difficulty of isolating and measuring the appropriate portion of the cash flows or fair value changes attributable to specific risks other than foreign currency risks. _____

Hedge accounting

IAS 39.86 Hedging relationships are of three types:

- a) fair value hedge: a hedge of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect reported profit or loss; _____
- b) cash flow hedge: a hedge of the exposure to variability in cash flows that:
 - i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction; and _____
 - ii) could affect profit or loss; and _____
- c) hedge of a net investment in a foreign operation as defined in IAS 21 (see Appendix 2). _____

IAS 39.88 Under IAS 39, a hedging relationship qualifies for hedge accounting as set out in IAS 39.80-102 below if, and only if, all of the following conditions are met:

- a) at the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation includes:
 - i) identification of the hedging instrument; _____
 - ii) identification of the hedged item or transaction; _____
 - iii) the nature of the risk being hedged; and _____
 - iv) how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk; _____
- b) the hedge is expected to be highly effective (see IAS 39.AG105-113) in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship; _____
- c) for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss; _____
- d) the effectiveness of the hedge can be reliably measured, i.e., the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured (see IAS 39.46, 47, AG80 and AG81); and _____
- e) the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated. _____

Fair value hedges

IAS 39.89 If a fair value hedge meets the conditions to qualify for hedge accounting in IAS 39.88 above during the period, it is accounted for as follows:

- a) the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with IAS 21 (see 1.7 Foreign currency translation, page 12) (for a non-derivative hedging instrument) is recognised in profit or loss; and _____

Specific balance sheet items

2.6 Financial instruments, including hedging

- b) the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss. This applies if the hedged item is otherwise measured at cost. Recognition of the gain or loss attributable to the hedged risk in profit or loss applies if the hedged item is an available-for-sale asset. _____

IAS 39.91 An entity discontinues prospectively the hedge accounting specified in IAS 39.89 above if any one of the following occurs:

- a) the hedging instrument expires or is sold, terminated, or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not considered an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy); _____
- b) the hedge no longer meets the criteria for hedge accounting (see IAS 39.88 above); or _____
- c) the entity revokes the designation. _____

IAS 39.92 Any adjustment arising from IAS 39.89(b) above to the carrying amount of a hedged financial instrument that is measured at amortised cost (or, in the case of a portfolio hedge of interest rate risk, to the separate balance sheet item described in IAS 39.89A) is amortised to profit or loss. _____

IAS 39.92 Amortisation may begin either as soon as an adjustment exists and begins no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. _____

IAS 39.92 The adjustment is based on a recalculated effective interest rate at the date amortisation begins. _____

IAS 39.92 However, if, in the case of a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities (and only in such a hedge), amortisation using a recalculated effective interest rate is not practicable, the adjustment is amortised using a straight-line method. The adjustments is amortised fully by maturity of the financial instrument or, in the case of a portfolio hedge of interest rate risk, by expiry of the relevant repricing time period. _____

Cash flow hedges

IAS 39.95 If a cash flow hedge meets the conditions to qualify for hedge accounting in IAS 39.88 above during the period, it is accounted for as follows:

- a) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity through the statement of changes in equity (see *1.2 Statement of changes in equity*, page 3); and _____
- b) the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. _____

IAS 39.97 If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity in accordance with IAS 39.95 above are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that interest income or interest expense is recognised). _____

IAS 39.97 However, if an entity expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it reclassifies into profit or loss the amount that is not expected to be recovered. _____

IAS 39.98 If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the entity adopts either of the following:

- a) it reclassifies the associated gains and losses that were recognised directly in equity in accordance with IAS 39.95 above into profit or loss in the same period or periods during which

the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense or cost of sales is recognised). However, if an entity expects that all or a portion of a loss recognised directly in equity will not be recovered in one or more future periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

- b) it removes the associated gains and losses that were recognised directly in equity in accordance with IAS 39.95 above and includes them in the initial cost or other carrying amount of the asset or liability.

IAS 39.99 An entity adopts either IAS 39.98(a) or (b) above as its accounting policy and applies it consistently to all hedges to which IAS 39.98 relates.

IAS 39.100 For cash flow hedges other than those covered by IAS 39.97 and 98 above, amounts that had been recognised directly in equity are included in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss (e.g., when a forecast sale actually occurs).

IAS 39.101 An entity discontinues prospectively the hedge accounting specified in IAS 39.95-100 above if any of the following circumstances occur:

- a) The hedging instrument expires or is sold, terminated, or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not considered an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy).

In this case, the cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective (see IAS 39.95(a) above) remains separately recognised in equity until the forecast transaction occurs. When the transaction occurs, IAS 39.97, 98 or 100 above applies.

- b) The hedge no longer meets the criteria for hedge accounting in IAS 39.88 above.
In this case, the cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective (see IAS 39.95(a) above) remains separately recognised in equity until the forecast transaction occurs. When the transaction occurs, IAS 39.97, 98 or 100 above applies; or
- c) the forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective (see IAS 39.95(a) above) is recognised in profit or loss. A forecast transaction that is no longer highly probable (see IAS 39.88(c) above) may still be expected to occur; or
- d) the entity revokes the designation.

For hedges of a forecast transaction, the cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective (see IAS 39.95(a) above) remains separately recognised in equity until the forecast transaction occurs or is no longer expected to occur. When the transaction occurs, IAS 39.97, 98 or 100 applies.

If the transaction is no longer expected to occur, the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Hedges of a net investment

IAS 39.102 Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment (see IAS 21 and *1.7 Foreign currency translation*, page 12) are accounted for similarly to cash flow hedges:

- a) the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (see IAS 39.88 above) is recognised directly in equity through the statement of changes in equity (see IAS 1 and *1.2 Statement of changes in equity*, page 3); and
- b) the ineffective portion is recognised in profit or loss.

Specific balance sheet items

2.6 Financial instruments, including hedging

IAS 39.102 The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised directly in equity is recognised in profit or loss on disposal of the foreign operation. _____

Transitional provisions

IAS 39.104 IAS 39 (revised 2004) is applied retrospectively except as specified in IAS 39.105-108 below. _____

IAS 39.104 The opening balance of retained earnings for the earliest prior period presented and all other comparative amounts are adjusted as if IAS 39 had always been in use unless restating the information would be impracticable. _____

IAS 39.105 When IAS 39 (revised 2004) is first applied, an entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or available-for-sale despite the requirement in IAS 39.9 to make such designation upon initial recognition. _____

IAS 39.105 For any such financial asset designated as available-for-sale, the entity recognises all cumulative changes in fair value in a separate component of equity until subsequent derecognition or impairment, when the entity transfers that cumulative gain or loss to profit or loss. _____

IAS 39.105 For any financial instrument designated as at fair value through profit or loss or available-for-sale, the entity restates the financial asset or financial liability using the new designation in the comparative financial statements. _____

IAS 39.106 Except as permitted by IAS 39.107 below, an entity applies the derecognition requirements in IAS 39.15-37 and IAS 39.AG36-52 prospectively. Accordingly, if an entity derecognised financial assets under IAS 39 (revised 2000) as a result of a transaction that occurred before 1 January 2004 and those assets would not have been derecognised under IAS 39, it recognises those assets. _____

IAS 39.107 Notwithstanding IAS 39.106 above, an entity may apply the derecognition requirements in IAS 39.15-37 and IAS 39.AG36-52 retrospectively from a date of the entity's choosing, provided that the information needed to apply IAS 39 to assets and liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. _____

IAS 39.108 An entity does not adjust the carrying amount of non-financial assets and non-financial liabilities to exclude gains and losses related to cash flow hedges that were included in the carrying amount before the beginning of the financial year in which IAS 39 (revised 2004) is first applied. _____

IAS 39.108 At the beginning of the financial period in which IAS 39 (revised 2004) is first applied, any amount recognised directly in equity for a hedge of a firm commitment that under IAS 39 (revised 2004) is accounted for as a fair value hedge is reclassified as an asset or liability, except for a hedge of foreign currency risk that continues to be treated as a cash flow hedge. _____

2.7 Inventories⁸

Measurement of inventories

IAS 2.9 Inventories are measured at the lower of cost and net realisable value. _____

IAS 2.3(a) An entity does not apply IAS 2 to the measurement of inventories held by producers of agricultural and forest product, agricultural produce after harvest, and minerals and mineral products, to the extent that they are measured at net realisable value in accordance with well-established practices in those industries. _____

IAS 2.3(a) When such inventories are measured at net realisable value, changes in that value are recognised in profit or loss in the period of the change. _____

IAS 2.3(b) An entity does not apply IAS 2 to the measurement of inventories held by commodity broker-traders who measure their inventories at fair value less cost to sell. When such inventories are measured at fair value less cost to sell, changes in fair value less costs to sell are recognised in profit or loss in the period of the change. _____

Cost of inventories

IAS 2.10 The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. _____

Cost formulas

IAS 2.23 The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned by using specific identification of their individual costs. _____

IAS 2.25 The cost of inventories, other than those dealt with in IAS 2.23 above, are assigned by using the first-in first-out (FIFO) or weighted average cost formulas. _____

IAS 2.25 The same cost formula is used for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified. _____

Recognition as an expense

IAS 2.34 When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognised. _____

IAS 2.34 Write-downs of inventories to net realisable value and all losses of inventories are expensed in the period that the write-down or losses occur. _____

IAS 2.34 Reversals of write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversals occur. _____

8 See Appendix 1 for scope of IAS 2.

2.8 Biological assets⁹

Recognition of a biological asset or agricultural produce

IAS 41.10 A biological asset or agricultural produce is recognised only when:

- a) the entity controls the asset as a result of past events;
- b) it is probable that future economic benefits associated with the asset will flow to the entity; and
- c) the fair value or cost of the asset can be measured reliably.

Measurement of a biological asset

IAS 41.12 A biological asset is measured on initial recognition and at each balance sheet date at its fair value less estimated point-of-sale costs, except as noted in IAS 41.30 below where the fair value cannot be measured reliably.

Measurement of agricultural produce

IAS 41.13 Agricultural produce harvested from an entity's biological assets is measured at fair value less estimated point-of-sale costs at the point of harvest.

IAS 41.13 The above measurement is the cost at that date when applying IAS 2 or another applicable standard.

Gains and losses

IAS 41.26 A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs, and from a change in fair value less estimated point-of-sale costs of a biological asset, is included in profit or loss for the period in which it arises.

IAS 41.28 A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Inability to measure fair value reliably

IAS 41.30 If on initial recognition the presumption that fair value can be measured reliably for a biological asset is rebutted in cases where market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable that biological asset is measured at cost less any accumulated depreciation and any accumulated impairment losses.

IAS 41.30 Once the fair value of such a biological asset becomes reliably measurable, the biological asset is measured at its fair value less estimated point-of-sale costs.

IAS 41.30 Once a non-current biological asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with IFRS 5 (see 4.4 *Non-current assets held for sale and discontinued operations*, page 79) it is presumed that fair value can be measured reliably.

Government grants

IAS 41.34 An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when it becomes receivable.

IAS 41.35 If a government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is conditional, including where a government grant requires an entity not to engage in specified agricultural activity, an entity recognises the government grant as income only when the conditions attaching to the government grant are met.

IAS 41.37 If a government grant relates to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses (see IAS 41.30 above), IAS 20 (see 3.3 *Government grants*, page 62) is applied.

⁹ See Appendix 1 for scope of IAS 41.

2.9 Impairment¹⁰

Identifying an asset that may be impaired

IAS 36.9 Assess at each reporting date whether there is any indication that an asset may be impaired. _____

IAS 36.9 If any such indication exists, estimate the recoverable amount of the asset. _____

IAS 36.10 Irrespective of whether there is any indication of impairment, also:

- a) test an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. _____
This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset is tested for impairment before the end of the current annual period. _____
- b) test goodwill acquired in a business combination for impairment annually in accordance with IAS 36.80-99. _____

IAS 36.12 In assessing whether there is any indication that an asset may be impaired, the following indications are, as a minimum, considered:

- a) external sources of information:
 - i) during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use; _____
 - ii) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated; _____
 - iii) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially; and _____
 - iv) the carrying amount of the net assets of the reporting entity is more than its market capitalisation; _____
- b) internal sources of information:
 - i) evidence is available of obsolescence or physical damage of an asset; _____
 - ii) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite; and ¹¹ _____
 - iii) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected. _____

Measuring recoverable amount

Value in use

IAS 36.30 The following elements are reflected in the calculation of an asset's value in use:

- a) an estimate of the future cash flows the entity expects to derive from the asset; _____
- b) expectations about possible variations in the amount or timing of those future cash flows; _____
- c) the time value of money, represented by the current market risk-free rate of interest; _____
- d) the price for bearing the uncertainty inherent in the asset; and _____
- e) other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset. _____

¹⁰ See Appendix 1 for scope of IAS 36.

¹¹ Once an asset meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale), it is excluded from the scope of this standard and is accounted for in accordance with IFRS 5.

Basis for estimates of future cash flows

IAS 36.33 In measuring value in use:

- a) cash flow projections are based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence; _____
- b) cash flow projections are based on the most recent financial budgets/forecasts approved by management, but exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts cover a maximum period of five years, unless a longer period can be justified; and _____
- c) cash flow projections beyond the period covered by the most recent budgets/forecasts are estimated by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. _____
This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified. _____

Composition of estimates of future cash flows

IAS 36.39 Estimates of future cash flows include:

- a) projections of cash inflows from the continuing use of the asset; _____
- b) projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and that can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and _____
- c) net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life. _____

IAS 36.44 Future cash flows are estimated for the asset in its current condition. _____

IAS 36.44 Estimates of future cash flows do not include estimated future cash inflows or outflows that are expected to arise from:

- a) a future restructuring to which an entity is not yet committed; or _____
- b) improving or enhancing the asset's performance. _____

IAS 36.50 Estimates of future cash flows do not include:

- a) cash inflows or outflows from financing activities; or _____
- b) income tax receipts or payments. _____

IAS 36.52 The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that is expected to be obtained from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal. _____

Discount rate

IAS 36.55 The discount rate(s) is a pre-tax rate(s) that reflects current market assessments of:

- a) the time value of money; and _____
- b) the risks specific to the asset for which the future cash flow estimates have not been adjusted. _____

Recognising and measuring an impairment loss

IAS 36.59 If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. _____

IAS 36.60 An impairment loss is recognised immediately in profit or loss, unless the asset is carried at revalued amount under another standard (e.g., IAS 16 – see 2.2 *Property, plant and equipment*, page 19). _____

IAS 36.60 Any impairment loss of a revalued asset is treated as a revaluation decrease under that other standard. _____

IAS 36.62 When the amount estimated for an impairment loss is greater than the carrying amount of the asset to which it relates, a liability is recognised if, and only if, that is required by another standard. _____

IAS 36.63 After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. _____

Cash-generating units

Identification of the cash-generating unit to which an asset belongs

IAS 36.66 If there is any indication that an asset may be impaired, recoverable amount is estimated for the individual asset. _____

IAS 36.66 If it is not possible to estimate the recoverable amount of the individual asset, determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). _____

IAS 36.70 If an active market exists for the output produced by an asset or a group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. _____

IAS 36.70 If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- a) the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- b) the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

IAS 36.72 Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. _____

Recoverable amount and carrying amount of a cash-generating unit

IAS 36.75 The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined. _____

Goodwill

Allocating goodwill to cash-generating units

IAS 36.80 For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquirer's cash-generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units (or groups of units). _____

IAS 36.80 Each unit (or group of units) to which the goodwill is so allocated (as described above):

- a) represents the lowest level within the entity at which the goodwill is monitored for internal management purposes; and
- b) is not larger than a segment based on either the entity's primary or the entity's secondary reporting format (determined under IAS 14).

IAS 36.84 If the initial allocation of goodwill acquired in a business combination cannot be completed before the end of the annual period in which the business combination is effected, that initial allocation is completed before the end of the first annual period beginning after the acquisition date. _____

IAS 36.86 If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is:

- a) included in the carrying amount of the operation when determining the gain or loss on disposal; and
- b) measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained, unless the entity can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

IAS 36.87 If an entity reorganises its reporting structure in a way that changes the composition of one or more cash-generating units to which goodwill has been allocated, the goodwill is reallocated to the units affected. This reallocation is performed using a relative value approach similar to that used when an entity disposes of an operation within a cash-generating unit, unless it can be demonstrated that some other method better reflects the goodwill associated with the reorganised units.

Testing cash-generating units with goodwill for impairment

IAS 36.88 When goodwill relates to a cash-generating unit but has not been allocated to that unit (see IAS 36.81), the unit is tested for impairment, whenever there is an indication that the unit may be impaired, by comparing the unit's carrying amount, excluding any goodwill, with its recoverable amount. Any impairment loss is recognised in accordance with IAS 36.104 (below).

IAS 36.90 A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. If the recoverable amount of the unit exceeds the carrying amount of the unit, the unit and the goodwill allocated to that unit are regarded as not impaired. If the carrying amount of the unit exceeds the recoverable amount of the unit, then recognise the impairment loss in accordance with IAS 36.104 (below).

Timing of impairment tests

IAS 36.96 The annual impairment test for a cash-generating unit to which goodwill has been allocated may be performed at any time during an annual period, provided the test is performed at the same time every year. Different cash-generating units may be tested for impairment at different times. However, if some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit is tested for impairment before the end of the current annual period.

IAS 36.97 If the assets constituting the cash-generating unit to which goodwill has been allocated are tested for impairment at the same time as the unit containing the goodwill, they are tested for impairment before the unit containing the goodwill. Similarly, if the cash-generating units constituting a group of cash-generating units to which goodwill has been allocated are tested for impairment at the same time as the group of units containing the goodwill, the individual units are tested for impairment before the group of units containing the goodwill.

IAS 36.99 The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit to which goodwill has been allocated may be used in the impairment test of that unit in the current period provided all of the following criteria are met:

- a) the assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation;
- b) the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- c) based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

Corporate assets

- IAS
36.102 In testing a cash-generating unit for impairment, identify all the corporate assets that relate to the cash-generating unit under review. If a portion of the carrying amount of a corporate asset:
- a) can be allocated on a reasonable and consistent basis to that unit, compare the carrying amount of the unit, including the portion of the carrying amount of the corporate asset allocated to the unit, with its recoverable amount. Any impairment loss is recognised in accordance with IAS 36.104 (below);
 - b) cannot be allocated on a reasonable and consistent basis to that unit, then:
 - i) compare the carrying amount of the unit, excluding the corporate asset, with its recoverable amount and recognise any impairment loss in accordance with IAS 36.104 (below);
 - ii) identify the smallest group of cash-generating units that includes the cash-generating unit under review and to which a portion of the carrying amount of the corporate asset can be allocated on a reasonable and consistent basis; and
 - iii) compare the carrying amount of that group of cash-generating units, including the portion of the carrying amount of the corporate asset allocated to that group of units, with the recoverable amount of the group of units. Any impairment loss is recognised in accordance with IAS 36.104 (below).

Impairment loss for a cash-generating unit

- IAS
36.104 An impairment loss is recognised for a cash-generating unit (the smallest group of cash-generating units to which goodwill or a corporate asset has been allocated) if, and only if, the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss is allocated to reduce the carrying amount of the assets of the unit (group of units) in the following order:
- a) first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units); and
 - b) then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

These reductions in carrying amounts are treated as impairment losses on individual assets and are recognised in accordance with IAS 36.60 (above).

- IAS
36.105 In allocating an impairment loss in accordance with IAS 36.104 (above), do not reduce the carrying amount of an asset below the highest of:
- a) its fair value less costs to sell (if determinable);
 - b) its value in use (if determinable); and
 - c) zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit (group of units).

- IAS
36.108 After the requirements in IAS 36.104 and 105 (above) have been applied, a liability is recognised for any remaining amount of an impairment loss for a cash-generating unit if, and only if, that is required by another standard.

Reversing an impairment loss

- IAS
36.110 Assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, estimate the recoverable amount of that asset.

- IAS
36.111 In assessing whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased, consider, as a minimum, the following indications:
- a) external sources of information:
 - i) the asset's market value has increased significantly during the period;

- ii) significant changes with a favourable effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which the asset is dedicated; and
 - iii) market interest rates or other market rates of return on investments have decreased during the period, and those decreases are likely to affect the discount rate used in calculating the asset's value in use and increase the asset's recoverable amount materially;
- b) internal sources of information:
- i) significant changes with a favourable effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, the asset is used or is expected to be used. These changes include costs incurred during the period to improve or enhance the asset's performance or restructure the operation to which the asset belongs; and
 - ii) evidence is available from internal reporting that indicates that the economic performance of the asset is, or will be, better than expected.

IAS 36.114 An impairment loss recognised in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount, except as described in IAS 36.117 (below). That increase is a reversal of an impairment loss.

Reversing an impairment loss for an individual asset

IAS 36.117 The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

IAS 36.119 A reversal of an impairment loss for an asset other than goodwill is recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another standard (e.g., the revaluation model in IAS 16). Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase in accordance with that other standard.

IAS 36.121 After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversing an impairment loss for a cash-generating unit

IAS 36.122 A reversal of an impairment loss for a cash-generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets and recognised in accordance with IAS 36.119 (above).

IAS 36.123 In allocating a reversal of an impairment loss for a cash-generating unit under IAS 36.122 (above), the carrying amount of an asset is not be increased above the lower of:

- a) its recoverable amount (if determinable); and
- b) the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit, except for goodwill.

Reversing an impairment loss for goodwill

IAS 36.124 An impairment loss recognised for goodwill is not reversed in a subsequent period.

Transitional provisions and effective date

IAS 36.138 If an entity elects in accordance with paragraph 85 of IFRS 3 (see 1.6 *Business combinations*, page 10) to apply IFRS 3 from any date before the effective dates set out in IFRS 3.78-84, it also shall apply IAS 36 (revised 2004) prospectively from that same date. _____

IAS 36.139 An entity that does not apply IAS 36.138 (above) shall apply IAS 36 (revised 2004): (a) to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004; and (b) to all other assets prospectively from the beginning of the first annual period beginning on or after 31 March 2004. _____

IAS 36.140 Entities to which IAS 36.139 applies are encouraged to apply the requirements of IAS 36 (revised 2004) before the effective dates specified in paragraph 139. However, if an entity applies IAS 36 (revised 2004) before those effective dates, it also shall apply IFRS 3 and IAS 38 (revised 2004) at the same time (see 1.6 *Business combinations*, page 10 and 2.3 *Intangible assets and goodwill*, page 21). _____

Impairment and uncollectibility of financial assets

See 2.6 *Financial instruments, including hedging*, page 32. _____

2.10 Provisions¹²

Recognition Provisions

IAS 37.14 A provision is recognised when:

- a) an entity has a present obligation (legal or constructive) as a result of a past event; _____
- b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and _____
- c) a reliable estimate can be made of the amount of the obligation. _____

IAS 37.14 If these conditions are not met, no provision is recognised. _____

Present obligation

IAS 37.15 In rare cases, it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the balance sheet date. _____

Measurement

Best estimate

IAS 37.36 The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. _____

Risks and uncertainties

IAS 37.42 The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. _____

Present value

IAS 37.45 Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. _____

IAS 37.47 The discount rate(s) is a pre-tax rate(s) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. _____

IAS 37.47 The discount rate(s) does not reflect risks for which future cash flow estimates have been adjusted. _____

¹² See Appendix 1 for scope of IAS 37.

Future events

IAS 37.48 Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. _____

Expected disposal of assets

IAS 37.51 Gains from the expected disposal of assets are not taken into account in measuring a provision. _____

Reimbursements

IAS 37.53 Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. _____

IAS 37.53 The reimbursement is treated as a separate asset. _____

IAS 37.53 The amount recognised for the reimbursement does not exceed the amount of the provision. _____

IAS 37.54 In the income statement, the expense relating to a provision may be presented net of the amount recognised for a reimbursement. _____

Changes in provisions

IAS 37.59 Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. _____

IAS 37.59 If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. _____

Use of provisions

IAS 37.61 A provision is used only for expenditures for which the provision was originally recognised. _____

Application of the recognition and measurement rules**Future operating losses**

IAS 37.63 Provisions are not recognised for future operating losses. _____

Onerous contracts

IAS 37.66 If an entity has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. _____

Restructuring

IAS 37.72 A constructive obligation to restructure arises only when an entity:

- a) has a detailed formal plan for the restructuring identifying at least:
 - i) the business or part of a business concerned; _____
 - ii) the principal locations affected; _____
 - iii) the location, function, and approximate number of employees who will be compensated for terminating their services; _____
 - iv) the expenditures that will be undertaken; and _____
 - v) when the plan will be implemented; and _____
- b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. _____

IAS 37.78 No obligation arises for the sale of an operation until the entity is committed to the sale, i.e., there is a binding sale agreement. _____

IAS 37.80 A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- a) necessarily entailed by the restructuring; and
- b) not associated with the ongoing activities of the entity.

2.11 Income tax¹³

Recognition of current tax liabilities and current tax assets

IAS 12.12 Current tax for current and prior periods, to the extent unpaid, is recognised as a liability.

IAS 12.12 The amount already paid in respect of current and prior periods in excess of the amount due for those periods, is recognised as an asset.

IAS 12.13 The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognised as an asset.

Recognition of deferred tax liabilities and deferred tax assets

Taxable temporary differences

IAS 12.15 A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- a) the initial recognition of goodwill; or
- b) goodwill for which amortisation is not deductible for tax purposes; or
- c) the initial recognition of an asset or liability in a transaction which:
 - i) is not a business combination; and
 - ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

IAS 12.15 Note that for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax liability is recognised in accordance with IAS 12.39 below.

Deductible temporary differences

IAS 12.24 A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- a) is not a business combination; and
- b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

IAS 12.24 Note that for deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, a deferred tax asset is recognised in accordance with IAS 12.44 below.

Unused tax losses and unused tax credits

IAS 12.34 A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Investments in subsidiaries, branches and associates and interests in joint ventures

IAS 12.39 A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- a) the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- b) it is probable that the temporary difference will not reverse in the foreseeable future.

¹³ See Appendix 1 for scope of IAS 12, SIC-21 and 25.

IAS 12.44 A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, only to the extent it is probable that:

- a) the temporary difference will reverse in the foreseeable future; and _____
- b) taxable profit will be available against which the temporary difference can be utilised. _____

Measurement

IAS 12.46 Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. _____

IAS 12.47 Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. _____

IAS 12.51 The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the entity expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities. _____

IAS 12.52A In jurisdictions where income taxes are payable at a higher or lower rate, or are payable or refundable if part or all of the net profit or retained earnings is paid out as a dividend to shareholders, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. _____

IAS 12.52B In the circumstances described in IAS 12.52A above, the income tax consequences of dividends are recognised when a liability to pay the dividend is recognised. The income tax consequences of dividends are recognised in profit or loss for the period, except to the extent that they arise from the circumstances described in IAS 12.58 below. _____

IAS 12.53 Deferred tax assets and liabilities are not discounted. _____

IAS 12.56 The carrying amount of a deferred tax asset is reviewed at the balance sheet date, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. _____

IAS 12.56 Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available. _____

SIC 21.5 The deferred tax liability or asset that arises from the revaluation of a non-depreciable asset under IAS 16.31 is measured based on the basis of the tax consequences that would follow from recovery of the carrying amount of that asset through sale, regardless of the basis of measuring the carrying amount of that asset. _____

SIC 21.5 If the tax law specifies a tax rate applicable to the taxable amount derived from the sale of an asset that differs from the tax rate applicable to the taxable amount derived from using an asset, the former rate is applied in measuring the deferred tax liability or asset related to a non-depreciable asset. _____

Recognition of current and deferred tax

Income statement

IAS 12.58 Current and deferred tax are recognised as income or an expense and included in the profit or loss for the period, except to the extent that the tax arises from:

- a) a transaction or event which is recognised, in the same or a different period, directly in equity; or _____
- b) a business combination (see IAS 12.66-68). _____

Items credited or charged directly to equity

IAS 12.61 Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity. _____

IAS 12.65A Amounts paid or payable to taxation authorities on behalf of shareholders as a consequence of dividends distribution (withholding tax) are charged to equity as a part of the dividend. _____

Changes in tax status of entity or its shareholders

SIC 25.4 A change in the tax status of an entity or its shareholders does not give rise to increases or decreases in amounts recognised directly in equity, unless those consequences relate to transactions and events that result, in the same or a different period, in a direct credit or charge to the recognised amount of equity. _____

SIC 25.4 Those tax consequences that relate to changes in the recognised amount of equity, in the same or a different period (not included in profit or loss), are charged or credited directly to equity. _____

Presentation

Tax assets and tax liabilities

Offset

IAS 12.71 Current tax assets and current tax liabilities are not offset except when:

- a) there is a legally enforceable right to set off the recognised amounts; and _____
- b) there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. _____

IAS 12.74 Deferred tax assets and deferred tax liabilities are not offset except when:

- a) there is a legally enforceable right to set off current tax assets against current tax liabilities; and _____
- b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - i) the same taxable entity; or _____
 - ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. _____

2.12 Contingent assets and liabilities¹⁴

Contingent liabilities

IAS 37.27 Contingent liabilities are not recognised (if incurred outside of a business combination). _____

IFRS 3.36-40, 47-50 prescribe the accounting treatment for contingent liabilities assumed in a business combination (see 1.6 *Business combinations*, page 10). _____
47-50

Contingent assets

IAS 37.31 Contingent assets are not recognised. _____

14 See Appendix 1 for scope of IAS 37 and IFRS 3.

3. Specific income statement items

3.1 General¹

Profit or loss for the period

IAS 1.78 Include all items of income and expense recognised in the period are included in profit or loss unless a standard or an interpretation requires or permits otherwise. _____

Offsetting

IAS 1.32 Items of income and expense are not offset unless required or permitted by a standard or an interpretation. _____

Comparative information

IAS 1.36 Comparative information is included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements. _____

IAS 1.38 When the presentation or classification of items in the financial statements is amended, comparative amounts are reclassified to ensure comparability with the current period, unless it is impracticable to reclassify. _____

3.2 Revenue²

Measurement

IAS 18.9 Revenue is measured at the fair value of the consideration received or receivable. _____

Sale of goods

IAS 18.14 Revenue from the sale of goods is recognised when:

- a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; _____
- b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; _____
- c) the amount of revenue can be measured reliably; _____
- d) it is probable that the economic benefits associated with the transaction will flow to the entity; and _____
- e) the costs incurred or to be incurred in respect of the transaction can be measured reliably. _____

Rendering of services

IAS 18.20 When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. _____

IAS 18.20 The outcome of a transaction can be estimated reliably when:

- a) the amount of revenue can be measured reliably; _____
- b) it is probable that the economic benefits associated with the transaction will flow to the entity; _____
- c) the stage of completion of the transaction at the balance sheet date can be measured reliably; and _____
- d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. _____

IAS 18.26 When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. _____

¹ See Appendix 1 for scope of IAS 1.

² See Appendix 1 for scope of IAS 11, 18, SIC-27 and 31.

Interest, royalties and dividends

IAS 18.29 Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised on the bases set out in IAS 18.30 below when:

- a) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- b) the amount of the revenue can be measured reliably.

IAS 18.30 Revenue is recognised on the following bases:

- a) interest: on a time proportion basis that takes into account the effective yield on the asset;
- b) royalties: on an accrual basis in accordance with the substance of the relevant agreement; and
- c) dividends: when the shareholder's right to receive payment is established.

Construction contracts

Combining and segmenting construction contracts

IAS 11.8 When a contract covers a number of assets, the construction of each asset is treated as a separate construction contract when:

- a) separate proposals have been submitted for each asset;
- b) each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset; and
- c) the costs and revenues of each asset can be identified.

IAS 11.9 A group of contracts, whether with a single customer or with several customers is treated as a single construction contract when:

- a) the group of contracts is negotiated as a single package;
- b) the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and
- c) the contracts are performed concurrently or in a continuous sequence.

IAS 11.10 A contract may provide for the construction of an additional asset at the option of the customer or may be amended to include the construction of an additional asset. The construction of the additional asset is treated as a separate construction contract when:

- a) the asset differs significantly in design, technology or function from the asset or assets covered by the original contract; or
- b) the price of the asset is negotiated without regard to the original contract price.

Contract revenue

IAS 11.11 Contract revenue comprises:

- a) the initial amount of revenue agreed in the contract; and
- b) variations in contract work, claims and incentive payments:
 - i) to the extent that it is probable that they will result in revenue; and
 - ii) they are capable of being reliably measured.

Contract costs

IAS 11.16 Contract costs comprise:

- a) costs that relate directly to the specific contract;
- b) costs that are attributable to contract activity in general and can be allocated to the contract; and
- c) such other costs as are specifically chargeable to the customer under the terms of the contract.

Recognition of contract revenue and expenses

IAS 11.22 When the outcome can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date.

IAS 11.22 Expected losses are recognised as an expense immediately in accordance with IAS 11.36 below.

IAS 11.23 Fixed price contracts: the outcome can be estimated reliably when:

- a) total contract revenue can be measured reliably; _____
- b) it is probable that the economic benefits associated with the contract will flow to the entity; _____
- c) both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably; and _____
- d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates. _____

IAS 11.24 Cost plus contracts: the outcome can be estimated reliably when:

- a) it is probable that the economic benefits associated with the contract will flow to the entity; and _____
- b) the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably. _____

IAS 11.32 When the outcome of a construction contract cannot be estimated reliably:

- a) revenues are recognised only to the extent of contract costs incurred where it is probable that they will be recoverable; and _____
- b) contract costs are recognised as an expense in the period in which they are incurred. _____

IAS 11.32 Expected losses are recognised as an expense immediately in accordance with IAS 11.36 below. _____

IAS 11.35 When the uncertainties that prevented the outcome of the contract being estimated reliably no longer exist, revenue and expenses associated with the construction contract are recognised in accordance with IAS 11.22 above and not in accordance with IAS 11.32 above. _____

Recognition of expected losses

IAS 11.36 When it is probable that total contract costs will exceed total contract revenue, expected losses are recognised as an expense immediately. _____

Barter transactions involving advertising services

SIC 31.5 Revenue (in the case of seller) from a barter transaction involving advertising at the fair value of the advertising services it provides in a barter transaction, is measured by reference only to non-barter transactions that:

- a) involve advertising similar to the advertising in the barter transaction; _____
- b) occur frequently; _____
- c) represent a predominant number of transactions and amount when compared to all transactions to provide advertising in the barter transaction; _____
- d) involve cash and/or another form of consideration (e.g., marketable securities, non-monetary assets, and other services) that has a reliably measurable fair value; and _____
- e) do not involve the same counterparty as in the barter transaction. _____

SIC 31.5 Revenue from a barter transaction involving advertising is not measured at the fair value of advertising services received. _____

Evaluating substance of the transactions involving the legal form of a lease

SIC 27.3 If a series of transactions that involve the legal form of a lease is linked and the overall economic effect cannot be understood without reference to the series of transactions as a whole, the series of transactions is accounted for as one transaction. _____

SIC 27.3 This is the case, for example, when the series of transactions are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence. _____

SIC 27.4 The accounting reflects the substance of the arrangement. _____

SIC 27.4 All aspects and implications of an arrangement are evaluated to determine its substance, with weight given to those aspects and implications that have an economic effect. _____

- SIC 275* Indicators that individually demonstrate that an arrangement may not, in substance, involve a lease under IAS 17 include:
- a) an entity retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement; _____
 - b) the primary reason for the arrangement is to achieve a particular tax result, and not to convey the right to use an asset; and _____
 - c) an option is included on terms that make its exercise almost certain (e.g., a put option that is exercisable at a price sufficiently higher than the expected fair value when it becomes exercisable). _____
- SIC 276* The definitions and guidance in paragraphs 49-64 of the Framework are applied in determining whether in substance, a separate investment account and lease payment obligations represent assets and liabilities of the entity. _____
- SIC 276* Indicators that collectively demonstrate that, in substance, a separate investment account and lease payment obligations do not meet the definitions of an asset and a liability and should not be recognised by the entity include:
- a) the entity is not able to control the investment account in pursuit of its own objectives and is not obliged to pay the lease payments; _____
 - b) the entity has only a remote risk of reimbursing the entire amount of any fee received from an Investor and possibly paying some additional amount, or, when a fee has not been received, only a remote risk of paying an amount under other obligations (e.g., guarantee); and _____
 - c) other than the initial cash flows at inception of the arrangement, the only cash flows expected under the arrangement are the lease payments that are satisfied solely from funds withdrawn from the separate investment account established with the initial cash flows. _____
- SIC 277* Other obligations of an arrangement, including any guarantees provided and obligations incurred upon early termination under IAS 37 (see *2.10 Provisions*, page 53) or IAS 39 (see *2.6 Financial instruments, including hedging*, page 32) are accounted for depending on the terms. _____
- SIC 278* Criteria in IAS 18.20 above are applied to the facts and circumstances of each arrangement in determining when to recognise a fee as income that an entity might receive. _____
- SIC 278* Consider also following factors:
- a) whether there is continuing involvement in the form of significant future performance obligations necessary to earn the fee; _____
 - b) whether there are retained risks; _____
 - c) the terms of any guarantee arrangements; and _____
 - d) the risk of repayment of the fee. _____
- SIC 278* The following indicate that recognition of the entire fee as income when received, if received at the beginning of the arrangement, is inappropriate:
- a) obligations either to perform or to refrain from certain significant activities are conditions of earning the fee received, and therefore execution of a legally binding arrangement is not the most significant act required by the arrangement; _____
 - b) limitations are put on the use of the underlying asset that have the practical effect of restricting and significantly changing the entity's ability to use (e.g., deplete, sell or pledge as collateral) the asset; and _____
 - c) the possibility of reimbursing any amount of the fee and possibly paying some additional amount is not remote. _____
- SIC 278* These indicators are not exhaustive. _____

3.3 Government grants³

IAS 20.7 Government grants (including non-monetary grants at fair value), are not recognised until there is reasonable assurance that:

- a) the entity will comply with the conditions attaching to them; and
- b) the grants will be received.

IAS 20.12 Government grants are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

IAS 20.12 Government grants are not credited directly to shareholders' interests.

IAS 20.20 A government grant, to compensate for expenses or losses already incurred or to give immediate financial support with no future related costs, is recognised as income of the period in which it becomes receivable.

SIC 10.3 Government assistance to entities meets the definition of government grants in IAS 20 even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors. Such grants are not credited directly to equity.

Repayment of government grants

IAS 20.32 A government grant that becomes repayable is accounted for as a revision to an accounting estimate in accordance with IAS 8 (see *1.8 Prior period adjustments and other accounting changes*, page 15).

IAS 20.32 The repayment of a grant related to income is:

- a) charged initially against any unamortised deferred credit set up in respect of the grant; or
- b) expensed immediately, if the repayment exceeds such deferred credit or no deferred credit exists.

IAS 20.32 The repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable.

IAS 20.32 The cumulative additional depreciation that would have been charged to date in the absence of the grant is expensed immediately.

Biological assets

IAS 41.34 An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when it becomes receivable.

IAS 41.35 If a government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is conditional, including where a government grant requires an entity not to engage in specified agricultural activity, an entity recognises the government grant as income only when the conditions attaching to the government grant are met.

IAS 41.37 If a government grant relates to a biological asset measured at its cost less any accumulated depreciation and any accumulated impairment losses (see IAS 41.30), IAS 20 above is applied.

³ See Appendix 1 for scope of IAS 20, 41 and SIC-10.

3.4 Employee benefits⁴

Short-term employee benefits

All short-term employee benefits

IAS 19.10 When an employee has rendered service to an entity during an accounting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- a) as a liability (accrued expense), after deducting any amount already paid.
If the amount already paid exceeds the undiscounted amount of the benefits, recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- b) as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset (e.g., see 2.7 *Inventories*, page 45 and 2.2 *Property, plant and equipment*, page 19).

IAS 19.10 IAS 19.11, 14 and 17 below explain how to apply this requirement to short-term employee benefits in the form of compensated absences and profit sharing and bonus plans.

Short-term compensated absences

IAS 19.11 The expected cost of short-term employee benefits in the form of compensated absences under IAS 19.10 above is recognised as follows:

- a) in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and
- b) in the case of non-accumulating compensated absences, when the absences occur.

IAS 19.14 The expected cost of accumulating compensated absences is measured as the additional amount that is expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

Profit sharing and bonus plans

IAS 19.17 Recognise the expected cost of profit sharing and bonus payments under IAS 19.10 above when, and only when:

- a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- b) a reliable estimate of the obligation can be made.

IAS 19.17 A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Distinction between defined contribution plans and defined benefit plans

Multi-employer plans

IAS 19.29 A multi-employer plan is classified as a defined contribution plan or a defined benefit plan depending on the terms of the plan (including any constructive obligation that goes beyond the formal terms).

IAS 19.29(a) Where a multi-employer plan is a defined benefit plan, the entity's proportionate share of the defined benefit obligation, plan assets and cost associated with the plan are accounted in the same way as for any other defined benefit plan.

IAS 19.30(a) When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, the plan is accounted for under IAS 19.44-46 as if it were a defined contribution plan.

⁴ See Appendix 1 for scope of IAS 19.

State plans

IAS 19.36 A state plan is accounted for in the same way as for a multi-employer plan (see IAS 19.29 and 30 above). _____

Insured benefits

IAS 19.39 An entity may pay insurance premiums to fund a post-employment benefit plan. Such a plan is treated as a defined contribution plan unless the entity has (either directly or indirectly through the plan) a legal or constructive obligation to either:

- a) pay the employee benefits directly when they fall due; or _____
- b) pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior periods. _____

IAS 19.39 If such a legal or constructive obligation is retained, the plan is treated as a defined benefit plan. _____

Defined contribution plans**Recognition and measurement**

IAS 19.44 When an employee has rendered service during a period, the contribution payable to a defined contribution plan is recognised in exchange for that service:

- a) as a liability (accrued expense), after deducting any contribution already paid. _____
If the contribution already paid exceeds the contribution due for service before the balance sheet date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and _____
- b) as an expense, unless another standard requires or permits the inclusion of the contribution in the cost of an asset (e.g., see IAS 2 and IAS 16). _____

IAS 19.45 Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the period in which the employees render the related service, they are discounted using the discount rate specified in IAS 19.78 below. _____

Defined benefit plans**Recognition and measurement****Accounting for a constructive obligation**

IAS 19.52 Not only the legal obligation under the formal terms of a defined benefit plan is accounted for, but also any constructive obligation that arises from informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. _____

Balance sheet

IAS 19.54 The amount recognised as a defined benefit liability is the net total of the following amounts:

- a) the present value of the defined benefit obligation at the balance sheet date (see IAS 19.64 below); _____
- b) plus any actuarial gains (less any actuarial losses) not recognised because of the treatment set out in IAS 19.92 and 93 below; _____
- c) minus any past service cost not yet recognised (see IAS 19.96 below); and _____
- d) minus the fair value at the balance sheet date of plan assets (if any) out of which the obligations are to be settled directly (see IAS 19.102-104). _____

IAS 19.56 The present value of defined benefit obligations and the fair value of any plan assets is determined with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date. _____

IAS 19.58 The amount determined under IAS 19.54 above may be negative (an asset). The resulting asset is measured at the lower of:

- a) the amount determined under IAS 19.54 above; and _____
- b) the total of: _____
 - i) any cumulative unrecognised net actuarial losses and past service cost (see IAS 19.92, 93 and 96 below); and _____

- ii) the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using the discount rate specified in IAS 19.78 below.

- IAS 19.58A The application of IAS 19.58 above does not result:
- a) in a gain being recognised solely as a result of an actuarial loss or past service cost in the current period; or
 - b) in a loss being recognised solely as a result of an actuarial gain in the current period.

- IAS 19.58A The following are recognised immediately under IAS 19.54 above, to the extent that they arise while the defined benefit asset is determined in accordance with IAS 19.58(b) above:
- a) net actuarial losses of the current period and past service cost of the current period to the extent that they exceed any reduction in the present value of the economic benefits specified in IAS 19.58(b)(ii) above.
If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service cost of the current period are recognised immediately under IAS 19.54 above.
 - b) net actuarial gains of the current period after the deduction of past service cost of the current period to the extent that they exceed any increase in the present value of the economic benefits specified in IAS 19.58(b)(ii) above.

If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of the past service cost of the current period are recognised immediately under IAS 19.54 above.

Income statement

- IAS 19.61 The net total of the following amounts is recognised as expense or (subject to the limit in IAS 19.58(b) above) income, except to the extent that another IFRS requires or permits their inclusion in the cost of an asset (e.g., see IAS 2 and IAS 16):
- a) current service cost (see IAS 19.63-91);
 - b) interest cost (see IAS 19.82);
 - c) the expected return on any plan assets and on any reimbursement rights (see IAS 19.105-107);
 - d) actuarial gains and losses, to the extent that they are recognised under IAS 19.92 and 93 below;
 - e) past service cost, to the extent that IAS 19.96 below requires an entity to recognise it; and
 - f) the effect of any curtailments or settlements (see IAS 19.109 and 110).

Present value of defined benefit obligations and current service cost

Actuarial valuation method

- IAS 19.64 The projected unit credit method is used to determine the present value of the defined benefit obligations and the related current service cost and, where applicable, past service cost.

Attributing benefits to periods of service

- IAS 19.67 In determining the present value of the defined benefit obligations and the related current service cost and, where applicable, past service cost, the benefit is attributed to periods of service under the plan's benefit formula.

- IAS 19.67 If an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the benefit is attributed on a straight-line basis from:
- a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
 - b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial assumptions

- IAS 19.72 Actuarial assumptions are unbiased and mutually compatible.

IAS 19.77 Financial assumptions are based on market expectations, at the balance sheet date, for the period over which the obligations are to be settled. _____

IAS 19.78 The rate used to discount post-employment benefit obligations (both funded and unfunded) is determined by reference to market yields at the balance sheet date on high quality corporate bonds. _____

IAS 19.78 In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds are used. _____

IAS 19.78 The currency and term of the corporate bonds or government bonds are consistent with the currency and estimated term of the post-employment benefit obligations. _____

IAS 19.83 Post-employment benefit obligations are measured on a basis that reflects:

- a) estimated future salary increases; _____
- b) the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the balance sheet date; and _____
- c) estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan if, and only if, either: _____
 - i) those changes were enacted before the balance sheet date; or _____
 - ii) past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, e.g., in line with future changes in general price levels or general salary levels. _____

IAS 19.88 Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs. _____

Actuarial gains and losses

IAS 19.92 In measuring the defined benefit liability under IAS 19.54 above, subject to IAS 19.58A above, a portion (as specified in IAS 19.93 below) of the actuarial gains and losses is recognised as income or expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeds the greater of:

- a) 10 per cent of the present value of the defined benefit obligation at that date (before deducting plan assets); and _____
- b) 10 per cent of the fair value of any plan assets at that date. _____

IAS 19.92 These limits are calculated and applied separately for each defined benefit plan. _____

IAS 19.93 The portion of actuarial gains and losses recognised for each defined benefit plan is the excess determined under IAS 19.92 above, divided by the expected average remaining working lives of the employees participating in that plan. _____

IAS 19.93 However, any systematic method that results in faster recognition of actuarial gains and losses may be adopted, provided that:

- a) the same basis is applied to both gains and losses; and _____
- b) the basis is applied consistently from period to period. _____

IAS 19.93 Such systematic methods may be applied to actuarial gains and losses even if they fall within the limits specified in IAS 19.92 above. _____

Past service cost

IAS 19.96 In measuring the defined benefit liability under IAS 19.54 above, subject to IAS 19.58A above, past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. _____

IAS 19.96 To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, past service cost is recognised immediately. _____

Reimbursements

IAS 19.104A A right to a reimbursement is recognised as an asset when, and only when, it is virtually certain that another party will reimburse some or all the expenditure required to settle a defined benefit obligation. _____

IAS 19.104A The asset is recognised as a separate asset and is measured at fair value. In all other respects, an entity treats that asset in the same way as plan assets. _____

IAS 19.104A In the income statement, the expense relating to a defined benefit plan may be presented net of the amount recognised for a reimbursement. _____

Curtailments and settlements

IAS 19.109 Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the curtailment or settlement occurs. _____

IAS 19.109 The gain or loss on a curtailment or settlement comprises:
a) any resulting change in the present value of the defined benefit obligation;
b) any resulting change in the fair value of the plan assets; and
c) any related actuarial gains and losses and past service cost that, under IAS 19.92 and 96 above, had not previously been recognised. _____

IAS 19.110 Before determining the effect of a curtailment or settlement, the obligation (and the related plan assets, if any) is remeasured using current actuarial assumptions (including current market interest rates and other current market prices). _____

Presentation

Offset

IAS 19.116 An asset relating to one plan is offset against a liability relating to another plan when, and only when, the entity:
a) has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan; and
b) intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously. _____

Other long-term employee benefits

IAS 19.128 The amount recognised as a liability for other long-term employee benefits is the net total of:
a) the present value of the defined benefit obligation at the balance sheet date (see IAS 19.64 above); and
b) minus the fair value at the balance sheet date of plan assets (if any) out of which the obligations are to be settled directly (see IAS 19.102-104). _____

IAS 19.128 In measuring the liability, an entity applies IAS 19.49-91, excluding IAS 19.54 and 61 above. _____

IAS 19.128 An entity applies IAS 19.104A above in recognising and measuring any reimbursement right. _____

IAS 19.129 For other long-term employee benefits, the net total of the following amounts is recognised as expense or (subject to IAS 19.58 above) income, except to the extent that another standard requires or permits their inclusion in the cost of an asset:
a) current service cost (see IAS 19.64-91);
b) interest cost (see IAS 19.82);
c) the expected return on any plan assets (see IAS 19.105-107) and on any reimbursement right recognised as an asset (see IAS 19.104A); _____

Specific income statement items

3.5 Share-based payments

- d) actuarial gains and losses, which all are recognised immediately; _____
- e) past service cost, which all are recognised immediately; and _____
- f) the effect of any curtailments or settlements (see IAS 19.109 and 110 above). _____

Termination benefits**Recognition**

IAS 19.133 Termination benefits are recognised as a liability and an expense when, and only when, the entity is demonstrably committed to either:

- a) terminate the employment of an employee or group of employees before the normal retirement date; or _____
- b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. _____

IAS 19.134 An entity is demonstrably committed to a termination when, and only when, it has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes, as a minimum:

- a) the location, function, and approximate number of employees whose services are to be terminated; _____
- b) the termination benefits for each job classification or function; and _____
- c) the time at which the plan will be implemented. Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely. _____

Measurement

IAS 19.139 When termination benefits fall due more than twelve months after the balance sheet date, they are discounted using the discount rate specified in IAS 19.78 above. _____

IAS 19.140 In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. _____

3.5 Share-based payments⁵**Recognition**

IFRS 2.7 Recognise the goods or services received or acquired in a share-based payment transaction when the goods are obtained or as the services are received. _____

IFRS 2.7 Recognise a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction. _____

IFRS 2.8 When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses. _____

Equity-settled share-based payment transaction

IFRS 2.10 For equity-settled share-based payment transactions, measure the goods or services received, and the corresponding increase in equity, directly (i.e., at the fair value of the goods or services received), unless that fair value cannot be estimated reliably. _____

IFRS 2.10 If the fair value of the goods or services received cannot be estimated reliably, measure their value, and the corresponding increase in equity, indirectly (i.e., by reference to the fair value of the equity instruments granted). _____

⁵ See Appendix 1 for scope of IFRS 2.

Cash-settled share-based payment transaction

IFRS 2.30 For cash-settled share-based payment transactions, measure the goods or services acquired and the liability incurred at the fair value of the liability. _____

IFRS 2.30 Until the liability is settled, remeasure the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. _____

Share-based payment transactions with cash alternatives

IFRS 2.34 For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, account for that transaction (or the components of that transaction):

- a) as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash or other assets; or _____
- b) as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred. _____

Transitional provisions

IFRS 2.53 For equity-settled share-based payment transactions, apply IFRS 2 to grants of shares, share options or other equity instruments that were granted after 7 November 2002 and had not yet vested at the effective date of this IFRS. _____

IFRS 2.54 For other grants of equity instruments an entity is encouraged (but not required) to apply IFRS 2 if the entity has disclosed publicly the fair value of those equity instruments, determined at the measurement date. _____

IFRS 2.55 For all grants of equity instruments to which IFRS 2 is applied, restate comparative information and adjust the opening balance of retained earnings for the earliest period presented (where applicable). _____

IFRS 2.57 If the terms or conditions of a grant of equity instruments to which IFRS 2 has not been applied are modified after IFRS 2 becomes effective, apply IFRS 2.26–29 to account for any such modifications. _____

IFRS 2.58 For liabilities arising from share-based payment transactions existing at the effective date of IFRS 2, apply IFRS 2 retrospectively. For these liabilities, restate comparative information, including adjusting the opening balance of retained earnings in the earliest period presented for which comparative information has been restated, except that it is not a requirement to restate comparative information to the extent that the information relates to a period or date that is earlier than 7 November 2002. _____

IFRS 2.59 An entity is encouraged, but not required, to apply retrospectively IFRS 2 to other liabilities arising from share-based payment transactions, for example, to liabilities that were settled during a period for which comparative information is presented. _____

3.6 Interest expense⁶

Benchmark treatment

IAS 23.7 Borrowing costs are expensed in the period in which they are incurred. _____

Allowed alternative treatment

IAS 23.10 Borrowing costs are expensed in the period in which they are incurred, except to the extent that they are capitalised in accordance with IAS 23.11 below. _____

IAS 23.11 Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. _____

IAS 23.11 The amount of borrowing costs eligible for capitalisation are determined in accordance with IAS 23. _____

Borrowing cost eligible for capitalisation

IAS 23.15 To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. _____

IAS 23.17 To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. _____

IAS 23.17 The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. _____

IAS 23.17 The amount of borrowing costs capitalised during a period does not exceed the amount of borrowing costs incurred during that period. _____

Commencement of capitalisation

IAS 23.20 The capitalisation of borrowing costs as part of the cost of a qualifying asset is commenced when: _____

- a) expenditures for the asset are being incurred; _____
- b) borrowing costs are being incurred; and _____
- c) activities that are necessary to prepare the asset for its intended use or sale are in progress. _____

Suspension of capitalisation

IAS 23.23 Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. _____

Cessation of capitalisation

IAS 23.25 Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. _____

IAS 23.27 When the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare that part for its intended use or sale are completed. _____

⁶ See Appendix 1 for scope of IAS 23.

4. Special topics

4.1 Leases¹

Classification of Leases

IAS 17.8 A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. _____

IAS 17.8 A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. _____

Leases in the financial statements of lessees

Finance leases

Initial recognition

IAS 17.20 At the commencement of the lease term, finance leases are recognised by the lessee as assets and liabilities at the lower of the following amounts (each determined at the inception of the lease): _____

- a) the fair value of the leased property; or _____
- b) the present value of the minimum lease payments. _____

IAS 17.20 In calculating the present value of the minimum lease payments, the discount rate is: _____

- a) the interest rate implicit in the lease, if this is practicable to determine; otherwise _____
- b) the lessee's incremental borrowing rate. _____

IAS 17.20 Any initial direct costs of the lessee are added to the amount recognised as an asset. _____

Subsequent measurement

IAS 17.25 Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. _____

IAS 17.25 Finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. _____

IAS 17.25 Contingent rents are charged as expenses in the periods in which they are incurred. _____

IAS 17.27 A finance lease gives rise to depreciation expense for depreciable assets as well as a finance expense for each accounting period. _____

IAS 17.27 The depreciation policy for a depreciable leased assets is consistent with that of owned depreciable assets, and depreciation recognised is calculated on the basis set out in IAS 16 (see 2.2 *Property, plant and equipment*, page 19) and IAS 38 (see 2.3 *Intangible assets and goodwill*, page 21). _____

IAS 17.27 If it is not reasonably certain that the lessee will obtain ownership by the end of the lease, the asset is fully depreciated over the shorter of the lease term and its useful life. _____

Operating leases

IAS 17.33 Lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit. _____

SIC 15.3 All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. _____

¹ See Appendix 1 for scope of IAS 17, SIC-15 and 27.

SIC 15.5 The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset. _____

SIC 15.6 Costs incurred by the lessee, including costs in connection with a pre-existing lease (e.g., costs for termination, relocation or leasehold improvements), are accounted for by the lessee in accordance with the standard applicable to those costs, including costs which are effectively reimbursed through an incentive arrangement. _____

Leases in the financial statements of lessors

Finance leases

Initial recognition

IAS 17.36 Lessors recognise assets held under finance leases are in their balance sheet and present them as receivables at an amount equal to the net investment in the lease. _____

Subsequent measurement

IAS 17.39 Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. _____

IAS 17.42 Manufacturer or dealer lessors:

- a) recognise the selling profit or loss in the period, following the normal policy of the entity for outright sales; _____
- b) restrict selling profit to what would apply if a commercial rate of interest were charged (if artificially low rates of interest are quoted); and _____
- c) recognise costs incurred in connection with negotiating and arranging a lease as an expense in profit or loss when the selling profit is recognised. _____

Operating leases

IAS 17.49 Lessors present assets subject to operating leases in their balance sheet according to the nature of the assets. _____

IAS 17.50 Lease income from operating leases is recognised in income on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. _____

IAS 17.52 Initial direct cost incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. _____

IAS 17.53 Leased assets are depreciated:

- a) on a basis consistent with the lessor's normal depreciation policy used for similar assets; and _____
- b) according to the rules set out in IAS 16 (see 2.2 *Property, plant and equipment*, page 19) and IAS 38 (see 2.3 *Intangible asset and goodwill*, page 21). _____

SIC 15.3 All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. _____

SIC 15.4 The aggregate cost of incentives is recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished. _____

Sale and leaseback transactions

IAS 17.59 If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is not recognised as income but is deferred and amortised over the lease term. _____

IAS 17.61 If a sale and leaseback transaction results in an operating lease and it is clear that the transaction is established at fair value, then the profit or loss is recognised immediately. _____

IAS 17.61 However, if the sale price is:

- a) below fair value, then the profit or loss is recognised immediately except that, if the loss is compensated by future lease payments at below market price, the loss is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used; or
- b) above fair value, then the excess over fair value is deferred and amortised over the period for which the asset is expected to be used. _____

IAS 17.63 For operating leases, if the carrying amount exceeds the fair value at the time of a sale and leaseback transaction, the difference is recognised as a loss immediately. _____

Transitional provisions

IAS 17.67 Subject to IAS 17.68 below, retrospective application of IAS 17 is encouraged but not required. If the standard is not applied retrospectively, the balance of any pre-existing finance lease is deemed to have been properly determined by the lessor and is accounted for thereafter in accordance with the provisions of IAS 17. _____

IAS 17.68 An entity that has previously applied IAS 17 (revised 1997) should apply the amendments made by this standard retrospectively for all leases or, if IAS 17 (revised 1997) was not applied retrospectively, for all leases entered into since it first applied that standard. _____

Evaluating substance of the transactions involving the legal form of a lease

SIC 27.3 If a series of transactions that involve the legal form of a lease is linked and the overall economic effect cannot be understood without reference to the series of transactions as a whole, the series of transactions is accounted for as one transaction. _____

SIC 27.3 This is the case, for example, when the series of transactions are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence. _____

SIC 27.4 The accounting reflects the substance of the arrangement. _____

SIC 27.4 All aspects and implications of an arrangement are evaluated to determine its substance, with weight given to those aspects and implications that have an economic effect. _____

SIC 27.5 Indicators that individually demonstrate that an arrangement may not, in substance, involve a lease under IAS 17 include:

- a) an entity retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;
- b) the primary reason for the arrangement is to achieve a particular tax result, and not to convey the right to use an asset; and
- c) an option is included on terms that make its exercise almost certain (e.g., a put option that is exercisable at a price sufficiently higher than the expected fair value when it becomes exercisable). _____

SIC 27.6 The definitions and guidance in paragraphs 49-64 of the Framework are applied in determining whether in substance, a separate investment account and lease payment obligations represent assets and liabilities of the entity. _____

SIC 27.6 Indicators that collectively demonstrate that, in substance, a separate investment account and lease payment obligations do not meet the definitions of an asset and a liability and are not recognised by the entity include:

- a) the inability on the part of the entity to control the investment account in pursuit of its own objectives and is not obliged to pay the lease payments; _____
- b) the entity has only a remote risk of reimbursing the entire amount of any fee received from an Investor and possibly paying some additional amount, or, when a fee has not been received, only a remote risk of paying an amount under other obligations (e.g., guarantee); and _____
- c) other than the initial cash flows at inception of the arrangement, the only cash flows expected under the arrangement are the lease payments that are satisfied solely from funds withdrawn from the separate investment account established with the initial cash flows. _____

SIC 27.7 Other obligations of an arrangement, including any guarantees provided and obligations incurred upon early termination under IAS 37 (see 2.10 Provisions, page 53) or IAS 39 (see 2.6 Financial instruments, including hedging, page 32) are accounted for depending on the terms. _____

SIC 27.8 The criteria in IAS 18.20 are applied to the facts and circumstances of each arrangement in determining when to recognise a fee as income that an entity might receive. _____

SIC 27.8 The following factors are also considered:

- a) whether there is continuing involvement in the form of significant future performance obligations necessary to earn the fee; _____
- b) whether there are retained risks; _____
- c) the terms of any guarantee arrangements; and _____
- d) the risk of repayment of the fee. _____

SIC 27.8 The following indicate that recognition of the entire fee as income when received, if received at the beginning of the arrangement, is inappropriate:

- a) obligations either to perform or to refrain from certain significant activities are conditions of earning the fee received, and therefore execution of a legally binding arrangement is not the most significant act required by the arrangement; _____
- b) limitations are put on the use of the underlying asset that have the practical effect of restricting and significantly changing the entity's ability to use (e.g., deplete, sell or pledge as collateral) the asset; and _____
- c) the possibility of reimbursing any amount of the fee and possibly paying some additional amount is not remote. _____

SIC 27.8 These indicators are not exhaustive. _____

4.2 Segment reporting²

Identifying reportable segments

Primary and secondary segment reporting formats

IAS 14.26 The dominant source and nature of the entity's risks and returns governs whether its primary segment reporting format is business segments or geographical segments. _____

IAS 14.26 If the risks and rates of return are affected predominantly by differences in the products and services produced, the primary format for reporting segment information is business segments, with secondary information reported geographically. _____

² See Appendix 1 for scope of IAS 14.

IAS 14.26 If the risks and rates of return are affected predominantly by the operation in different countries or other geographical areas, the primary format for reporting segment information is geographical segments, with secondary information reported for groups of related products and services.

IAS 14.27 The internal organisational and management structure and system of internal financial reporting to the board of directors and the chief executive officer is normally the basis for identifying the predominant source and nature of risks and differing rates of return facing the entity and, therefore, for determining which reporting format is primary and which is secondary, except:

- a) if the risks and rates of return are strongly affected both by differences in the products and services and by differences in the geographical areas, as evidenced by a “matrix approach” to managing the company and to reporting internally to the board of directors and the chief executive officer, then business segments are to be used as the primary segment reporting format and geographical segments as the secondary reporting format; and
 - b) if the internal organisational and management structure and system of internal financial reporting to the board of directors and the chief executive officer are based neither on individual products or services or groups of related products/services nor on geography, the directors and management determine whether the risks and returns are related more to the products and services or more to the geographical areas and, as a consequence, choose either business segments or geographical segments as the primary segment reporting format, with the other as its secondary reporting format.
-

Business and geographical segments

IAS 14.31 The business and geographical segments for external reporting purposes are those organisational units for which information is reported to the board of directors and to the chief executive officer for the purpose of evaluating the unit’s past performance and for making decisions about future allocations of resources, except as provided in IAS 14.32 below.

IAS 14.32 If the internal organisational and management structure and system of internal financial reporting to the board of directors and the chief executive officer are based neither on individual products or services or groups of related products/services nor on geography, the directors and management determine the business segments and geographical segments for external reporting purposes based on their assessment of which reflects the primary source of the risks and returns, based on factors in the definitions (see Appendix 2), rather than on the basis of the system of internal financial reporting to the board of directors and chief executive officer, consistent with the following:

- a) if one or more of the segments reported internally to the directors and management is a business segment or a geographical segment based on the factors in the definitions but others are not, subparagraph (b) below is applied only to those internal segments that do not meet the definitions. That is, an internally reported segment that meets the definition is not further segmented;
 - b) for those segments reported internally to the directors and management that do not satisfy the definitions, management looks to the next lower level of internal segmentation that reports information along product and service lines or geographical lines, as appropriate under the definitions; and
 - c) if such an internally reported lower-level segment meets the definition of business segment or geographical segment based on the factors the definitions, the criteria in IAS 14.34 and 35 below for identifying reportable segments are applied to that segment.
-

Reportable segments

IAS 14.34 Two or more internally reported business segments or geographical segments that are substantially similar may be combined as a single business segment or geographical segment.

IAS 14.34 Two or more business segments or geographical segments are substantially similar only if:

- a) they exhibit similar long-term financial performance; and
 - b) they are similar in all of the factors in the appropriate definition (see Appendix 2).
-

IAS 14.35 A business segment or geographical segment is identified as a reportable segment if a majority of its revenue is earned from sales to external customers and:

- a) its revenue from sales to external customers and from transactions with other segments is 10 per cent or more of the total revenue, external and internal, of all segments; or
- b) its segment result, whether profit or loss, is 10 per cent or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or
- c) its assets are 10 per cent or more of the total assets of all segments.

IAS 14.36 If an internally reported segment is below all of the thresholds of significance in IAS 14.35 above:

- a) that segment may be designated as a reportable segment despite its size;
- b) if not designated as a reportable segment despite its size, that segment may be combined into a separately reportable segment with one or more other similar internally reported segment(s) that are also below all of the thresholds of significance in IAS 14.35 above (two or more business segments or geographical segments are similar if they share a majority of the factors in the appropriate definition); and
- c) if that segment is not separately reported or combined, it is included as an unallocated reconciling item.

IAS 14.37 If total external revenue attributable to reportable segments constitutes less than 75 per cent of the total consolidated or entity revenue, additional segments are identified as reportable segments, even if they do not meet the 10 per cent thresholds in IAS 14.35 above, until at least 75 per cent of total consolidated or entity revenue is included in reportable segments.

IAS 14.41 If the internal reporting system treats vertically integrated activities as separate segments and the entity does not choose to report them externally as business segments, the selling segment is combined into the buying segment(s) in identifying externally reportable business segments unless there is no reasonable basis for doing so, in which case the selling segment is included as an unallocated reconciling item.

IAS 14.42 A segment identified as a reportable segment in the immediately preceding period because it satisfied the relevant 10 per cent thresholds continues to be a reportable segment for the current period notwithstanding that its revenue, result, and assets all no longer exceed the 10 per cent thresholds, if the management of the entity judges the segment to be of continuing significance.

IAS 14.43 If a segment is identified as a reportable segment in the current period because it satisfies the relevant 10 per cent thresholds, prior period segment data presented for comparative purposes is restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the 10 per cent thresholds in the prior period, unless it is impracticable to do so.

Segment accounting policies

IAS 14.44 Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the consolidated group or entity.

IAS 14.47 Assets that are jointly used by two or more segments are allocated to segments if, and only if, their related revenues and expenses are also allocated to those segments.

Other matters

IAS 14.75 In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers are measured on the basis that the entity actually used to price those transfers.

4.3 Earnings per share³

Measurement

Basic earnings per share

IAS 33.9 Calculate basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders. _____

IAS 33.10 Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. _____

Earnings

IAS 33.12 For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of: _____

- a) profit or loss from continuing operations attributable to the parent entity; and _____
- b) profit or loss attributable to the parent entity; _____

are the amounts in (a) and (b) above adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity. _____

Shares

IAS 33.19 For the purpose of calculating basic earnings per share, the number of ordinary shares is the weighted average number of ordinary shares outstanding during the period. _____

IAS 33.26 The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding, without a corresponding change in resources (e.g., a stock dividend, a share split, or a reverse share split). _____

Diluted earnings per share

IAS 33.30 An entity calculates diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders. _____

IAS 33.31 For the purpose of calculating diluted earnings per share, profit or loss attributable to ordinary equity holders of the parent entity and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. _____

Earnings

IAS 33.33 For the purpose of calculating diluted earnings per share, the amount of profit or loss attributable to ordinary equity holders of the parent entity, as calculated in accordance with IAS 33.12 above, is adjusted by the after-tax effect of: _____

- a) any dividends or other items related to dilutive potential ordinary shares which are deducted in arriving at the profit or loss attributable to ordinary equity holders of the parent entity as calculated in accordance with IAS 33.12 above; _____
- b) any interest recognised in the period for the dilutive potential ordinary shares; and _____
- c) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares. _____

Shares

IAS 33.36 For the purpose of calculating diluted earnings per share, the number of ordinary shares is the weighted average number of ordinary shares calculated in accordance with IAS 33.19 and 26 above, _____

3 See Appendix 1 for scope of IAS 33.

plus the weighted average number of ordinary shares which would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

IAS 33.36 Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

Dilutive potential ordinary shares

IAS 33.41 Potential ordinary shares are treated as dilutive when, and only when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Options, warrants and their equivalents

IAS 33.45 For the purpose of calculating diluted earnings per share, the exercise of dilutive options and warrants is assumed.

IAS 33.45 The assumed proceeds from these investments are regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period.

IAS 33.45 The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of the ordinary shares during the period is treated as an issue of ordinary shares for no consideration.

Contracts that may be settled in ordinary shares or cash

IAS 33.58 When an entity has issued a contract that may be settled either in ordinary shares or in cash at the entity's option, it is presumed that the contract will be settled in ordinary shares, and the resulting ordinary shares are included in diluted earnings per share if the effect is dilutive.

IAS 33.60 For contracts that may be settled either in ordinary shares or in cash at the holder's option, the more dilutive of cash settlement and share settlement is used in calculating diluted earnings per share.

Written put option

IAS 33.63 Contracts that require the reporting entity to repurchase its own shares, such as a written put options and forward purchase contracts, are reflected in the calculation of diluted earnings per share if the effect is dilutive.

IAS 33.63 If these contracts are 'in the money' during the period (i.e., the exercise or settlement price is above the average market price for that period), the potential dilutive effect on earnings per share is calculated as follows:

- a) it is assumed that at the beginning of the period sufficient ordinary shares will be issued (at the average market price during the period) to raise proceeds to satisfy the contract;
- b) it is assumed that the proceeds from the issue are used to satisfy the contract (i.e., to buy back ordinary shares); and
- c) the incremental ordinary shares (the difference between the number of ordinary shares assumed issued and the number of ordinary shares received from satisfying the contract) is included in the diluted earnings per share calculation.

Retrospective adjustments

IAS 33.64 If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation or bonus issue or share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

IAS 33.64 If the number of ordinary or potential ordinary shares outstanding decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively.

IAS 33.64 If these changes occur after the balance sheet date but before the issue of the financial statements, the per share calculations for those and any prior period financial statements presented are based on the new number of shares. _____

IAS 33.64 In addition, basic and diluted earnings per share of all periods presented are adjusted for the effects of errors, and adjustments resulting from changes in accounting policies accounted for retrospectively. _____

IAS 33.73 If the entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the income statement other than required by IAS 33, such amounts are calculated using the weighted average number of ordinary shares determined in accordance with IAS 33. _____

IAS 33.73 If a component of the income statement is used which is not reported as a line item in the income statement, a reconciliation is provided between the component used and a line item that is reported in the income statement. _____

4.4 Non-current assets held for sale and discontinued operations⁴

Classification of non-current assets (or disposal groups) as held for sale

IFRS 5.6 Classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. _____

Measurement of non-current assets (or disposal groups) classified as held for sale

Measurement of a non-current asset (or disposal group)

IFRS 5.15 Measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. _____

Transitional provisions

IFRS 5.43 IFRS 5 applies prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after the effective date of IFRS 5. _____

IFRS 5.43 The requirements of IFRS 5 may be applied to all non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after any date before the effective date of the IFRS, provided the valuations and other information needed to apply IFRS 5 were obtained at the time those criteria were originally met. _____

Effective date

IFRS 5.44 Apply IFRS 5 for annual periods beginning on or after 1 January 2005. Earlier application is encouraged. _____

Withdrawal of IAS 35

IFRS 5.45 IFRS 5 supersedes IAS 35. _____

4.5 Related party disclosures

There are no recognition and measurement requirements in IAS 24. _____

⁴ See Appendix 1 for scope of IFRS 5.

4.6 Non-monetary transactions⁵

Non-monetary contributions to a jointly controlled entity

SIC 13.5 When a venturer contributes a non-monetary asset to a jointly controlled entity (JCE) in exchange for an equity interest in the JCE, a venturer recognises in profit or loss for the period the portion of a gain or loss attributable to the equity interests of the other venturers except when:

- a) the significant risks and rewards of ownership of the contributed non-monetary asset(s) have not been transferred to the JCE; _____
- b) the gain or loss on the non-monetary contribution cannot be measured reliably; or _____
- c) the contributed transaction lacks commercial substance, as that term is described in IAS 16 (see 2.2 *Property, plant and equipment*, page 19). _____

SIC 13.5 Where any of the exceptions (a), (b) or (c) applies, the gain or loss is regarded as unrealised and would therefore is not to be recognised in profit or loss unless SIC–13.6 below also applies. _____

SIC 13.6 If, in addition to receiving an equity interest in the JCE, a venturer receives monetary or non-monetary assets an appropriate portion of gain or loss on the transaction is recognised by the venturer in profit or loss. _____

SIC 13.7 Unrealised gains or losses on non-monetary assets contributed to JCEs are eliminated against the underlying assets under the proportionate consolidation method or against the investment under the equity method. _____

SIC 13.7 Such unrealised gains or losses are not presented as deferred gains or losses in the venturer's consolidated balance sheet. _____

Government grants

IAS 20.7 Government grants (including non-monetary grants at fair value), are not recognised until there is reasonable assurance that:

- a) the entity will comply with the conditions attaching to them; and _____
- b) the grants will be received. _____

Barter transactions involving advertising services

SIC 31.5 Revenue (in the case of seller) from a barter transaction involving advertising at the fair value of the advertising services it provides in a barter transaction, is measured by reference only to non-barter transactions that:

- a) involve advertising similar to the advertising in the barter transaction; _____
- b) occur frequently; _____
- c) represent a predominant number of transactions and amount when compared to all transactions to provide advertising in the barter transaction; _____
- d) involve cash and/or another form of consideration (e.g., marketable securities, non-monetary assets, and other services) that has a reliably measurable fair value; and _____
- e) do not involve the same counterparty as in the barter transaction. _____

SIC 31.5 Revenue from a barter transaction involving advertising is not measured at the fair value of advertising services received. _____

⁵ See Appendix 1 for scope of IAS 20, SIC–13, and 31.

4.7 Interim financial reporting⁶

Format and content of an interim financial report

IAS 34.9 If a complete set of interim financial statements is published, the form and content of those statements conforms to the requirements of IAS 1 for a complete set of financial statements (see 1.1 *Form and elements of financial statements*, page 2).

IAS 34.10 If a set of condensed financial statements is published in interim financial report, those condensed statements include, at a minimum, each of the headings and subtotals that were included in the most recent annual financial statements and the selected explanatory notes as required by IAS 34.

IAS 34.10 Additional line items or notes are included if their omission would make the condensed interim financial statements misleading.

Materiality

IAS 34.23 In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality is assessed in relation to the interim period financial data. In making assessments of materiality, it is recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data.

Recognition and measurement

Same accounting principles as annual

IAS 34.28 In an interim financial report, apply the same accounting policies as are applied in the annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements.

IAS 34.28 However, the frequency of an entity's reporting (annual, half-yearly, or quarterly) does not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes are made on a year-to-date basis.

Revenues received seasonally, cyclically or occasionally

IAS 34.37 Revenues received seasonally, cyclically, or occasionally within a financial year are not anticipated or deferred as of an interim date, if anticipation or deferral would not be appropriate at the end of the financial year.

Costs incurred unevenly during the financial year

IAS 34.39 Costs that are incurred unevenly during an entity's financial year are anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.

Use of estimates

IAS 34.41 The measurement procedures to be followed in an interim financial report are designed to ensure that the resulting information is reliable.

IAS 34.41 While measurement in both annual and interim financial reports are often based on reasonable estimates, the preparation of interim financial reports generally requires a greater use of estimation methods than annual financial reports.

Restatement of previously reported interim periods

IAS 34.43 A change in accounting policy, other than one for which the transition is specified by a new standard or interpretation, is reflected by:

- a) restating the financial statements of prior interim periods of the current financial year and the comparable interim periods of any prior financial years that will be restated in the annual financial

⁶ See Appendix 1 for scope of IAS 34.

statements in accordance with IAS 8 (see *1.8 Prior period adjustments and other accounting changes*, page 15); or

- b) when it is impracticable to determine the cumulative effect at the beginning of the financial year of applying a new accounting policy to all prior periods, the entity adjusts the financial statements of prior interim periods of the current financial year, and comparable interim periods of prior financial years to apply to new accounting policy prospectively from the earliest date practicable.

4.8 Insurance contracts⁷

Recognition and measurement

Temporary exemption from some other IFRSs

Liability adequacy test

IFRS 4.15 An insurer assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and related intangible assets, such as those discussed in IFRS 4.31 and 32) is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

Changes in accounting policies

IFRS 4.22 An insurer may change its accounting policies for insurance contracts if, and only if, the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable and no less relevant to those needs. An insurer judges relevance and reliability by the criteria in IAS 8.

Effective date and transition

IFRS 4.41 IFRS 4 applies for annual periods beginning on or after 1 January 2005. Earlier application is encouraged.

IFRS 4.40 The transitional provisions in IFRS 4.41-45 apply both to an entity that is already applying IFRSs when it first applies IFRS 4 and to an entity that applies IFRSs for the first-time (see *5. First-time adoption of IFRSs*, page 83).

IFRS 4.45 When an insurer changes its accounting policies for insurance liabilities, it is permitted, but not required, to reclassify some or all of its financial assets as 'at fair value through profit or loss'. This reclassification is permitted if an insurer changes accounting policies when it first applies IFRS 4 and if it makes a subsequent policy change permitted by IFRS 4.22 above. The reclassification is a change in accounting policy and IAS 8 applies.

⁷ See Appendix 1 for scope of IFRS 4.

5. First-time adoption of IFRSs¹

IFRS 1.7 An entity uses the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements. _____

IFRS 1.7 Those accounting policies comply with each IFRS effective at the reporting date for its first IFRS financial statements, except as specified in IFRS 1.13-34. _____

IFRS 1.31 An entity's estimates under IFRSs at the date of transition to IFRSs are consistent with estimates made for the same date under previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. _____

Transitional provisions and effective dates

IFRS 1.9 The transitional provisions of other IFRSs do not apply to a first-time adopter's transition to IFRS, except as specified in 25D, 34A and 34B. For example, concerning IFRS 3 – see 1.6 *Business combinations*, page 10. _____

¹ See Appendix 1 for scope of IFRS 1.

Appendix 1

Scope of IFRSs

IAS 1 Presentation of Financial Statements

Applies in the presentation of all general purpose financial statements prepared and presented in accordance with IFRS.

IAS 2 Inventories

Applies to all inventories, except:

- a) work in progress arising under construction contracts, including directly related service contracts (see IAS 11);
- b) financial instruments; and
- c) biological assets related to agricultural activity and agricultural produce at the point of harvest (see IAS 41).

Does not apply to the measurement of inventories held by:

- a) producers of agricultural and forest products, agricultural produce after harvest, and mineral products, to the extent that they are measured at net realisable value in accordance with well-established practices in those industries. When such inventories are measured at net realisable value, changes in that value are recognised in profit or loss in the period of the change; and
- b) commodity broker-traders who measure their inventories at fair value less costs to sell. When such inventories are measured at fair value less costs to sell, changes in fair value less costs to sell are recognised in profit or loss in the period of the change.

IAS 7 Cash Flow Statements

All entities are required to prepare a cash flow statement and present it as an integral part of their financial statements, including consolidated financial statements.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Applies in:

- a) selecting and applying accounting policies;
- b) accounting for changes in accounting policies;
- c) accounting for changes in accounting estimates; and
- d) corrections of prior period errors.

IAS 10 Events After the Balance Sheet Date

Applies in the accounting for and disclosure of events after the balance sheet date.

IAS 11 Construction Contracts

Applies in the accounting for construction contracts in the financial statements of contractors.

IAS 12 Income Taxes

Applies when accounting for income taxes including:

- a) all domestic and foreign taxes which are based on taxable profits; and
- b) taxes such as withholding taxes, which are payable by a subsidiary, associate or joint venture on distributions to the reporting entity.

IAS 12 does not deal with the methods of accounting for:

- a) government grants (see IAS 20), except for temporary differences arising from such grants; and
- b) investment tax credits, except for temporary differences arising from such credits.

IAS 14 Segment Reporting

Applies to entities whose equity or debt securities are publicly traded or are in the process of issuing equity or debt securities in public securities markets.

Other entities are encouraged to apply IAS 14. If an entity chooses to disclose segment information voluntarily, it should comply fully with the requirements in the standard to comply with IFRS in accordance with IAS 1.

If an entity prepares parent and consolidated financial statements, the disclosure requirements apply only to the consolidated financial statements.

If an entity's financial report contains its financial statements as well as financial statements of an associate or joint venture, the disclosure requirements apply only to the entity's financial statements.

IAS 16 Property, Plant and Equipment

Applies in accounting for property, plant and equipment except when another standard requires or permits a different accounting treatment (e.g., IFRS 3). It also applies to property, plant and equipment being constructed or developed for future use as investment property. IAS 16 does not apply to:

- a) property, plant and equipment classified as held for sale in accordance with IFRS 5;
- b) biological assets related to agricultural activity (see IAS 41); and
- c) mineral rights, and mineral reserves such as oil, natural gas and similar non-regenerative resources.

However, IAS 16 applies to property, plant and equipment used to develop or maintain the assets described in (b) and (c) above.

Other standards may require recognition of an item of property, plant and equipment based on an approach different from that in this standard. For example, IAS 17 requires an entity to evaluate its recognition of an item of leased property, plant and equipment on the basis of the transfer of risks and rewards. However, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed by IAS 16.

IAS 17 Leases

Applies when accounting for leases, except for the following:

- a) leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources; and
- b) licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

However, this standard does not apply as basis of measurement by:

- a) property held by lessees that is accounted for as investment property (see IAS 40);
- b) investment property provided by lessors under operating leases (see IAS 40);
- c) biological assets held by lessees under finance leases (see IAS 41); or
- d) biological assets provided by lessors under operating leases (see IAS 41).

This standard applies to agreements that transfer the right to use assets even though substantial services by the lessor may be called for in connection with the operation or maintenance of such assets. This standard does not apply to agreements that are contracts for services that do not transfer the right to use assets from one contracting party to the other.

IAS 18 Revenue

Applies when accounting for revenue arising from the following transactions and events:

- a) the sale of goods;
- b) the rendering of services; and
- c) the use by others of entity assets yielding interest, royalties and dividends.

IAS 18 does not deal with revenue arising from:

- a) lease agreements (see IAS 17);

- b) dividends from investments accounted for using the equity method (IAS 28);
- c) insurance contracts within the scope of IFRS 4;
- d) changes in the fair value of financial assets and financial liabilities or their disposal (see IAS 39);
- e) changes in the value of other current assets;
- f) initial recognition and changes in the fair value of biological assets related to agricultural activity (see IAS 41);
- g) initial recognition of agricultural produce (see IAS 41); and
- h) the extraction of mineral ores.

IAS 19 Employee Benefits

Applies to the accounting for all employee benefits by an employer, except those to which IFRS 2 applies. The employee benefits to which IAS 19 applies include those provided:

- a) under formal plans or other formal agreements between an entity and individual employees, groups of employees or their representatives;
- b) under legislative requirements, or through industry arrangements, whereby entities are required to contribute to national, state, industry or other multi-employer plans; or
- c) by those informal practices that give rise to constructive obligations. Informal practices give rise to constructive obligations where the entity has no realistic alternative but to pay employee benefits.

An example is where a change in the entity's informal practises would cause unacceptable damage to its relationship with employees.

Employee benefits include:

- a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
- b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation; and
- d) termination benefits.

IAS 19 does not deal with reporting by employee benefit plans (see IAS 26 *Accounting and Reporting by Retirement Benefit Plans* – not included in this Accounting Checklist).

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Applies in accounting for and disclosing government grants, and in disclosing other forms of government assistance.

IAS 20 does not deal with:

- a) the special problems arising in accounting for government grants reflecting the effects of changing prices or in supplementary information of a similar nature;
- b) government assistance that is provided for an entity in the form of benefits that are available in determining taxable income or are determined or limited on the basis of income tax liability (such as income tax holidays, investment tax credits, accelerated depreciation allowances and reduced income tax rates);
- c) government participation in the ownership of the entity; and
- d) government grants covered by IAS 41.

IAS 21 The Effects of Changes in Foreign Exchange Rates

Applies:

- a) in accounting for transactions and balances in foreign currencies, except for those derivative transactions and balances that are within the scope of IAS 39;
- b) in translating the results and financial position of foreign operations that are included in the financial statements of the entity by consolidation, proportionate consolidation or by the equity method; and
- c) in translating the entity's results and financial position into a presentation currency.

IAS 21 does not deal with:

- a) hedge accounting for foreign currency items, including the hedging of a net investment in a foreign operation. Hedge accounting is dealt with in IAS 39; and
- b) presentation in a cash flow statement of cash flows arising from transactions in foreign currency, or to the translation of cash flows of a foreign operation (see IAS 7).

IAS 23 Borrowing Costs

Applies when accounting for borrowing costs.

IAS 23 does not deal with the actual or imputed cost of equity, including preferred capital not classified as a liability.

IAS 24 Related Party Disclosures

Applies in:

- a) identifying related party relationships, and transactions;
- b) identifying outstanding balances between an entity and its related parties;
- c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- d) determining the disclosures to be made about those items.

This standard requires disclosure of related party transactions and outstanding balances in the separate financial statements of a parent, venturer or investor presented in accordance with IAS 27.

Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intragroup related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.

IAS 27 Consolidated and Separate Financial Statements

Applies to:

- a) the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent; and
- b) accounting for investments in subsidiaries, jointly controlled entities and associates when an entity elects, or is required by local regulations, to present separate financial statements.

IAS 27 does not deal with methods of accounting for business combinations and their effects on consolidation, including goodwill arising on a business combination (see IFRS 3).

IAS 28 Accounting for Investments in Associates

Applies in accounting by an investor for investments in associates.

It does not apply to investments in associates held by:

- a) venture capital organisations; or
 - b) mutual funds, unit trusts and similar entities including investment-linked insurance funds;
- that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IAS 39. Such investments are measured at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss in the period of the change.

IAS 29 Financial Reporting in Hyperinflationary Economies

Applies to the individual financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

Hyperinflation is indicated by characteristics of the economic environment, including but not limited to:

- a) the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
- b) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

- c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- d) interest rates, wages and prices are linked to a price index; and
- e) the cumulative inflation rate over three years is approaching, or exceeds, 100 per cent.

IAS 31 Financial Reporting of Interests in Joint Ventures

Applies in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place.

The standard does not apply to venturers' interests in jointly controlled entities held by:

- a) venture capital organisations; and
- b) mutual funds, unit trusts and similar entities including investment-linked insurance funds; that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with IAS 39. Such investments are measured at fair value in accordance with IAS 39, with changes in fair value recognised in profit or loss in the period of the change.

A venturer with an interest in a jointly controlled entity is exempted from proportionate consolidation (see IAS 31.30) and the equity method (see IAS 31.38) when it meets the following conditions:

- a) the interest is classified as held for sale in accordance with IFRS 5;
- b) the exception in IAS 27.10 allowing a parent that also has an interest in a jointly controlled entity not to present consolidated financial statements is applicable; or
- c) all of the following apply:
 - i) the venturer is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the venturer not applying proportionate consolidation or the equity method;
 - ii) the venturer's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
 - iii) the venturer did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and
 - iv) the ultimate or any intermediate parent of the venturer produces consolidated financial statements available for public use that comply with IFRS.

IAS 32 Financial Instruments: Disclosure and Presentation (revised 2004)

Applies to all entities to all types of financial instruments other than:

- a) interests in subsidiaries (see IAS 27), interests in associates (see IAS 28), and interests in joint ventures (see IAS 31);
However, entities apply IAS 32 to an interest in a subsidiary, associate or joint venture that according to IAS 27, IAS 28 or IAS 31 is accounted for under IAS 39. In these cases, entities apply the disclosure requirements in IAS 27, 28 and 31 in addition to those in IAS 32. Entities also apply IAS 32 to all derivatives on interests in subsidiaries, associates or joint ventures.
- b) employers' rights and obligations under employee benefit plans (see IAS 19);
- c) contracts for contingent consideration in a business combination (see IFRS 3). This exemption applies only to the acquirer;
- d) insurance contracts as defined in IFRS 4. However, IAS 32 applies to derivatives that are embedded in insurance contracts if IAS 39 requires the entity to account for them separately;
- e) financial instruments that are within the scope of IFRS 4 because they contain a discretionary participation feature. The issuer of these instruments is exempt from applying to these features IAS 32.15-32 and AG25-AG35 of IAS 32 regarding the distinction between financial liabilities and equity instruments. However, these instruments are subject to all other requirements of IAS 32. Furthermore, IAS 32 applies to derivatives that are embedded in these instruments (see IAS 39);

- f) financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2 applies, except for:
- i) contracts within the scope of IAS 32.8-10, to which IAS 32 applies; and
 - ii) IAS 32.33 and 34, which are applied to treasury shares purchased, sold, issued or cancelled in connection with employee share option plans, employee share purchase plans, and all other share-based payment arrangements.

IAS 32 applies to recognised and unrecognised financial instruments. Recognised financial instruments include equity instruments issued by the entity and financial assets and financial liabilities that are within the scope of IAS 39. Unrecognised financial instruments include some financial instruments that, although outside the scope of IAS 39, are within the scope of IAS 32 (e.g., some loan commitments).

IAS 32 is applied to those contracts to buy or sell a non-financial item that can be settled in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

IAS 33 Earnings Per Share (revised 2004)

Applies to entities whose ordinary shares or potential ordinary shares are publicly traded, and to entities that are in the process of issuing ordinary shares or potential ordinary shares in public markets.

An entity that discloses earnings per share calculates and discloses earnings per share in accordance with IAS 33.

When an entity presents both consolidated financial statements and separate financial statements prepared in accordance with IAS 27, the disclosures required by IAS 33 need be presented only on the basis of the consolidated information. An entity that chooses to disclose earnings per share based on its separate financial statements presents such earnings per share information only on the face of its separate income statement. An entity does not present such earnings per share information in the consolidated financial statements.

IAS 34 Interim Financial Reporting (revised 2004)

Applies if an entity is required or elects to publish an interim financial report in accordance with IFRS.

Publicly traded entities are encouraged to:

- a) provide interim financial reports at least as of the end of the first half of their financial year; and
- b) make their interim financial reports available not later than 60 days after the end of the interim period.

The fact that an entity may not have provided interim financial reports during a particular financial year or may have provided interim financial reports that do not comply with IAS 34 does not prevent the entity's annual financial statements from conforming to IFRS if they otherwise do so.

If an entity's interim financial report is described as complying with IFRS, it must comply with all of the requirements of IAS 34.

IAS 35 Discontinuing Operations (revised 2003)

Applies to all discontinuing operations of all entities.

IAS 35 has been withdrawn with the promulgation of IFRS 5. However, the transitional provisions in IFRS 5 require prospective application to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after the effective date of IFRS 5. The new standard may be applied early and the transitional provisions allow application of the requirements in IFRS 5 before the effective date in certain limited circumstances.

IAS 36 Impairment of Assets (revised 2004)

Applies in accounting for the impairment of all assets, other than:

- a) inventories (see IAS 2);
- b) assets arising from construction contracts (see IAS 11);
- c) deferred tax assets (see IAS 12);
- d) assets arising from employee benefits (see IAS 19);
- e) financial assets within the scope of IAS 39;
- f) investment property that is measured at fair value (see IAS 40);
- g) biological assets related to agricultural activity that are measured at fair value less estimated point-of-sale costs (see IAS 41);
- h) deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of IFRS 4; and
- i) non-current assets (or disposal groups) classified as held for sale in accordance with IFRS 5.

IAS 36 also applies to financial assets classified as:

- a) subsidiaries (see IAS 27);
- b) associates (see IAS 28); and
- c) joint ventures (see IAS 31).

For impairment of other financial assets, refer to IAS 39.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets (revised 2004)

Applies in accounting for provisions, contingent liabilities and contingent assets, except:

- a) those resulting from executory contracts, except where the contract is onerous;
- b) those covered by another standard, for example:
 - i) contingent liabilities assumed in a business combination (IFRS 3);
 - ii) construction contracts (IAS 11);
 - iii) income taxes (IAS 12);
 - iv) leases (IAS 17), except that IAS 37 applies to operating leases that have become onerous;
 - v) employee benefits (IAS 19); and
 - vi) insurance contracts (see IFRS 4). However, IAS 37 applies to provisions, contingent liabilities and contingent assets of an insurer, other than those arising from its contractual obligations and rights under insurance contracts within the scope of IFRS 4.

IAS 37 does not apply to financial instruments (including guarantees) that are within the scope of IAS 39.

IAS 38 Intangible Assets (revised 2004)

Applies in accounting for intangible assets, except:

- a) intangible assets that are within the scope of another standard, for example:
 - i) intangible assets held for sale in the ordinary course of business (see IAS 2 and IAS 11);
 - ii) deferred tax assets (see IAS 12);
 - iii) leases within the scope of IAS 17;
 - iv) assets arising from employee benefits (see IAS 19);
 - v) goodwill acquired in a business combination (see IFRS 3);
 - vi) deferred acquisition costs, and intangible assets, arising from an insurer's contractual rights under insurance contracts within the scope of IFRS 4. IFRS 4 sets out specific disclosure requirements for those deferred acquisition costs but not for those intangible assets. Therefore, the disclosure requirements in IAS 38 apply to those intangible assets; and
 - vii) non-current intangible assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5;
- b) financial assets as defined in IAS 39; the recognition and measurement of some financial assets are covered by IAS 27, IAS 28 and IAS 31; and
- c) mineral rights and expenditure on the exploration for, or development and extraction of, minerals, oil, natural gas and similar non-regenerative resources.

IAS 39 Financial Instruments: Recognition and Measurement (revised 2004)

Applies to all financial instruments except:

- a) interests in subsidiaries, associates, and joint ventures that are accounted for under IAS 27, IAS 28 and IAS 31. However, an entity applies this standard to an interest in a subsidiary, associate or joint venture that according to IAS 27, IAS 28 or IAS 31 is accounted under this standard. Entities apply this standard to derivatives on an interest in a subsidiary, associate or joint venture unless the derivative meets the definition of an equity instrument of the entity in IAS 32;
- b) rights and obligations under leases, to which IAS 17 applies; however:
 - i) lease receivables recognised by a lessor are subject to the derecognition provisions of this standard; and
 - ii) finance lease payables recognised by a lessee are subject to the derecognition provisions of this standard; and
 - iii) derivatives that are embedded in leases are subject to the embedded derivatives provisions of this standard;
- c) employers' rights and obligations under employee benefit plans to which IAS 19 applies;
- d) financial instruments issued by the entity that meet the definition of an equity instrument in IAS 32 (including options and warrants). However, the holder of such equity instruments applies IAS 39 to those instruments unless they meet the exception in (a) above;
- e) rights and obligations under an insurance contracts as defined in IFRS 4 or under a contract that is within the scope of IFRS 4 because it contains a discretionary participation feature. However, IAS 39 applies to a derivative that is embedded in such a contract if the derivative is not itself a contract within the scope of IFRS 4. Furthermore, if an insurance contract is a financial guarantee contract entered into, or retained, on transferring to another party financial assets or financial liabilities within the scope of IAS 39, the issuer applies IAS 39 to the contract;
- f) contracts for contingent consideration in a business combination (see IFRS 3). This exemption applies only to the acquirer;
- g) contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date;
- h) loan commitments that cannot be settled net in cash or another financial instrument, except as described in IAS 39.4. A loan commitment is not regarded as settled net merely because the loan is paid out in instalments (e.g., a mortgage construction loan that is paid out in instalments in line with the progress of construction). An issuer of a commitment to provide a loan at a below-market interest rate initially recognises it at fair value, and subsequently measure it at the higher of (i) the amount recognised under IAS 37 and (ii) the amount initially recognised in accordance with IAS 18. An issuer of loan commitments applies IAS 37 to other loan commitments that are not within the scope of this standard. Loan commitments are subject to the derecognition provisions of this standard; and
- i) financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2 applies, except for contracts within the scope of IAS 39.5-7, to which IAS 39 applies.

Some financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. If that requirement transfers significant risk to the issuer, the contract is an insurance contract as defined in IFRS 4.

Other financial guarantee contracts require payments to be made in response to changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Such contracts are within the scope of IAS 39.

Loan commitments that the entity designates as financial liabilities at fair value through profit or loss are within the scope of IAS 39. An entity that has a past practice of selling the assets resulting from its loan commitments shortly after origination applies IAS 39 to all its loan commitments in the same class.

IAS 39 is applied to contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument or by exchanging financial instruments, as if the contracts were financial instruments, with

the exception of contracts that were entered into and continue to be held for the purpose of receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

IAS 40 Investment Property (revised 2004)

Applies in the recognition, measurement and disclosure of investment property. It deals with the:

- a) measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease; and
- b) measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease.

IAS 40 does not apply to:

- a) biological assets related to agricultural activity (see IAS 41);
- b) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources; and
- c) matters covered in IAS 17, including:
 - i) classification of leases as finance or operating leases;
 - ii) recognition of lease income earned on investment property (see also IAS 18);
 - iii) measurement in a lessee's financial statements of property interests held under a lease accounted for as an operating lease;
 - iv) measurement in a lessor's financial statement of its net investment in a finance lease;
 - v) accounting for sale and leaseback transactions; and
 - vi) disclosure about finance leases and operating leases.

IAS 41 Agriculture (revised 2004)

Applies in accounting for biological assets, agricultural produce at the point of harvest and certain government grants that relate to agricultural activities.

IAS 41 does not apply to:

- a) land related to agricultural activity (see IAS 16 and IAS 40); and
- b) intangible assets related to agricultural activity (see IAS 38).

IFRS 1 First-time Adoption of IFRS

An entity applies IFRS 1 in:

- a) its first IFRS financial statements; and
- b) each interim financial report, if any, that it presents under IAS 34 for part of the period covered by its first IFRS financial statements.

An entity's first IFRS financial statements are the first annual financial statements in which the entity adopts IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRSs.

Financial statements under IFRSs are an entity's first IFRS financial statements if, for example, the entity:

- a) presented its most recent previous financial statements:
 - i) under national requirements that are not consistent with IFRSs in all respects;
 - ii) in conformity with IFRSs in all respects, except that the financial statements did not contain an explicit and unreserved statement that they complied with IFRSs;
 - iii) containing an explicit statement of compliance with some, but not all, IFRSs;
 - iv) under national requirements inconsistent with IFRSs, using some individual IFRSs to account for items for which national requirements did not exist; or
 - v) under national requirements, with a reconciliation of some amounts to the amounts determined under IFRSs;
- b) prepared financial statements under IFRSs for internal use only, without making them available to the entity's owners or any other external users;
- c) prepared a reporting package under IFRSs for consolidation purposes without preparing a complete set of financial statements as defined in IAS 1; or
- d) did not present financial statements for previous periods.

IFRS 1 applies when an entity first adopts IFRSs. It does not apply when, for example, an entity:

- a) stops presenting financial statements under national requirements, having previously presented them as well as another set of financial statements that contained an explicit and unreserved statement of compliance with IFRSs;
- b) presented financial statements in the previous year under national requirements and those financial statements contained an explicit and unreserved statement of compliance with IFRSs; or
- c) presented financial statements in the previous year that contained an explicit and unreserved statement of compliance with IFRSs, even if the auditors qualified their audit report on those financial statements.

IFRS 1 does not apply to changes in accounting policies made by an entity that already applies IFRSs. Such changes are the subject of:

- a) requirements on changes in accounting policies in IAS 8; and
- b) specific transitional requirements in other IFRSs.

IFRS 2 Share-based Payments

Applies in accounting for all share-based payment transactions (IFRS 2.2) including:

- a) equity-settled share-based payment transactions, in which the entity receives goods or services as consideration for *equity instruments* of the entity (including shares or share options);
 - b) cash-settled share-based payment transactions, in which the entity acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity; and
 - c) transactions in which the entity receives or acquires goods or services and the terms of the arrangement provide either the entity or the supplier of those goods or services with a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments;
- except as noted in IFRS 2.5 and 6 (described below).

For the purposes of IFRS 2, transfers of an entity's equity instruments by its shareholders to parties that have supplied goods or services to the entity (including employees) are share-based payment transactions, unless the transfer is clearly for a purpose other than payment for goods or services supplied to the entity. This also applies to transfers of equity instruments of the entity's parent, or equity instruments of another entity in the same group as the entity, to parties that have supplied goods or services to the entity.

For the purposes of this IFRS, a transaction with an employee (or other party) in his/her capacity as a holder of equity instruments of the entity is not a share-based payment transaction. For example, if an entity grants all holders of a particular class of its equity instruments the right to acquire additional equity instruments of the entity at a price that is less than the fair value of those equity instruments, and an employee receives such a right because he/she is a holder of equity instruments of that particular class, the granting or exercise of that right is not subject to the requirements of IFRS 2.

As noted above, IFRS 2 applies to share-based payment transactions in which an entity acquires or receives goods or services. Goods includes inventories, consumables, property, plant and equipment, intangible assets and other non-financial assets. However, IFRS 2 does not apply to transactions in which the entity acquires goods as part of the net assets acquired in a business combination to which IFRS 3 applies. Hence, equity instruments issued in a business combination in exchange for control of the acquiree are not within the scope of IFRS 2. However, equity instruments granted to employees of the acquiree in their capacity as employees (e.g., in return for continued service) are within the scope of IFRS 2. Similarly, the cancellation, replacement or other modification of share-based payment arrangements because of a business combination or other equity restructuring is accounted for in accordance with IFRS 2.

IFRS 2 does not apply to share-based payment transactions in which the entity receives or acquires goods or services under a contract within the scope of IAS 32.8-10 or IAS 39.5-7.

IFRS 3 Business Combinations

IFRS 3 applies when accounting for business combinations, except in the following circumstances:

- a) business combinations in which separate entities or businesses are brought together to form a joint venture;
- b) business combinations involving entities or businesses under common control;
- c) business combinations involving two or more mutual entities; and
- d) business combinations in which separate entities or businesses are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest (e.g., combinations in which separate entities are brought together by contract alone to form a dual listed corporation).

A **business combination** is defined as the bringing together of separate entities or businesses into one reporting entity.

A **business** is defined as an integrated set of activities and assets conducted and managed for the purpose of providing: (a) a return to investors; or (b) lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

The scope section of IFRS 3 includes further guidance on identifying a business combination and on the circumstances surrounding business combinations involving entities under common control.

IFRS 4 Insurance Contracts

An entity applies IFRS 4 to:

- a) insurance contracts (including reinsurance contracts) that it issues and reinsurance contracts that it holds; and
- b) financial instruments that it issues with a discretionary participation feature (see IFRS 4.35).

IAS 32 requires disclosure about financial instruments, including financial instruments that contain such features.

IFRS 4 does not address other aspects of accounting by insurers, such as accounting for financial assets held by insurers and financial liabilities issued by insurers (see IAS 32 and IAS 39), except in the transitional provisions in IFRS 4.45.

IFRS 4 does not apply to:

- a) product warranties issued directly by a manufacturer, dealer or retailer (see IAS 18 and IAS 37);
- b) employers' assets and liabilities under employee benefit plans (see IAS 19 and IFRS 2) and retirement benefit obligations reported by defined benefit retirement plans (see IAS 26, not covered in this publication);
- c) contractual rights or contractual obligations that are contingent on the future use of, or right to use, a non-financial item (for example, some licence fees, royalties, contingent lease payments and similar items), as well as a lessee's residual value guarantee embedded in a finance lease (see IAS 17, IAS 18 and IAS 38);
- d) financial guarantees that an entity enters into or retains on transferring to another party financial assets or financial liabilities within the scope of IAS 39, regardless of whether the financial guarantees are described as financial guarantees, letters of credit or insurance contracts (see IAS 39);
- e) contingent consideration payable or receivable in a business combination (see IFRS 3); and
- f) direct insurance contracts that the entity holds (i.e., direct insurance contracts in which the entity is the policyholder). However, a cedant applies IFRS 4 to reinsurance contracts that it holds.

For ease of reference, IFRS 4 describes any entity that issues an insurance contract as an insurer, whether or not the issuer is regarded as an insurer for legal or supervisory purposes.

A reinsurance contract is a type of insurance contract. Accordingly, all references in this IFRS to insurance contracts also apply to reinsurance contracts.

The scope section of IFRS 4 includes further guidance on matters related to embedded derivatives and on the unbundling of deposit components.

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

The classification and presentation requirements of IFRS 5 apply to all recognised non-current assets¹ and to all disposal groups of an entity. The measurement requirements of IFRS 5² apply to all recognised non-current assets and disposal groups (as set out in IFRS 5.4), except for the following assets, which are covered by the standards listed, either as individual assets or as part of a disposal group:

- a) deferred tax assets (see IAS 12);
- b) assets arising from employee benefits (see IAS 19);
- c) financial assets within the scope of IAS 39;
- d) non-current assets accounted for in accordance with the fair value model in IAS 40;
- e) non-current assets measured at fair value less estimated point-of-sale costs in accordance with IAS 41; and
- f) contractual rights under insurance contracts as defined in IFRS 4.

Assets classified as non-current in accordance with IAS 1 are not reclassified as *current assets* until they meet the criteria to be classified as held for sale in accordance with IFRS 5. Assets of a class that would normally be regarded as non-current that are acquired exclusively with a view to resale are not classified as current unless they meet the criteria to be classified as held for sale in accordance with IFRS 5.

Sometimes an entity disposes of a group of assets, possibly with some directly associated liabilities, together in a single transaction. Such a disposal group may be a group of cash-generating units, a single cash-generating unit, or part of a cash-generating unit.³ The group may include any assets and any liabilities of the entity, including current assets, current liabilities and assets excluded from the measurement requirements of IFRS 5 (see above). If a non-current asset within the scope of the measurement requirements of IFRS 5 is part of a disposal group, the measurement requirements of IFRS 5 apply to the group as a whole, so that the group is measured at the lower of its carrying amount and fair value less costs to sell. The requirements for measuring the individual assets and liabilities within the disposal group are set out in IFRS 5.18, 19 and 23.

SIC-7 Introduction of the Euro

Relates to IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

SIC-10 Government Assistance – No Specific Relation to Operating Activities

Relates to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*.

SIC-12 Consolidation – Special Purpose Entities

Relates to IAS 27 *Consolidated and Separate Financial Statements*. It does not apply to post-employment benefit plans or equity compensation plans, and does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

¹ For assets classified according to a liquidity presentation, non-current assets are assets that include amounts expected to be recovered more than twelve months after the balance sheet date. IFRS 5.3 applies to the classification of such assets.

² Other than IFRS 5.18 and 19, which require the assets in question to be measured in accordance with other applicable IFRSs.

³ However, once the cash flows from an asset or group of assets are expected to arise principally from sale rather than continuing use, they become less dependent on cash flows arising from other assets, and a disposal group that was part of a cash-generating unit becomes a separate cash-generating unit.

SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers

Relates to IAS 31 *Financial Reporting of Interest in Joint Ventures*. It deals with the venturer's accounting for non-monetary contributions to a jointly controlled entities (JCE) in exchange for an equity interest in the JCE that is accounted for using either the equity method or proportionate consolidation.

SIC-15 Operating Leases – Incentives

Relates to IAS 17 *Leases*.

SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets

Relates to IAS 12 *Income Taxes*.

SIC-25 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders

Relates to IAS 12 *Income Taxes*.

SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

Relates to IAS 1 *Presentation of Financial Statements*, IAS 17 *Leases* and IAS 18 *Revenue*.

SIC-29 Disclosure – Service Concession Arrangements

Relates to IAS 1 *Presentation of Financial Statements*.

SIC-31 Revenue – Barter Transactions Involving Advertising Services

Relates to IAS 18 *Revenue*. It only applies to an exchange of dissimilar advertising services. An exchange of similar is not a transaction that generates revenue under IAS 18.

SIC-32 Intangible Assets – Web Site Costs

Relates to IAS 38 *Intangible Assets*. It does not apply to expenditure on the development or operation of a Web site (or Web site software) for sale to another entity. When a Web site is leased under an operating lease, the lessor applies this Interpretation. When a Web site is leased under a finance lease, the lessee applies this Interpretation after initial recognition of the leased asset.

Appendix 2

Definitions¹

The definitions are extracted from the Glossary of Terms relating to standards included in the Accounting Checklist.

Accounting policies	Specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Accounting profit	Net profit or loss for a period before deducting tax expense .
Accumulating compensated absences	Compensated absences that are carried forward and can be used in future absences periods if the current period's entitlement is not used in full.
Acquisition date	The date on which the acquirer effectively obtains control of the acquiree.
Active market	Market in which all the following conditions exist: a) the items traded within the market are homogeneous; b) willing buyers and sellers can normally be found at any time; and c) prices are available to the public.
Actuarial gains and losses	Actuarial gains and losses comprise: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and b) the effects of changes in actuarial assumptions.
Adjusting events after the balance sheet date	Those events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date.
Agreement date (for a business combination)	The date that a substantive agreement between the combining parties is reached and, in the case of publicly listed entities, announced to the public. In the case of a hostile takeover, the earliest date that a substantive agreement between the combining parties is reached is the date that a sufficient number of the acquiree's owners have accepted the acquirer's offer for the acquirer to obtain control of the acquiree.
Agricultural activity	The management by an entity of the biological transformation of biological assets for sale, into agricultural produce , or into additional biological assets .
Agricultural produce	The harvested product of the entity's biological assets .
Amortisation	The systematic allocation of the depreciable amount of an asset over its useful life . In the case of an intangible asset (including goodwill), the term "amortisation" is generally used instead of " depreciation ". Both terms have the same meaning.
Amortised cost of a financial asset or financial liability	The amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

¹ Source: International Accounting Standards 2004 bound volume issued by the IASB.

Antidilution	An increase in earnings per share or a reduction in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.
Asset	A resource: <ol style="list-style-type: none"> a) controlled by an entity as a result of past events; and b) from which future economic benefits are expected to flow to the entity.
Assets held by a long-term employee benefit fund	Assets (other than non-transferable financial instruments issued by the reporting entity) that: <ol style="list-style-type: none"> a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and b) are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in bankruptcy), and cannot be returned to the reporting entity, unless either: <ol style="list-style-type: none"> i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or ii) the assets are returned to the reporting entity to reimburse it for employee benefits already paid.
Associate	An entity, including an unincorporated entity such a partnership, in which the investor has significant influence and which is neither a subsidiary nor an interest in a joint venture .
Available-for-sale financial assets	Those non-derivative financial assets that are designated as available-for-sale or are not classified as: <ol style="list-style-type: none"> a) loans and receivables; b) held-to-maturity investments; or c) financial assets at fair value through profit or loss.
Basic earnings per share	The amount of net profit for the period that is attributable to ordinary shareholders (the numerator) divided by the weighted average number of ordinary shares outstanding during the period (the denominator).
Biological asset	A living animal or plant.
Biological transformation	The process of growth, degeneration, production and procreation that cause qualitative or quantitative changes in a biological asset .
Borrowing costs	Interest and other costs incurred by an entity in connection with the borrowing of funds.
Business	An integrated set of activities and assets conducted and managed for the purpose of providing: <ol style="list-style-type: none"> a) a return to investors; or b) lower costs or other economic benefits directly and proportionately to policyholders or participants. <p>A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set shall be presumed to be a business.</p>
Business combination	The bringing together of separate entities or businesses into one reporting entity .

Business combination involving entities or businesses under common control	A business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.
Business segment	A distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segment.
Carrying amount	The amount at which an asset is recognised in the balance sheet after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon.
Cash	Cash on hand and demand deposits.
Cash equivalents	Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Cash flows	Inflows and outflows of cash and cash equivalents .
Cash-generating unit	The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets .
Cash-settled share-based payment transaction	A share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the entity's shares or other equity instruments of the entity.
Cedant	The policyholder under a reinsurance contract .
Change in accounting estimate	An adjustment of the carrying amount of an asset or a liability , or the amount of the periodic consumption of an asset , that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities . Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors.
Class of assets	Grouping of assets of a similar nature and use in an entity's operations.
Close members of the family of an individual	Those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include: a) the individual's domestic partner and children; b) children of the individual's domestic partner; and c) dependants of the individual or the individual's domestic partner.
Closing rate	The spot exchange rate at the balance sheet date.
Commencement of the lease term	It is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e., the recognition of the assets, liabilities, income or expenses resulting from the lease , as appropriate).
Compensation	Includes all employee benefits (as defined in IAS 19). Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes: a) short-term employee benefits , such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses

	(if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
	b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
	c) other long-term employee benefits , including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation ;
	d) termination benefits ; and
	e) share-based payment.
Component of an entity	Operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.
Compound instrument	A financial instrument that, from the issuer's perspective, contains both a liability and an equity instrument.
Consolidated financial statements	The financial statements of a group presented as those of a single economic entity.
Construction contract	A contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.
Constructive obligation	An obligation that derives from the entity's actions where: <ul style="list-style-type: none"> a) by an established pattern of past practice, published policies or a sufficiently specific current statement, it has indicated to other parties that it will accept certain responsibilities; and b) as a result, it has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
Contingent asset	A possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity.
Contingent liability	<ul style="list-style-type: none"> a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or b) a present obligation that arises from past events but is not recognised because: <ul style="list-style-type: none"> i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or ii) the amount of the obligation cannot be measured with sufficient reliability.
Contingent rent	That portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g., percentage of future sales, amount of future use, future price indices, future market rates of interest).
Contingent share agreement	An agreement to issue shares that is dependent on the satisfaction of specified conditions.
Contingently issuable ordinary shares	Ordinary shares issuable for little or no cash or other consideration upon the satisfaction of specified conditions in a contingent share agreement.
Control (over asset)	The power to obtain the future economic benefits that flow from the asset.

Control (over entity or business)	The power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities.
Corporate assets	Assets other than goodwill that contribute to the future cash flows of both the cash-generating unit under review and other cash-generating units .
Cost	The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other IFRSs , e.g., IFRS 2.
Cost method	Method of accounting whereby the investment is recognised at cost. The investor recognises income from the investment only to the extent that the investor receives distributions from the accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment .
Cost of an acquisition	The amount of cash or cash equivalents paid or the fair value , at the date of exchange , of the other purchase consideration given by the acquirer in exchange for control over the net assets of the other entity, plus any costs directly attributable to the acquisition.
Cost plus contract	A construction contract in which the contractor is reimbursed for allowable or otherwise defined costs, plus a percentage of these costs or a fixed fee.
Costs of disposal	Incremental costs directly attributable to the disposal of an asset or cash-generating unit , excluding finance costs and income tax expense .
Costs to sell	The incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense .
Current asset	An asset that satisfies any of the following criteria: a) it is expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle; b) it is held primarily for the purpose of being traded; c) it is expected to be realised within twelve months after the balance sheet date; or d) it is cash or a cash equivalent (as defined in IAS 7) unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.
Current liabilities	A liability shall be classified as current when it satisfies any of the following criteria: a) it is expected to be settled in the entity's normal operating cycle; b) it is held primarily for the purpose of being traded; c) it is due to be settled within twelve months after the balance sheet date; or d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. All other liabilities shall be classified as non-current.
Current service costs	The increase in the present value of the defined benefit obligation resulting from employee service in the current period.
Current tax	Amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Date of exchange	When a business combination is achieved in a single exchange transaction, the date of exchange is the acquisition date . When a business combination involves more than one exchange transaction, for example when it is achieved in stages by successive share purchases, the date of exchange is the date that each individual investment is recognised in the financial statements of the acquirer.
Date of transition to IFRSs	The beginning of the earliest period for which an entity presents full comparative information under IFRSs in its first IFRS financial statements .
Deductible temporary difference	A temporary difference that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
Deemed cost	An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.
Deferred tax assets	The amounts of income taxes recoverable in future periods in respect of: <ul style="list-style-type: none"> a) deductible temporary differences; b) carry forward of unused tax losses; and c) carry forward of unused tax credits.
Deferred tax liabilities	The amounts of income taxes payable in future periods in respect of taxable temporary differences .
Defined benefit plans	Post-employment benefit plans other than defined contribution plans .
Defined contribution plans	Post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Deposit component	A contractual component that is not accounted for as a derivative under IAS 39 and would be within the scope of IAS 39 if it were a separate instrument.
Depreciable amount	The cost of an asset, or other amount substituted for cost in the financial statements, less its residual value .
Depreciation	The systematic allocation of the depreciable amount of an asset over its useful life .
Derecognition (of financial instruments)	The removal of a previously recognised financial asset or financial liability from an entity's balance sheet.
Derivative	A financial instrument or other contract within the scope of IAS 39 with all three of the following characteristics: <ul style="list-style-type: none"> a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the "underlying"); b) that requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and c) it is settled at a future date.

Development	The application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use.
Diluted earnings per share	<p>The amount of profit or loss for the period attributable to ordinary equity holders of the parent entity divided by the weighted average number of shares outstanding, both adjusted for the effects of all dilutive potential ordinary shares.</p> <p>Dilutive potential ordinary shares are potential ordinary shares (which may, for example, result from a convertible bond) whose conversion to ordinary shares would decrease earnings per share from continuing operations.</p>
Dilution	Reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants were exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.
Direct insurance contract	An insurance contract that is not a reinsurance contract .
Discontinued operation	<p>A component of an entity that either has been disposed of or is classified as held for sale and:</p> <ol style="list-style-type: none">represents a separate major line of business or geographical area of operations;is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; oris a subsidiary acquired exclusively with a view to resale.
Discretionary participation feature	<p>A contractual right to receive, as a supplement to guaranteed benefits, additional benefits:</p> <ol style="list-style-type: none">that are likely to be a significant portion of the total contractual benefits;whose amount or timing is contractually at the discretion of the issuer; andthat are contractually based on:<ol style="list-style-type: none">the performance of a specified pool of contracts or a specified type of contract;realised and/or unrealised investment returns on a specified pool of assets held by the issuer; orthe profit or loss of the company, fund or other entity that issues the contract.
Disposal group	A group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group includes goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated in accordance with the requirements of IAS 36.80-87 (revised 2004) or if it is an operation within such a cash-generating unit .
Economic life	<p>Either:</p> <ol style="list-style-type: none">the period over which an asset is expected to be economically usable by one or more users; orthe number of production or similar units expected to be obtained from the asset by one or more users.
Effective interest method	A method of calculating amortised cost of financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

Effective interest rate	The rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability . When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (e.g., prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are integral part of the effective interest rate (see IAS 18), transaction costs , and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).
Embedded derivative	A component of a hybrid (combined) instrument that also includes a non-derivative host contract – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.
Employee benefits	All forms of consideration given by an entity in exchange for service rendered by employees.
Employees and others providing similar services	<p>Individuals who render personal services to the entity and either:</p> <ol style="list-style-type: none"> a) the individuals are regarded as employees for legal or tax purposes; b) the individuals work for the entity under its direction in the same way as individuals who are regarded as employees for legal or tax purposes; or c) the services rendered are similar to those rendered by employees. <p>For example, the term encompasses all management personnel, i.e., those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including non-executive directors.</p>
Entity-specific value	The present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability .
Equity	The residual interest in the assets of the entity after deducting all its liabilities.
Equity instrument	A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities .
Equity instrument granted	The right (conditional or unconditional) to an equity instrument of the entity conferred by the entity on another party, under a share-based payment arrangement .

Equity method	A method of accounting whereby the investment (an interest in a jointly controlled entity) is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share (the venturer's) of net assets of the investee (jointly controlled entity). The profit or loss of the investor (venturer) includes the investor's (venturer's) share of the profit or loss of the investee (jointly controlled entity).
Equity-settled share-based payment transaction	A share-based payment transaction in which the entity receives goods or payment transaction services as consideration for equity instruments of the entity (including shares or share options).
Events after the balance sheet date	Those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. Two types of events can be identified: a) those that provide further evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and b) those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).
Exchange difference	The difference resulting from translating a given number of units of one currency into another currency at different exchange rates .
Exchange rate	The ratio of exchange for two currencies.
Expenses	Decreases in the economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.
Fair value	The amount for which an asset (or an equity instrument granted) could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Fair value less costs to sell	The amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
Finance lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
Financial asset	Any asset that is: a) cash; b) an equity instrument of another entity; c) a contractual right: i) to receive cash or another financial asset from another entity or; ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable; or d) a contract that will or may be settled in the entity's own equity instruments and is: i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments ; or ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments . For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments .

Financial asset or financial liability at fair value through profit or loss	<p>A financial asset or financial liability that meets either of the following conditions:</p> <p>a) it is classified as held for trading. A financial asset or financial liability is classified as held for trading if it is:</p> <ul style="list-style-type: none"> i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or iii) a derivative (except for a derivative that is a designated and effective hedging instrument); <p>b) upon initial recognition it is designated by the entity as at fair value through profit or loss. Any financial asset or financial liability within the scope of IAS 39 may be designated when initially recognised as a financial asset or financial liability at fair value through profit or loss except for investments in equity instruments that do not have quoted market price in an active market, and whose fair value cannot be reliably measured (see IAS 39.46(c) and IAS 39.AG 80 and AG 81).</p>
Financial instrument	Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial liability	<p>Any liability that is:</p> <p>a) a contractual obligation:</p> <ul style="list-style-type: none"> i) to deliver cash or another financial asset to another entity; or ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or <p>b) a contract that will or may be settled in the entity's own equity instruments and is:</p> <ul style="list-style-type: none"> i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments. <p>An entity may have a contractual obligation that it can settle either by payment of financial assets or by payment in the form of its own equity securities. In such a case, if the number of equity securities required to settle the obligation varies with changes in their fair value so that the total fair value of the equity securities paid always equals the amount of the contractual obligation, the holder of the obligation is not exposed to gain or loss from fluctuations in the price of the equity securities. Such an obligation should be accounted for as a financial liability of the entity.</p>
Financial risk	The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate , index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.
Financial statements	<p>A complete set of financial statements comprises:</p> <ul style="list-style-type: none"> a) a balance sheet; b) an income statement; c) a statement of changes in equity showing either: <ul style="list-style-type: none"> i) all changes in equity, or ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;

	<ul style="list-style-type: none"> d) a cash flow statement; and e) notes, comprising a summary of significant accounting policies and other explanatory notes.
Financing activities	Activities that result in changes in the size and composition of the equity capital and borrowings of the entity.
Firm commitment	A binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.
Firm purchase commitment	An agreement with an unrelated party, binding on both parties and usually legally enforceable, that (a) specifies all significant terms, including the price and timing of the transactions, and (b) includes a disincentive for non-performance that is sufficiently large to make performance highly probable .
First IFRS financial statements	The first annual financial statements in which an entity adopts International Financial Reporting Standards (IFRSs) , by an explicit and unreserved statement of compliance with IFRSs .
First-time adopter	An entity that presents its first IFRS financial statements .
Fixed price contract	A construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.
Forecast transaction	An uncommitted but anticipated future transaction.
Foreign currency	A currency other than the functional currency of an entity.
Foreign operation	An entity that is a subsidiary, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.
Forgivable loans	Loans which the lender undertakes to waive repayment of under certain prescribed conditions.
Functional currency	The currency of the primary economic environment in which the entity operates.
Gains	Increases in future economic benefits and as such no different in nature from revenue.
Geographical segments	<p>A distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environment. Factors that should be considered in identifying geographical segments include:</p> <ul style="list-style-type: none"> a) similarity of economic and political conditions; b) relationships between operations in different geographical areas; c) proximity of operations; d) special risks associated with operations in particular areas; e) exchange control regulations; and f) the underlying currency risks.
Goodwill	Future economic benefits arising from assets that are not capable of being individually identified and separately recognised.

Government	Government, government agencies and similar bodies whether local, national or international.
Government assistance	Action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under certain criteria.
Government grants	Assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.
Grant date	The date at which the entity and another party (including an employee) agree to a share-based payment arrangement , being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At grant date the entity confers on the counterparty the right to cash, other assets, or equity instruments of the entity, provided the specified vesting conditions , if any, are met. If that agreement is subject to an approval process (for example, by shareholders), grant date is the date when that approval is obtained.
Grants related to assets	Government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.
Grants related to income	Government grants other than those related to assets.
Gross investment in the lease	The aggregate of: a) the minimum lease payments receivable by the lessor under a finance lease ; and b) any unguaranteed residual value accruing to the lessor.
Group	A parent and all its subsidiaries.
Group of biological assets	An aggregation of similar living animals or plants.
Guaranteed benefits	Payments or other benefits to which a particular policyholder or investor has an unconditional right that is not subject to the contractual discretion of the issuer.
Guaranteed element	An obligation to pay guaranteed benefits , included in a contract that contains a discretionary participation feature .
Guaranteed residual value	a) for a lessee, that part of the residual value which is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and b) for a lessor, that part of the residual value which is guaranteed by the lessee or by a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.
Harvest	The detachment of produce from a biological asset or the cessation of a biological asset's life processes.
Hedge effectiveness	The degree to which offsetting changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument (IAS 39.AG105-113).

Hedged item	<p>An asset, liability, firm commitment, highly probable forecast transaction or net investment in a foreign operation that:</p> <ul style="list-style-type: none">a) exposes the entity to risk of changes in fair value or future cash flows; andb) is designated as being hedged (see IAS 39.78-84 and IAS 39.AG98-101).
Hedging	<p>Hedging, for accounting purposes, means designating one or more hedging instruments so that their change in fair value is an offset, in whole or in part, to the change in fair value or cash flows of a hedged item.</p>
Hedging instrument	<p>For hedge accounting purposes, a designated derivative or (for a hedge of the risk of changes in foreign currency exchange rates only) a designated non-derivative financial asset or financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item (see IAS 39.72-77 and IAS 39.AG94-97).</p>
Held-to-maturity investments	<p>Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:</p> <ul style="list-style-type: none">a) those that the entity upon initial recognition designates as at fair value through profit or loss;b) those that the entity designates as available-for-sale; andc) those that meet the definition of loans and receivables. <p>An entity shall not classify any financial assets as held to maturity if the entity has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments for maturity (more than insignificant in relation to the total amount of held-to-maturity investments) other than sales or reclassifications that:</p> <ul style="list-style-type: none">a) are so close to maturity or the financial asset's call date (e.g., less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;b) occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; orc) are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.
Highly probable	<p>Significantly more likely than probable.</p>
Hyperinflation	<p>Indicated by characteristics of the economic environment of a country which include, but are not limited to the following:</p> <ul style="list-style-type: none">a) the general population prefers to keep its wealth in non monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;b) the general population regards monetary amounts not in terms of local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;c) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;d) interest rates, wages and prices are linked to a price index; ande) the cumulative inflation rate over three years is approaching or exceeds 100 per cent.
Impairment	<p>When recoverable amount declines below carrying amount.</p>
Impairment loss	<p>The amount by which the carrying amount of an asset (or a cash-generating unit) exceeds its recoverable amount.</p>

Impracticable	<p>Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:</p> <ul style="list-style-type: none"> a) the effects of the retrospective application or retrospective restatement are not determinable; b) the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or c) the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that: <ul style="list-style-type: none"> i) provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and ii) would have been available when the financial statements for that prior period were authorised for issue from other information.
Inception of the lease	<p>The earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As at this date:</p> <ul style="list-style-type: none"> a) a lease is classified as either an operating or a finance lease; and b) in the case of a finance lease, the amounts to be recognised at the commencement of the lease term are determined.
Income	<p>Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants.</p>
Initial direct costs	<p>Incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or dealer lessors.</p>
Insurance asset	<p>An insurer's net contractual rights under an insurance contract.</p>
Insurance contract	<p>A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. (See Appendix B for guidance on this definition.)</p>
Insurance liability	<p>An insurer's net contractual obligations under an insurance contract.</p>
Insurance risk	<p>Risk, other than financial risk, transferred from the holder of a contract to the issuer.</p>
Insured event	<p>An uncertain future event that is covered by an insurance contract and creates insurance risk.</p>
Insurer	<p>The party that has an obligation under an insurance contract to compensate a policyholder if an insured event occurs.</p>
Intangible asset	<p>An identifiable nonmonetary asset without physical substance.</p>
Interest cost (for an employee benefit plan)	<p>The increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.</p>

Interest rate implicit in the lease	The discount rate that, at the inception of the lease , causes the aggregate present value of: <ul style="list-style-type: none">a) the minimum lease payments; andb) the unguaranteed residual value; to be equal to the sum of:<ul style="list-style-type: none">i) the fair value of the leased asset; andii) any initial direct costs of the lessor.
Interim financial report	A financial report containing either a complete set of financial statements (as described in IAS 1) or a set of condensed financial statements (as described in IAS 34) for an interim period .
Interim period	A financial reporting period shorter than a full financial year.
International Financial Reporting Standards (IFRSs)	Standards and interpretations adopted by the International Accounting Standards Board (IASB). They comprise: <ul style="list-style-type: none">a) International Financial Reporting Standards;b) International Accounting Standards; andc) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).
Intrinsic value	The difference between the fair value of the shares to which the counterparty has the (conditional or unconditional) right to subscribe or which it has the right to receive, and the price (if any) the counterparty is (or will be) required to pay for those shares. For example, a share option with an exercise price of CU15, on a share with a fair value of CU20, has an intrinsic value of CU5. Monetary items are denominated in currency units (CU).
Inventories	Inventories are assets: <ul style="list-style-type: none">a) held for sale in the ordinary course of business;b) in the process of production for such sale; orc) in the form of materials or supplies to be consumed in the production process or in the rendering of services.
Investing activities	The acquisition and disposal of long-term assets and other investments not included in cash equivalents .
Investment property	Investment property is property (land or a building – or part of a building – or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation on both, rather than for: <ul style="list-style-type: none">a) use in the production of or supply of goods or services or for administrative purposes; orb) sale in the ordinary course of business.
Investor in a joint venture	A party to a joint venture who does not have joint control over that joint venture .
Joint control	The contractually agreed sharing of control over an economic activity. It exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).
Joint venture	A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control .

Key management personnel	Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
Lease	An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Lease term	The non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise.
Legal obligation	An obligation that derives from: <ul style="list-style-type: none"> a) a contract (through its explicit or implicit terms); b) legislation; or c) other operation of law.
Lessee's incremental borrowing rate of interest	The rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease , the lessee would incur to borrow over a similar term and with a similar security, the funds necessary to purchase the asset.
Liability	A present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
Liability adequacy test	An assessment of whether the carrying amount of an insurance liability needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased), based on a review of future cash flows.
Loans and receivables	<p>Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:</p> <ul style="list-style-type: none"> a) those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; b) those that the entity upon initial recognition designates as available-for-sale; or c) those for which the holder may not recover substantially all its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale. <p>An interest acquired in a pool of assets that are not loans or receivables (e.g., an interest in a mutual fund or a similar fund) is not a loan or receivable.</p>
Losses	Decreases in economic benefits and as such no different in nature from other expenses.
Market condition	A condition upon which the exercise price, vesting or exercisability of an equity instrument depends that is related to the market price of the entity's equity instruments , such as attaining a specified share price or a specified amount of intrinsic value of a share option , or achieving a specified target that is based on the market price of the entity's equity instruments relative to an index of market prices of equity instruments of other entities.

Material	Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.
Measurement date	The date at which the fair value of the equity instruments granted is measured for the purposes of this IFRS . For transactions with employees and others providing similar services , the measurement date is grant date . For transactions with parties other than employees (and those providing similar services), the measurement date is the date the entity obtains the goods or the counterparty renders service.
Minimum lease payments	<p>The payments over the lease term that the lessee is or can be required to make excluding contingent rent, costs for services and taxes to be paid by and reimbursable to the lessor together with:</p> <ul style="list-style-type: none">a) for a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; orb) for a lessor, any residual value guaranteed to the lessor by:<ul style="list-style-type: none">i) the lessee;ii) a party related to the lessee; oriii) a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. <p>However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised, the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option and the payment required to exercise it.</p>
Minority interest	That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.
Monetary financial instruments	Financial assets and financial liabilities to be received or paid in fixed or determinable amounts of money.
Monetary assets	Money held and assets to be received in fixed or determinable amounts of money.
Monetary items	Units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.
Multi-employer plans	Defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that: <ul style="list-style-type: none">a) pool the assets contributed by various entities that are not under common control; andb) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.
Mutual entity	An entity other than an investor-owned entity, such as a mutual insurance company or a mutual cooperative entity, that provides lower costs or other economic benefits directly and proportionately to its policyholders or participants.
Net investment in a foreign operation	The amount of the reporting entity's interest in the net assets of that operation.

Net investment in a lease	The gross investment in the lease discounted at the interest rate implicit in the lease .
Net realisable value	The estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
Non-adjusting events after the balance sheet date	Those events after the balance sheet date that are indicative of conditions that arose after the balance sheet date.
Non-cancellable lease	A lease that is cancellable only: <ul style="list-style-type: none"> a) upon the occurrence of some remote contingency; b) with the permission of the lessor; c) if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or d) upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.
Non-current asset	An asset that does not meet the definition of a current asset .
Notes	Notes contain information in addition to that presented in the balance sheet, income statement, statement of changes in equity and cash flow statement. Notes provide narrative descriptions or disaggregations of items disclosed in those statements and information about items that do not qualify for recognition in those statements.
Obligating event	An event that creates a legal or constructive obligation and that results in an entity having no realistic alternative to settling that obligation.
Onerous contract	A contract in which the unavoidable costs of meeting the obligations under the contract exceed any economic benefits expected to be received under it.
Opening IFRS balance sheet	An entity's balance sheet (published or unpublished) at the date of transition to IFRSs .
Operating activities	The principal revenue -producing activities of the entity and other activities that are not investing or financing activities .
Operating lease	A lease other than a finance lease .
Options, warrants and their equivalents	Financial instruments that give the holder the right to purchase ordinary shares .
Ordinary share	An equity instrument that is subordinate to all other classes of equity instruments .
Other long-term employee benefits	Employee benefits (other than post-employment benefits and termination benefits) which do not fall due wholly within twelve months after the end of the period which the employees render the related service.
Owner-occupied property	Property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.
Parent	An entity that has one or more subsidiaries.

Past service cost	The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits . Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).
Plan assets	Plan assets comprise: a) assets held by a long-term employee benefit fund; and b) qualifying insurance policies.
Policyholder	A party that has a right to compensation under an insurance contract if an insured event occurs.
Post-employment benefits	Employee benefits (other than termination benefits) which are payable after the completion of employment.
Post-employment benefit plans	Formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.
Potential ordinary share	Financial instrument or other contract that may entitle its holder to ordinary shares.
Present value	A current estimate of the present discounted value of the future net cash flows in the normal course of business.
Present value of a defined benefit obligation	The present value, without deducting any plan assets , of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.
Presentation currency	The currency in which the financial statements are presented.
Previous GAAP	The basis of accounting that a first-time adopter used immediately before adopting IFRSs .
Price risk	There are three types of price risk: currency risk, interest rate risk and market risk . The term "price risk" embodies not only the potential for loss but also the potential for gain.
Prior period errors	Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: a) was available when financial statements for those periods were authorised for issue; and b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.
Probable	More likely than not.
Property, plant and equipment	Tangible items that: a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and b) are expected to be used during more than one period.

Proportionate consolidation	A method of accounting whereby a venturer's share of each of the assets, liabilities , income and expenses of a jointly controlled entity is combined line-by-line basis with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.
Prospective application	Prospective application of a change in accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are: <ul style="list-style-type: none"> a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.
Provision	A liability of uncertain timing and amount.
Put options on ordinary shares	Put options on ordinary shares are contracts that give the holder the right to sell ordinary shares at a specified price for a given period.
Qualifying asset	An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
Qualifying insurance policy ²	An insurance policy issued by an insurer that is not a related party (as defined in IAS 24) of the reporting entity, if the proceeds of the policy: <ul style="list-style-type: none"> a) can be used only to pay or fund employee benefits under a defined benefit plan; b) are not available to the reporting entity's own creditors (even in bankruptcy) and cannot be paid to the reporting entity, unless either: <ul style="list-style-type: none"> i) the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or ii) the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.
Recoverable amount	The recoverable amount of an asset or a cash-generating unit is the higher of the asset's (or the cash-generating unit's) fair value less costs to sell and its respective value in use .
Regular way purchase or sale	A purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.
Reinsurance assets	A cedant's net contractual rights under a reinsurance contract .
Reinsurance contract	An insurance contract issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant.
Reinsurer	The party that has an obligation under a reinsurance contract to compensate a cedant if an insured event occurs.
Related party	A party is related to an entity if: <ul style="list-style-type: none"> a) directly, or indirectly through one or more intermediaries, the party: <ul style="list-style-type: none"> i) controls, or is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); ii) has an interest in the entity that gives it significant influence over the entity; or iii) has joint control over the entity; b) the party is an associate (as defined in IAS 28) of the entity;

² A qualifying insurance policy is not necessarily an insurance contract as defined in IFRS 4.

- c) the party is a **joint venture** in which the entity is a **venturer** (see IAS 31);
- d) the party is a member of the **key management personnel** of the entity or its **parent**;
- e) the party is a close member of the family of any individual referred to in (a) or (d);
- f) the party is an entity that is a controlled or jointly controlled or significant influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

Related party transaction	A transfer of resources, services or obligations between related parties , regardless of whether a price is charged.
Reload feature	A feature that provides for an automatic grant of additional share options whenever the option holder exercises previously granted options using the entity's shares, rather than cash, to satisfy the exercise price.
Reload option	A new share option granted when a share is used to satisfy the exercise price of a previous share option .
Reportable segment	A business segment or geographical segment for which segment information is required to be disclosed.
Reporting date	The end of the latest period covered by financial statements or by an interim financial report .
Reporting entity	An entity for which there are users who rely on the entity's general purpose financial statements for information that will be useful to them for making decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries .
Research	Original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.
Residual value	The residual value of an (intangible) asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life .
Restructuring	A programme that is planned and controlled by management, and materially changes either: <ul style="list-style-type: none">a) the scope of a business undertaken by an entity; orb) the manner in which that business is conducted.
Retrospective application	Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.
Retrospective restatement	Correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.
Return on plan assets (on an employee benefit plan)	Interest, dividends and other revenue derived from the plan assets , together with realised and unrealised gains or losses on the plan assets , less any costs of administering the plan and less any tax payable by the plan itself.

Revenue	The gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants.
Segment accounting policies	The accounting principles adopted for preparing and presenting the financial statements of the consolidated group or entity as well as those accounting policies that relate specifically to segment reporting.
Segment assets	<p>Those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.</p> <p>If a segment's segment result includes interest or dividend income, its segment assets include the related receivables, loans, investments, or other income-producing assets. Segment assets do not include income tax assets. Segment assets include investments accounted for under the equity method only if the profit or loss from such investments is included in segment revenue. Segments assets include a joint venturer's share of operating assets of a jointly controlled entity that is accounted for by proportionate consolidation. Segment assets are determined after deducting related allowances that are reported as direct offsets in the entity's balance sheet.</p>
Segment expense	<p>Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments of the same entity.</p> <p>Segment expense does not include:</p> <ol style="list-style-type: none"> a) interest, including interest incurred on advances or loans from other segments, unless the segment's operations are primarily of a financial nature; b) losses on sales of investments or losses on extinguishment of debt unless the segment's operations are primarily of a financial nature; c) an entity's share of losses of associates, joint ventures, or other investments accounted for under the equity method; d) income tax expense; or e) general administrative expenses, head-office expenses, and other expenses that arise at the entity level and relate to the entity as a whole. However, costs incurred at the entity level on behalf of a segment are segment expenses if they relate to the segment's operating activities and they can be directly attributed or allocated to the segment on a reasonable basis. <p>Segment expense includes a joint venturer's share of the expenses of a jointly controlled entity.</p> <p>For a segment's operations that are primarily of a financial nature, interest income and interest expense may be reported as a single net amount for segment reporting purposes only if those items are netted in the consolidated or entity financial statement.</p>
Segment liabilities	Those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

If a segment's **segment result** includes interest expense, its segment liabilities include the related interest-bearing **liabilities**. Segment liabilities include a joint **venturer's** share of the **liabilities** of a jointly controlled entity accounted for by **proportionate consolidation**. Segment liabilities do not include income tax **liabilities**.

Segment result	Segment revenue less segment expense , before any adjustment for minority interest .
Segment revenue	Revenue reported in an entity's income statement that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments of the same entity. Segment revenues do not include: a) interest or dividend income, including interest earned on advances or loans to other segments, unless the segment's operations are primarily of a financial nature; or b) gains on sales of investments or gains on extinguishment of debt unless the segment's operations are primarily of a financial nature. Segment revenue includes an entity's share of profits or losses of associates, joint ventures , or other investments accounted for under the equity method only if those items are included in consolidated or total entity revenue. Segment revenue also includes a joint venturer's share of the revenue of a jointly controlled entity that is accounted for by proportionate consolidation .
Separate financial statements	Those presented by a parent , an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.
Share-based payment arrangement	An agreement between the entity and another party (including an employee) to enter into a share-based payment transaction , which thereby entitles the other party to receive cash or other assets of the entity for amounts that are based on the price of the entity's shares or other equity instruments of the entity, or to receive equity instruments of the entity, provided the specified vesting conditions , if any, are met.
Share-based payment transaction	A transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including shares or share options), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.
Share option	A contract that gives the holder the right, but not the obligation, to subscribe to the entity's shares at a fixed or determinable price for a specified period of time.
Short-term employee benefits	Employee benefits (other than termination benefits) which fall due wholly within twelve months after the end of the period in which the employees render the related service.
Significant influence	The power to participate in the financial and operating policy decisions of an entity but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.
Spot exchange rate	The exchange rate for immediate delivery.
Subsidiary	An entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).

Tax base	The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.
Tax expense (tax income)	Aggregate amount included in the determination of net profit or loss for the period in respect of current tax and deferred tax.
Taxable profit (tax loss)	Profit (loss) for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable (recoverable).
Taxable temporary difference	A temporary difference that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.
Temporary differences	Differences between the carrying amount of an asset or liability in the balance sheet and its tax base . Temporary differences may be either: <ol style="list-style-type: none"> taxable temporary differences; or deductible temporary differences.
Termination benefits	Employee benefits payable as a result of either: <ol style="list-style-type: none"> an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.
Transaction costs	Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability (see IAS 39.AG13). An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument .
Unbundle	Account for the components of a contract as if they were separate contracts.
Unearned finance income	The difference between: <ol style="list-style-type: none"> the gross investment in the lease; and the net investment in the lease.
Unguaranteed residual value	The portion of the residual value of the leased asset, the realisation of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.
Useful life	Either: <ol style="list-style-type: none"> the period of time over which an asset is expected to be available for use by an entity; or the number of production or similar units expected to be obtained from the asset by an entity.
Useful life (leasing)	Useful life is the estimated remaining period, from the beginning of the commencement of the lease term , without limitation by the lease term , over which the economic benefits embodied in the asset are expected to be consumed by the entity.
Value in use	The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life .
Venturer	A party to a joint venture and has joint control over that joint venture .

Vest	To become an entitlement. Under a share-based payment arrangement , a counterparty's right to receive cash, other assets, or equity instruments of the entity vests upon satisfaction of any specified vesting conditions .
Vested employee benefits	Employee benefits that are not conditional on future employment.
Vesting conditions	The conditions that must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement . Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time).
Vesting period	The period during which all the specified vesting conditions of a share-based payment arrangement are to be satisfied.
Warrants	Financial instruments that give the holder the right to purchase ordinary shares .

Appendix 3

List of IFRSs as at 1 April 2004

IAS 1	Presentation of Financial Statements (revised 2004)
IAS 2	Inventories (revised 2003)
IAS 7	Cash Flow Statements (revised 2003)
IAS 8	Net Accounting Policies, Changes in Accounting Estimates and Errors (revised 2003)
IAS 10	Events After the Balance Sheet Date (revised 2004)
IAS 11	Construction Contracts (revised 1993)
IAS 12	Income Taxes (revised 2004)
IAS 14	Segment Reporting (revised 2004)
IAS 16	Property, Plant and Equipment (revised 2004)
IAS 17	Leases (revised 2004)
IAS 18	Revenue (revised 2004)
IAS 19	Employee Benefits (revised 2004)
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance (revised 2003)
IAS 21	The Effects of Changes in Foreign Exchange Rates (revised 2003)
IAS 23	Borrowing Costs (revised 2003)
IAS 24	Related Party Disclosures (revised 2003)
IAS 26	Accounting and Reporting by Retirement Benefit Plans (reformatted 1994) <i>Not included in this publication</i>
IAS 27	Consolidated and Separate Financial Statements (revised 2004)
IAS 28	Investments in Associates (revised 2004)
IAS 29	Financial Reporting in Hyperinflationary Economies (revised 2003)
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions (revised 2003) <i>Not included in this publication</i>
IAS 31	Interests in Joint Ventures (revised 2004)
IAS 32	Financial Instruments: Disclosure and Presentation (revised 2004)
IAS 33	Earnings Per Share (revised 2004)

IAS 34	Interim Financial Reporting (revised 2004)
IAS 36	Impairment of Assets (revised 2004)
IAS 37	Provisions, Contingent Liabilities and Contingent Assets (revised 2004)
IAS 38	Intangible Assets (revised 2004)
IAS 39	Financial Instruments: Recognition and Measurement (revised 2004)
IAS 40	Investment Property (revised 2004)
IAS 41	Agriculture (revised 2004)
IFRS 1	First-time Adoption of IFRSs (revised 2004)
IFRS 2	Share-based Payment (2004)
IFRS 3	Business Combinations (revised 2004)
IFRS 4	Insurance Contracts (2004)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (2004)
SIC-7	Introduction of the Euro (revised 2003)
SIC-10	Government Assistance – No Specific Relation to Operating Activities (1998)
SIC-12	Consolidation – Special Purpose Entities (revised 2003)
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers (revised 2003)
SIC-15	Operating Leases – Incentives (revised 2003)
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets (revised 2003)
SIC-25	Income Taxes – Change in the Tax Status of an Enterprise or its Shareholders (revised 2003)
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease (revised 2003)
SIC-29	Disclosure – Service Concession Arrangements (revised 2003) <i>Not included in this publication – no accounting requirements</i>
SIC-31	Revenue – Barter Transactions Involving Advertising Services (revised 2003)
SIC-32	Intangible Assets – Web Site Costs (revised 2003)

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