

# IFRS Briefing Sheet

## IFRIC Draft Interpretation D18 *Interim Financial Reporting and Impairment*

January 2006, **Issue 43**

This IFRS Briefing Sheet summarises the International Financial Reporting Interpretations Committee's (IFRIC) Draft Interpretation D18 *Interim Financial Reporting and Impairment*, which was published on 12 January 2006.

This draft interpretation concludes that an impairment loss recognised in an interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost should not be reversed subsequently.

### **Background and Issue**

IAS 34 *Interim Financial Reporting* requires the following:

- The accounting policies applied in interim financial information should be the same as those applied in the annual financial statements.
- The measurement of amounts reported in annual financial statements should not depend on the frequency of financial reporting.
- Amounts reported in interim financial information should be measured on a year-to-date basis.

IAS 36 *Impairment of Assets* and IAS 39 *Financial Instruments: Recognition and Measurement* prohibit the reversal of impairment losses in respect of goodwill, investments in equity instruments classified as available-for-sale, and financial assets carried at cost.

This draft interpretation addresses whether an impairment loss recognised in respect of any of the abovementioned assets in an interim period should be reversed if the impairment loss is reduced or eliminated at a subsequent balance sheet date.

**A supplement to KPMG's  
publication IFRS in Brief**

### Proposed Consensus

The proposed consensus is that an entity should not reverse an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost.

In reaching this proposal IFRIC gave precedence to the specific prohibition of reversal in IAS 36 and IAS 39 over the more general comment in IAS 34 that the frequency of financial reporting should not impact annual measurements. However, this proposal is not intended to set a

general principle in interpreting IAS 34 against the requirements of other standards.

### Effective Date and Transition

The draft interpretation proposes an effective date of annual periods beginning on or after three months after the publication of the final interpretation, with retrospective application required. Earlier adoption will be encouraged.

### Response to the IFRIC

The IFRIC has invited comments on this draft interpretation by 31 March 2006.

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

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