STATUTORY BOARD FINANCIAL REPORTING STANDARD **SB-FRS**

Improvements to SB-FRSs

CONTENTS

Improvements to SB-FRSs

Introduction

This document sets out amendments to Statutory Board Financial Reporting Standards (SB-FRSs) and the guidance made in its annual improvements process.

The amendments result from proposals that were contained in the exposure draft of proposed amendments to SB-FRSs published in September 2009 and in the exposure draft *Rate-regulated Activities* published in August 2009.

The annual improvements process provides a vehicle for making non-urgent but necessary amendments to SB-FRSs.

Some amendments involve consequential amendments to other SB-FRSs. Those consequential amendments are included in the section that sets out the amendments for the SB-FRS.

The effective date of each amendment is included in the SB-FRSs affected.

SB-FRSs addressed

The following table shows the topics addressed by these amendments.

SB-FRS	Subject of amendment
SB-FRS 101 *First-time Adoption of Statutory Board Financial Reporting Standards*	Accounting policy changes in the year of adoption
	Revaluation basis as deemed cost
	Use of deemed cost for operations subject to rate regulation
SB-FRS 103 *Business Combinations*	Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised SB-FRS
	Measurement of non-controlling interests
	Un-replaced and voluntarily replaced share-based payment awards
SB-FRS 107 *Financial Instruments: Disclosures*	Clarification of disclosures
SB-FRS 1 *Presentation of Financial Statements*	Clarification of statement of changes in equity
SB-FRS 27 *Consolidated and Separate Financial Statements*	Transition requirements for amendments arising as a result of SB-FRS 27 *Consolidated and Separate Financial Statements*
SB-FRS 34 *Interim Financial Reporting*	Significant events and transactions
INT SB-FRS 113 *Customer Loyalty Programmes*	Fair value of award credits

Amendments to SB-FRS 101 *First-time Adoption of Statutory Board Financial Reporting Standards*

Paragraphs 27 and 32 are amended (new text is underlined and deleted text is struck through). Paragraph 27A, a heading and paragraphs 31B and 39E are added.

Presentation and disclosure

27 SB-FRS 8 does not ~~deal with~~ <u>apply to the</u> changes in accounting policies ~~that occur when~~ an entity <u>makes when it</u> ~~first~~ adopts SB-FRSs <u>or to changes in those policies until after it presents its first SB-FRS financial statements</u>. Therefore, SB-FRS 8's requirements ~~for disclosures~~ about changes in accounting policies do not apply in an entity's first SB-FRS financial statements.

27A If during the period covered by its first SB-FRS financial statements an entity changes its accounting policies or its use of the exemptions contained in this SB-FRS, it shall explain the changes between its first SB-FRS interim financial report and its first SB-FRS financial statements, in accordance with paragraph 23, and it shall update the reconciliations required by paragraph 24(a) and (b).

Use of deemed cost for operations subject to rate regulation

31B If an entity uses the exemption in paragraph D8B for operations subject to rate regulation, it shall disclose that fact and the basis on which carrying amounts were determined under previous GAAP.

Interim financial reports

32 To comply with paragraph 23, if an entity presents an interim financial report in accordance with SB-FRS 34 for part of the period covered by its first SB-FRS financial statements, the entity shall satisfy the following requirements in addition to the requirements of SB-FRS 34:

(a) Each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include:

(i) a reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under SB-FRSs at that date; and

(ii) a reconciliation to its total comprehensive income in accordance with SB-FRSs for that comparable interim period (current and year to date). The starting point for that reconciliation shall be total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.

(b) In addition to the reconciliations required by (a), an entity's first interim financial report in accordance with SB-FRS 34 for part of the period covered by its first SB-FRS financial statements shall include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross-reference to another published document that includes these reconciliations.

<u>(c)</u> <u>If an entity changes its accounting policies or its use of the exemptions contained in this SB-FRS, it shall explain the changes in each such interim financial report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).</u>

Effective date

39E *Improvements to SB-FRSs* issued in November 2010 added paragraphs 27A, 31B and D8B and amended paragraphs 27, 32, D1(c) and D8. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. Entities that adopted SB-FRSs in periods before the effective date of SB-FRS 101 or applied SB-FRS 101 in a previous period are permitted to apply the amendment to paragraph D8 retrospectively in the first annual period after the amendment is effective. An entity applying paragraph D8 retrospectively shall disclose that fact.

Amendment to Appendix D of SB-FRS 101 *First-time Adoption of Statutory Board Financial Reporting Standards*

Paragraphs D1(c) and D8 are amended (new text is underlined and deleted text is struck through) and paragraph D8B is added.

D1 An entity may elect to use one or more of the following exemptions:

…

(c) deemed cost (paragraphs D5–D8~~A~~ B);

…

Deemed cost

D8 A first-time adopter may have established a deemed cost in accordance with previous GAAP for some or all of its assets and liabilities by measuring them at their fair value at one particular date because of an event such as a privatisation or initial public offering. ~~It~~

(a) If the measurement date is *at or before* the date of transition to SB-FRSs, the entity may use such event-driven fair value measurements as deemed cost for SB-FRSs at the date of that measurement.

(b) If the measurement date is *after* the date of transition to FRSs, but during the period covered by the first SB-FRS financial statements, the event-driven fair value measurements may be used as deemed cost when the event occurs. An entity shall recognise the resulting adjustments directly in retained earnings (or if appropriate, another category of equity) at the measurement date. At the date of transition to FRSs, the entity shall either establish the deemed cost by applying the criteria in paragraphs D5–D7 or measure assets and liabilities in accordance with the other requirements in this SB-FRS.

D8B Some entities hold items of property, plant and equipment or intangible assets that are used, or were previously used, in operations subject to rate regulation. The carrying amount of such items might include amounts that were determined under previous GAAP but do not qualify for capitalisation in accordance with SB-FRSs. If this is the case, a first-time adopter may elect to use the previous GAAP carrying amount of such an item at the date of transition to SB-FRSs as deemed cost. If an entity applies this exemption to an item, it need not apply it to all items. At the date of transition to SB-FRSs, an entity shall test for impairment in accordance with SB-FRS 36 each item for which this exemption is used. For the purposes of this paragraph, operations are subject to rate regulation if they provide goods or services to customers at prices (ie rates) established by an authorised body empowered to establish rates that bind the customers and that are designed to recover the specific costs the entity incurs in providing the regulated goods or services and to earn a specified return. The specified return could be a minimum or range and need not be a fixed or guaranteed return.

Amendments to the guidance on implementing SB-FRS 101 *First-time Adoption of Statutory Board Financial Reporting Standards*

Paragraphs IG8 and IG51 are amended (new text is underlined and deleted text is struck through).

IG8 An entity may elect to use one of the following amounts as the deemed cost of an item of property, plant and equipment:

(a) …

(c) fair value at the date of an event such as a privatisation or initial public offering (paragraph D8 of the SB-FRS); ~~or~~

(d) an allocation of an amount determined under previous GAAP that meets the criteria in paragraph D8A of the SB-FRS~~.~~ ; or

(e) the carrying amount under previous GAAP of an item of property, plant and equipment that is used, or was previously used, in operations subject to rate regulation (paragraph D8B of the SB-FRS).

IG51 If an entity's amortisation methods and rates in accordance with previous GAAP would be acceptable in accordance with SB-FRSs, the entity does not restate the accumulated amortisation in its opening SB-FRS statement of financial position. Instead, the entity accounts for any change in estimated useful life or amortisation pattern prospectively from the period when it makes that change in estimate (paragraph 14 of the SB-FRS and paragraph 104 of SB-FRS 38). However, in some cases, an entity's amortisation methods and rates in accordance with previous GAAP may differ from those that would be acceptable in accordance with SB-FRSs (for example, if they were adopted solely for tax purposes and do not reflect a reasonable estimate of the asset's useful life). If those differences have a material effect on the financial statements, the entity adjusts the accumulated amortisation in its opening SB-FRS statement of financial position retrospectively so that it complies with SB-FRSs (paragraph 14 of the SB-FRS). However, if an entity uses the exemption in paragraph D8B, it uses the carrying amount of the intangible asset at the date of transition to SB-FRSs as deemed cost as if it had acquired an intangible asset with the same remaining service potential for that amount at the date of transition to SB-FRSs. Subsequent amortisation is based on that deemed cost and starts from the date of transition to SB-FRSs.

Amendments to SB-FRS 103 *Business Combinations*

Paragraphs IN8 and 19, the heading before paragraph 30 and paragraph 30 are amended (new text is underlined and deleted text is struck through). Paragraphs 64B, 64C and 65A–65E are added.

Main features of the SB-FRS

IN8 Each identifiable asset and liability is measured at its acquisition-date fair value. ~~Any n~~Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation ~~is~~ are measured at either fair value or ~~as~~ the present ownership instruments' ~~non-controlling interest's~~ proportionate share in the recognised amounts of the acquiree's net identifiable assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by SB-FRSs.

The acquisition method

Measurement principle

19 For each business combination, the acquirer shall measure at the acquisition date components of ~~any~~ non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:~~ at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets~~

(a) fair value; or

(b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by SB-FRSs.

Exceptions to the recognition or measurement principles

Exceptions to the measurement principle

Share-based payment ~~awards~~ transactions

30 The acquirer shall measure a liability or an equity instrument related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment ~~awards~~ transactions with share-based payment ~~awards~~ transactions of the acquirer in accordance with the method in SB-FRS 102 *Share-based Payment* at the acquisition date. (This SB-FRS refers to the result of that method as the 'market-based measure' of the ~~award~~ share-based payment transaction.)

Effective date and transition

Effective date

64B *Improvements to* SB-*FRSs* issued in November 2010 amended paragraphs 19, 30 and B56 and added paragraphs B62A and B62B. An entity shall apply those amendments for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. Application should be prospective from the date when the entity first applied this SB-FRS.

64C Paragraphs 65A–65E were added by *Improvements to* SB-*FRSs* issued in November 2010. An entity shall apply those amendments for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact. The amendments shall be applied to contingent consideration balances arising from business combinations with an acquisition date prior to the application of this SB-FRS, as issued in 2008.

Transition

65A Contingent consideration balances arising from business combinations whose acquisition dates preceded the date when an entity first applied this SB-FRS as issued in 2008 shall not be adjusted upon first application of this SB-FRS. Paragraphs 65B–65E shall be applied in the subsequent accounting for those balances. Paragraphs 65B–65E shall not apply to the accounting for contingent consideration balances arising from business combinations with acquisition dates on or after the date when the entity first applied this SB-FRS as issued in 2008. In paragraphs 65B–65E business combination refers exclusively to business combinations whose acquisition date preceded the application of this SB-FRS as issued in 2008.

65B If a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include 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.

65C A business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events. The adjustment might, for example, be contingent on a specified level of profit being maintained or achieved in future periods, or on the market price of the instruments issued being maintained. It is usually possible to estimate the amount of any such adjustment at the time of initially accounting for the combination without impairing the reliability of the information, even though some uncertainty exists. If the future events do not occur or the estimate needs to be revised, the cost of the business combination shall be adjusted accordingly.

65D However, when a business combination agreement provides for such an adjustment, that adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination.

65E In some circumstances, the acquirer may be required to make a subsequent payment to the seller as compensation for a reduction in the value of the assets given, equity instruments issued or liabilities incurred or assumed by the acquirer in exchange for control of the acquiree. This is the case, for example, when the acquirer guarantees the market price of equity or debt instruments issued as part of the cost of the business combination and is required to issue additional equity or debt instruments to restore the originally determined cost. In such cases, no increase in the cost of the business combination is recognised. In the case of equity instruments, the fair value of the additional payment is offset by an equal reduction in the value attributed to the instruments initially issued. In the case of debt instruments, the additional payment is regarded as a reduction in the premium or an increase in the discount on the initial issue.

Application guidance

In Appendix B, paragraph B56 is amended (new text is underlined and deleted text is struck through) and a footnote to paragraph B56, a heading after paragraph B62 and paragraphs B62A and B62B are added.

Determining what is part of the business combination transaction (application of paragraphs 51 and 52)

Acquirer share-based payment awards exchanged for awards held by the acquiree's employees (application of paragraph 52(b))

B56 An acquirer may exchange its share-based payment awards[*] (replacement awards) for awards held by employees of the acquiree. Exchanges of share options or other share-based payment awards in conjunction with a business combination are accounted for as modifications of share-based payment awards in accordance with SB-FRS 102 *Share-based Payment*. If the acquirer ~~is obliged to~~ replaces the acquiree awards, either all or a portion of the market-based measure of the acquirer's replacement awards shall be included in measuring the consideration transferred in the business combination. Paragraphs B57–B62 provide guidance on how to allocate the market-based measure. ~~The acquirer is obliged to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement. For example, for the purposes of applying this requirement, the acquirer is obliged to replace the acquiree's awards if replacement is required by:~~

~~(a) the terms of the acquisition agreement;~~

~~(b) the terms of the acquiree's awards; or~~

~~(c) applicable laws or regulations.~~

However, i~~I~~n ~~some~~ situations~~,~~ in which acquiree awards ~~may~~ would expire as a consequence of a business combination and~~. I~~ if the acquirer replaces those awards when ~~even though~~ it is not obliged to do so, all of the market-based measure of the replacement awards shall be recognised as remuneration cost in the post-combination financial statements in accordance with SB-FRS 102. That is to say, none of the market-based measure of those awards shall be included in measuring the consideration transferred in the business combination. The acquirer is obliged to replace the acquiree awards if the acquiree or its employees have the ability to enforce replacement. For example, for the purposes of applying this guidance, the acquirer is obliged to replace the acquiree's awards if replacement is required by:

(a) the terms of the acquisition agreement;

(b) the terms of the acquiree's awards; or

(c) applicable laws or regulations.

Equity-settled share-based payment transactions of the acquiree

B62A The acquiree may have outstanding share-based payment transactions that the acquirer does not exchange for its share-based payment transactions. If vested, those acquiree share-based payment transactions are part of the non-controlling interest in the acquiree and are measured at their market-based measure. If unvested, they are measured at their market-

[*] In paragraphs B56–B62 the term 'share-based payment awards' refers to vested or unvested share-based payment transactions.

based measure as if the acquisition date were the grant date in accordance with paragraphs 19 and 30.

B62B The market-based measure of unvested share-based payment transactions is allocated to the non-controlling interest on the basis of the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the share-based payment transaction. The balance is allocated to post-combination service.

Appendix to amendments to SB-FRS 103
Amendments to other FRSs

SB-FRS 107 *Financial Instruments: Disclosures*

Paragraph 44B is amended (new text is underlined) and paragraph 44K is added.

Effective date and transition

44B SB-FRS 103 (as revised in 2008) deleted paragraph 3(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies SB-FRS 103 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. <u>However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of SB-FRS 103 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A–65E of SB-FRS 103 (as amended in 2010).</u>

44K Paragraph 44B was amended by *Improvements to* SB-*FRSs* issued in November 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

SB-FRS 32 *Financial Instruments: Presentation*

Paragraph 97B is amended (new text is underlined) and paragraph 97G is added.

Effective date and transition

97B SB-FRS 103 (as revised in 2008) deleted paragraph 4(c). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies SB-FRS 103 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. <u>However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of SB-FRS 103 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A–65E of SB-FRS 103 (as amended in 2010).</u>

97G Paragraph 97B was amended by *Improvements to* SB-*FRSs* issued in November 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

SB-FRS 39 *Financial Instruments: Recognition and Measurement*

Paragraph 103D is amended (new text is underlined) and paragraph 103N is added.

Effective date and transition

103D SB-FRS 103 (as revised in 2008) deleted paragraph 2(f). An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies SB-FRS 103 (revised 2008) for an earlier period, the amendment shall also be applied for that earlier period. <u>However, the amendment does not apply to contingent consideration that arose from a business combination for which the acquisition date preceded the application of SB-FRS 103 (revised 2008). Instead, an entity shall account for such consideration in accordance with paragraphs 65A–65E of SB-FRS 103 (as amended in 2010).</u>

103N Paragraph 103D was amended by *Improvements to SB-FRSs* issued in November 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

Amendment to illustrative examples accompanying SB-FRS 103 *Business Combinations*

A heading is added after paragraph IE44 and paragraphs IE44A–IE44J and three headings are added.

Measurement of non-controlling interest (NCI)

Illustrating the consequences of applying paragraph 19 of SB-FRS 103.

IE44A The following examples illustrate the measurement of components of NCI at the acquisition date in a business combination.

Measurement of NCI including preference shares

IE44B TC has issued 100 preference shares, which are classified as equity. The preference shares have a nominal value of CU1 each. The preference shares give their holders a right to a preferential dividend in priority to the payment of any dividend to the holders of ordinary shares. Upon liquidation of TC, the holders of the preference shares are entitled to receive out of the assets available for distribution the amount of CU1 per share in priority to the holders of ordinary shares. The holders of the preference shares do not have any further rights on liquidation.

IE44C AC acquires all ordinary shares of TC. The acquisition gives AC control of TC. The acquisition-date fair value of the preference shares is CU120.

IE44D Paragraph 19 of SB-FRS 103 states that for each business combination, the acquirer shall measure at the acquisition date components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the acquiree's recognised amounts of the identifiable net assets. All other components of non-controlling interest must be measured at their acquisition-date fair value, unless another measurement basis is required by SB-FRSs.

IE44E The non-controlling interests that relate to TC's preference shares do not qualify for the measurement choice in paragraph 19 of SB-FRS 103 because they do not entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. The acquirer measures the preference shares at their acquisition-date fair value of CU120.

First variation

IE44F Suppose that upon liquidation of TC, the preference shares entitle their holders to receive a proportionate share of the assets available for distribution. The holders of the preference shares have equal right and ranking to the holders of ordinary shares in the event of liquidation. Assume that the acquisition-date fair value of the preference shares is now CU160 and that the proportionate share of TC's recognised amounts of the identifiable net assets that is attributable to the preference shares is CU140.

IE44G The preference shares qualify for the measurement choice in paragraph 19 of SB-FRS 103. AC can choose to measure the preference shares either at their acquisition-date fair value of CU160 or at their proportionate share in the acquiree's recognised amounts of the identifiable net assets of CU140.

Second variation

IE44H Suppose also that TC has issued share options as remuneration to its employees. The share options are classified as equity and are vested at the acquisition date. They do not represent present ownership interest and do not entitle their holders to a proportionate share of TC's net assets in the event of liquidation. The market-based measure of the share options in accordance with SB-FRS 102 *Share-based Payment* at the acquisition date is CU200. The share options do not expire on the acquisition date and AC does not replace them.

IE44I Paragraph 19 of SB-FRS 103 requires such share options to be measured at their acquisition-date fair value, unless another measurement basis is required by SB-FRSs. Paragraph 30 of SB-FRS 103 states that the acquirer shall measure an equity instrument related to share-based payment transactions of the acquiree in accordance with the method in SB-FRS 102.

IE44J The acquirer measures the non-controlling interests that are related to the share options at their market-based measure of CU200.

Amendments to
SB-FRS 107 *Financial Instruments: Disclosures*

Paragraph 32A is added. Paragraphs 34 and 36–38 are amended (new text is underlined and deleted text is struck through). Paragraph 44L is added.

Nature and extent of risks arising from financial instruments

32A Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.

Quantitative disclosures

34 For each type of risk arising from financial instruments, an entity shall disclose:

(a) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in SB-FRS 24 *Related Party Disclosures*), for example the entity's board of directors or chief executive officer.

(b) the disclosures required by paragraphs 36–42, to the extent not provided in <u>accordance with</u> (a)~~, unless the risk is not material (see paragraphs 29–31 of SB-FRS 1 for a discussion of materiality)~~.

(c) concentrations of risk if not apparent from <u>the disclosures made in accordance with</u> (a) and (b).

Credit risk

36 An entity shall disclose by class of financial instrument:

(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with SB-FRS 32); <u>this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.</u>;

(b) ~~in respect of the amount disclosed in (a),~~ a description of collateral held as security and of other credit enhancements<u>, and their financial effect (eg a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).</u>~~;~~

(c) information about the credit quality of financial assets that are neither *past due* nor impaired<u>.</u>~~; and~~

(d) <u>[deleted]</u> ~~the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.~~

Financial assets that are either past due or impaired

37 An entity shall disclose by class of financial asset:

(a) an analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired; and

(b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired.~~; and~~

(c) [deleted] ~~for the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.~~

Collateral and other credit enhancements obtained

38 When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other SB-FRSs, an entity shall disclose for such assets held at the reporting date:

(a) the nature and carrying amount of the assets ~~obtained~~; and

(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Effective date and transition

44L *Improvements to* SB-*FRSs* issued in November 2010 added paragraph 32A and amended paragraphs 34 and 36–38. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendment to guidance on implementing SB-FRS 107 *Financial Instruments: Disclosures*

A heading and paragraphs IG3 and IG4 are deleted (new text is underlined and deleted text is struck through).

Introduction

~~**Materiality**~~

IG3–IG4 [Deleted] ~~SB-FRS 1 ***Presentation of Financial Statements*** notes that a specific disclosure requirement in an FRS need not be satisfied if the information is not material. SB-FRS 1 defines materiality as follows:~~

> ~~Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make 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.~~

~~IG4~~ ~~SB-FRS 1 also explains that definition as follows:~~

> ~~Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25 that 'users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.' Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.~~

Amendments to
SB-FRS 1 *Presentation of Financial Statements*

Before paragraph 106 a heading is added. Paragraph 106 is amended (new text is underlined and deleted text is struck through). After paragraph 106 a heading and paragraph 106A are added. Paragraph 107 is amended (new text is underlined). Paragraph 139F is added.

Structure and content

Statement of changes in equity

Information to be presented in the statement of changes in equity

106 **An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information ~~showing in the statement~~:**

(a) **total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;**

(b) **for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with** SB-**FRS 8; and**

(c) [deleted]

(d) **for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:**

(i) **profit or loss;**

(ii) **~~each item of~~ other comprehensive income; and**

(iii) **transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.**

Information to be presented in the statement of changes in equity or in the notes

106A **For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 106(d)(ii)).**

107 **An entity shall present, either in the statement of changes in equity or in the notes, the amounts of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.**

Transition and effective date

139F Paragraphs 106 and 107 were amended and paragraph 106A was added by *Improvements to* SB-*FRSs* issued in November 2010. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted.

Transition requirements for amendments arising as a result of SB-FRS 27 *Consolidated and Separate Financial Statements*

Amendments to SB-FRSs

SB-FRS 21 *The Effects of Changes in Foreign Exchange Rates*

Paragraph 60B is amended (new text is underlined) and paragraph 60D is added.

Effective date and transition

60B SB-FRS 27 (as amended in 2008) added paragraphs 48A–48D and amended paragraph 49. An entity shall apply those amendments <u>prospectively</u> for annual periods beginning on or after 1 July 2009. If an entity applies SB-FRS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

60D Paragraph 60B was amended by *Improvements to* SB-*FRSs* issued in November 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

SB-FRS 28 *Investments in Associates*

Paragraph 41B is amended (new text is underlined and deleted text is struck through) and paragraph 41E is added.

Effective date and transition

41B SB-FRS 27 (as amended in 2008) amended paragraphs 18, 19 and 35 and added paragraph 19A. an entity shall apply <u>the amendment to paragraph 35 retrospectively and the</u> ~~those~~ amendments <u>to paragraphs 18 and 19 and paragraph 19A prospectively</u> for annual periods beginning on or after 1 July 2009. If an entity applies SB-FRS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

41E Paragraph 41B was amended by *Improvements to* SB-*FRSs* issued in November 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

SB-FRS 31 *Interests in Joint Ventures*

Paragraph 58A is amended (new text is underlined and deleted text is struck through) and paragraph 58D is added.

Effective date and transition

58A SB-FRS 27 (as amended in 2008) amended paragraphs 45 and 46 and added paragraphs 45A and 45B. An entity shall apply <u>the amendment to paragraph 46 retrospectively and the</u> ~~those~~ amendment~~s~~ <u>to paragraph 45 and paragraphs 45A and 45B prospectively</u> for annual periods beginning on or after 1 July 2009. If an entity applies SB-FRS 27 (amended 2008) for an earlier period, the amendments shall be applied for that earlier period.

58D Paragraph 58A was amended by *Improvements to SB-FRSs* issued in November 2010. An entity shall apply that amendment for annual periods beginning on or after 1 July 2010. Earlier application is permitted. If an entity applies the amendment before 1 July 2010 it shall disclose that fact.

Amendments to
SB-FRS 34 *Interim Financial Reporting*

In the rubric, 'paragraphs 1–48' is amended to 'paragraphs 1–49'. A heading and paragraph 15 are amended (new text is underlined and deleted text is struck through). Paragraphs 15A–15C are added. Paragraphs 16–18 are deleted. A heading and paragraph 16A are added. Paragraph 49 is added. Paragraphs 15B and 16A were previously paragraphs 17 and 16, respectively, and have been marked up solely to show changes from the pre-existing text.

Content of an interim financial report

~~Selected explanatory notes~~ Significant events and transactions

15 ~~A user of an entity's interim financial report will also have access to the most recent annual financial report of that entity. It is unnecessary, therefore, for the notes to an interim financial report to provide relatively insignificant updates to the information that was already reported in the notes in the most recent annual report. At an interim date,~~ An entity shall include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period ~~is more useful~~. Information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report.

15A A user of an entity's interim financial report will have access to the most recent annual financial report of that entity. Therefore, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report.

15B ~~Examples of the kinds of disclosures that are required by paragraph 16 are set out below. Individual SB-FRSs provide guidance regarding disclosures for many of these items:~~ The following is a list of events and transactions for which disclosures would be required if they are significant: the list is not exhaustive.

(a) the write-down of inventories to net realisable value and the reversal of such a write-down;

(b) recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss;

(c) the reversal of any provisions for the costs of restructuring;

(d) acquisitions and disposals of items of property, plant and equipment;

(e) commitments for the purchase of property, plant and equipment;

(f) litigation settlements;

(g) corrections of prior period errors;

(h) ~~[deleted]~~ changes in the business or economic circumstances that affect the fair value of the entity's financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost;

(i) any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period; ~~and~~

(j) related party transactions~~.~~;

(k) transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments;

(l) changes in the classification of financial assets as a result of a change in the purpose or use of those assets; and

(m) changes in contingent liabilities or contingent assets.

[contains text from pre-existing paragraph 17 marked up for amendments]

15C Individual SB-FRSs provide guidance regarding disclosure requirements for many of the items listed in paragraph 15B. When an event or transaction is significant to an understanding of the changes in an entity's financial position or performance since the last annual reporting period, its interim financial report should provide an explanation of and an update to the relevant information included in the financial statements of the last annual reporting period.

16–18 [Deleted]

Other disclosures

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, ~~A~~an entity shall include the following information, ~~as a minimum,~~ in the notes to its interim financial statements, ~~if material and~~ if not disclosed elsewhere in the interim financial report. The information shall normally be reported on a financial year-to-date basis. ~~However, the entity shall also disclose any events or transactions that are material necessary to an understanding of the current interim period:~~

(a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.~~;~~

(b) explanatory comments about the seasonality or cyclicality of interim operations.~~;~~

(c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.~~;~~

(d) the nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years~~, if those changes have a material effect in the current interim period~~.~~;~~

(e) ~~issuances~~ issues, repurchases and repayments of debt and equity securities.~~;~~

(f) dividends paid (aggregate or per share) separately for ordinary shares and other shares.~~;~~

(g) the following segment information (disclosure of segment information is required in an entity's interim financial report only if SB-FRS 108 *Operating Segments* requires that entity to disclose segment information in its annual financial statements):

(i) revenues from external customers, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker.~~;~~

(ii) **intersegment revenues, if included in the measure of segment profit or loss reviewed by the chief operating decision maker or otherwise regularly provided to the chief operating decision maker.~~;~~**

(iii) **a measure of segment profit or loss.~~;~~**

(iv) **total assets for which there has been a material change from the amount disclosed in the last annual financial statements.~~;~~**

(v) **a description of differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.~~;~~**

(vi) **a reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to profit or loss after those items. Material reconciling items shall be separately identified and described in that reconciliation.~~;~~**

(h) **~~material~~ events ~~subsequent to the end of~~ after the interim period that have not been reflected in the financial statements for the interim period.~~;~~**

(i) **the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by SB-FRS 103 *Business Combinations*.~~; and~~**

~~(j)~~ **~~changes in contingent liabilities or contingent assets since the end of the last annual reporting period.~~**

[contains text from pre-existing paragraph 16 marked up for amendments]

Effective date

49 Paragraph 15 was amended, paragraphs 15A–15C and 16A were added and paragraphs 16–18 were deleted by *Improvements to SB-FRSs* issued in November 2010. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendment to
INT SB-FRS 113 *Customer Loyalty Programmes*

Paragraph 10A is added.

Effective date and transition

10A Paragraph AG2 was amended by *Improvements to* SB-*FRSs* issued in November 2010. An entity shall apply that amendment for annual periods beginning on or after 1 January 2011. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Appendix
Application guidance

Paragraph AG2 is amended (new text is underlined and deleted text is struck through).

AG2 An entity may estimate the fair value of award credits by reference to the fair value of the awards for which they could be redeemed. The fair value of ~~these awards would be reduced to take~~ the award credits takes into account, as appropriate:

(a) the amount of the discounts or incentives ~~fair value of awards~~ that would otherwise be offered to customers who have not earned award credits from an initial sale; and

(b) the proportion of award credits that are not expected to be redeemed by customers.

If customers can choose from a range of different awards, the fair value of the award credits will reflect the fair values of the range of available awards, weighted in proportion to the frequency with which each award is expected to be selected.

Amendment to illustrative examples accompanying INT SB-FRS 113 *Customer Loyalty Programmes*

Paragraph IE1 is amended (new text is underlined and deleted text is struck through).

Example 1 – Awards supplied by the entity

IE1 A grocery retailer operates a customer loyalty programme. It grants programme members loyalty points when they spend a specified amount on groceries. Programme members can redeem the points for further groceries. The points have no expiry date. In one period, the entity grants 100 points. Management estimates the fair value of groceries for which each loyalty point can be redeemed as 1.25 currency units (CU1.25). This amount takes into account an estimate of the discount that management expects would otherwise be offered to customers who have not earned award credits from an initial sale. In addition, m~~M~~anagement expects only 80 of these points to be redeemed. Therefore, the fair value of each point is CU1, being the value of each loyalty point granted of CU1.25 reduced to take into account points not expected to be redeemed ((80 points/100 points) × CU1.25 = CU1). Accordingly, m~~M~~anagement ~~estimates the fair value of each loyalty point to be one currency unit (CU1), and~~ defers recognition of revenue of CU100.