

2015

International Financial Reporting Standards®

IFRS®

Official pronouncements issued at 1 January 2015. Includes Standards with an effective date after 1 January 2015 but not the Standards they will replace.

PART A
the Conceptual Framework
and requirements

International Financial Reporting Standards®

as issued at 1 January 2015

This edition is issued in two parts

PART A

The Conceptual Framework for Financial Reporting, the Preface to International Financial Reporting Standards (IFRS®) and the consolidated text of IFRS including International Accounting Standards (IAS®) and Interpretations, as issued at 1 January 2015

(Glossary and index included)

For the accompanying documents issued with the Standards, and other relevant material, see Part B of this edition

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International Financial Reporting Standards[®]

as issued at 1 January 2015

This edition is issued in two parts

PART A

When the IASB issues new Standards it generally allows an entity to apply the new requirements before the mandatory effective date. This text consolidates the most recently issued requirements, assuming that all such Standards and Interpretations have been applied early. The Standards that these new requirements are replacing or superseding are not included in this text, even where they remain applicable. Readers seeking the Standards consolidated without assuming early application should refer to the 2015 IFRS (Blue Book), which was published at the end of 2014.

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Glossary

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Changes in this edition

This section is a brief guide to the changes since the 2014 edition of the Bound Volume of International Financial Reporting Standards (the 'Red Book') that are incorporated in this edition.

Introduction

This volume includes the latest consolidated versions of all International Financial Reporting Standards (IFRS).

This volume includes amendments to Standards that have an effective date after 1 January 2015. Readers seeking only the consolidated text of Standards that are effective on 1 January 2015 should refer to the Blue Book.

New requirements since the 2014 Red Book

The following are the main changes made since 1 January 2014:

- one revised Standard—IFRS 9 *Financial Instruments*;
- two new Standards—IFRS 14 *Regulatory Deferral Accounts* and IFRS 15 *Revenue from Contracts with Customers*;
- amendments to the following Standards: IFRS 10, IFRS 11, IFRS 12, IAS 1, IAS 16, IAS 27, IAS 28, IAS 38 and IAS 41; and
- one set of Annual Improvements.

New and revised Standards

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The IASB had always intended that IFRS 9 would replace IAS 39 in its entirety. However, in response to requests from interested parties that the accounting for financial instruments should be improved quickly, the IASB divided its project to replace IAS 39 into three main phases. As the IASB completed each phase, it issued chapters in IFRS 9 that replaced the corresponding requirements in IAS 39.

In July 2014 that work culminated when the IASB issued the completed version of IFRS 9, which includes:

- (a) a model for classifying financial assets that is driven by an asset's cash flow characteristics and the business model in which it is held;
- (b) a model for classifying financial liabilities, including recognition in other comprehensive income, rather than in profit or loss, of gains (and losses) that are due to the deterioration (improvement) in an entity's own credit risk on financial liabilities that an entity has elected to measure at fair value;

- (c) a single, forward-looking 'expected loss' impairment model for financial assets not measured at fair value through profit or loss that requires entities to account for expected credit losses from when the financial assets are first recognised,¹ and to recognise full lifetime expected losses when credit risk has increased significantly since initial recognition; and
- (d) a hedge accounting model that more closely aligns the accounting treatment with the entity's risk management activities and (in IFRS 7 *Financial Instruments: Disclosures*) provides enhanced disclosures about risk management activity.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 *Regulatory Deferral Accounts* was issued in January 2014. It defines regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other Standards, but that qualify to be deferred in accordance with IFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services, such as gas, electricity and water. The scope of IFRS 14 is limited to first-time adopters that recognised regulatory deferral account balances in their financial statements in accordance with their previous GAAP. The Standard permits such entities to continue to account for regulatory deferral account balances in their first and subsequent IFRS financial statements in accordance with their previous GAAP, but must present them separately. IFRS 14 is effective for entities whose first annual IFRS financial statements are for a period beginning on or after 1 January 2016. Earlier application is permitted.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014. It establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in that framework is that an entity should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Standard sets out five steps to follow: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017. Earlier application is permitted. IFRS 15 replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreement for the Construction of Real Estate* and IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*.

¹ The new impairment model applies equally to off-balance sheet exposures such as loan commitments and financial guarantee contracts.

Amendments to Standards issued as separate documents

Accounting for Acquisitions of Interests in Joint Operations

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) was issued in May 2014. IFRS 11 *Joint Arrangements* addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendments are required to be applied to acquisitions occurring from the start of the first annual period beginning on or after 1 January 2016. Earlier application is permitted.

Clarification of Acceptable Methods of Depreciation and Amortisation

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) was issued in May 2014. IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Agriculture: Bearer Plants

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) was issued in June 2014. Before these amendments IAS 41 *Agriculture* required all biological assets related to agricultural activity to be measured at fair value less costs to sell based on the principle that their biological transformation is best reflected by fair value measurement. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. Plants such as grape vines, rubber trees and oil palms will normally meet the definition of a bearer plant. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants remains within the scope of IAS 41. The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Equity Method in Separate Financial Statements

Equity Method in Separate Financial Statements (Amendments to IAS 27) was issued in August 2014. The amendments to IAS 27 *Separate Financial Statements* will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in

their separate financial statements. The amendments are required to be applied for annual periods beginning on or after 1 January 2016 retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) was issued in September 2014. The amendments address the conflict between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, when accounting for the sale or contribution of a subsidiary to a joint venture or associate (resulting in the loss of control of the subsidiary). The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Investment Entities: Applying the Consolidation Exception

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) was issued in December 2014. The amendments clarify which subsidiaries of an investment entity should be consolidated instead of being measured at fair value through profit or loss. The amendments also clarify that the exemption from presenting consolidated financial statements continues to apply to subsidiaries of an investment entity that are themselves parent entities. This is so even if that subsidiary is measured at fair value through profit or loss by the higher level investment entity parent. In addition, the amendments provide relief whereby a non-investment entity investor can, when applying the equity method, choose to retain the fair value through profit or loss measurement that is applied by its investment entity associates and joint ventures to their subsidiaries. The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Disclosure Initiative

Disclosure Initiative (Amendments to IAS 1) was issued in December 2014. The amendments address concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 *Presentation of Financial Statements* and ensure that entities are able to use judgement when applying those requirements. As a result, it introduces five, narrow-focus improvements to the disclosure requirements that relate to materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments also clarify the requirements in paragraph 82A of IAS 1 for presenting an entity's share of items of other comprehensive income of associates and joint ventures accounted for using the equity method. These amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Annual Improvements

Annual Improvements to IFRSs 2012–2014 Cycle was issued in September 2014. The five amendments related to four Standards. The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application of each amendment is permitted.

IFRS	Subject of amendment
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Changes in methods of disposal.
IFRS 7 <i>Financial Instruments: Disclosures</i>	Servicing contracts.
	Applicability of the amendments to IFRS 7 to condensed interim financial statements.
IAS 19 <i>Employee Benefits</i>	Discount rate: regional market issue.
IAS 34 <i>Interim Financial Reporting</i>	Disclosure of information 'elsewhere in the interim financial report'.

Other material that has changed

The *Glossary* has been revised.

Minor editorial corrections to Standards (including necessary updating) have been made; a list of these is available on the website.

Introduction to this edition

Overview

The International Accounting Standards Board (IASB), based in London, began operations in 2001. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. The IASB is selected, overseen and funded by the IFRS Foundation (formerly called the International Accounting Standards Committee (IASC) Foundation). The IFRS Foundation is financed through a number of national financing regimes, which include levies and payments from regulatory and standard-setting bodies, international organisations and other accounting bodies.

Trustees

The Trustees provide oversight of the operations of the IFRS Foundation and the IASB. The responsibilities of the Trustees include the appointment of members of the IASB, the IFRS Advisory Council and the IFRS Interpretations Committee; overseeing and monitoring the IASB's effectiveness and adherence to its due process and consultation procedures; establishing and maintaining appropriate financing arrangements; approval of the budget for the IFRS Foundation; and responsibility for constitutional changes. The Trustees have established a public accountability link to a Monitoring Board comprising public capital market authorities.

The Trustees comprise individuals that as a group provide a balance of professional backgrounds, including auditors, preparers, users, academics, and other officials serving the public interest. Under the Constitution of the IFRS Foundation as last revised in 2013 (see below), the Trustees are appointed so that there are six from the Asia/Oceania region, six from Europe, six from North America, one from Africa and one from South America, and two others from any area, as long as geographical balance is maintained.

IFRS Foundation's Constitution

The IFRS Foundation's Constitution requires the Trustees to review the entire structure of the IFRS Foundation and its effectiveness every five years. The Trustees completed a full review and revision of the Constitution in June 2005, and a revised Constitution came into effect on 1 July 2005. In 2008 the Trustees began the next review, with the first part focusing on the creation of a formal link to public authorities to enhance public accountability and considering the size and composition of the IASB. The Trustees concluded the first part of the review in January 2009 and issued a revised Constitution for effect from 1 February 2009. The changes included the expansion of the IASB from fifteen to sixteen members, selected by geographical origins, by 1 July 2012, with an option to include up to three part-time members. The revised Constitution established the link to the new Monitoring Board to ensure public accountability. The remaining part of the review was concluded in January 2010, when the Constitution was further revised with effect from 1 March 2010. Among the changes introduced were the renaming of the IASC Foundation as the IFRS Foundation, the International Financial Reporting Interpretations Committee (IFRIC) as the IFRS Interpretations Committee (the 'Interpretations Committee'), and the

Standards Advisory Council (SAC) as the IFRS Advisory Council (the 'Advisory Council'). Other changes included revised objectives for the organisation, and specific provision for Trustees to be appointed from Africa and South America.

Following the recommendations of the Trustees' 2011 Strategy Review *IFRSs as the Global Standards: Setting a Strategy for the Foundation's Second Decade* and the Monitoring Board's Governance Review of the IFRS Foundation, the Trustees amended the Constitution to reflect the separation of the role of the Chairman of the IASB from that of the Executive Director. The Trustees approved the changes on 23 January 2013 for immediate effect.

IASB

The IASB has full discretion in developing and pursuing the technical agenda for setting accounting standards, subject to consultation with the Trustees and a public consultation every three years, the first of which began in 2011 and concluded in December 2012. The main qualifications for membership of the IASB are professional competence and practical experience. The Trustees are required to select members so that the IASB, as a group, will comprise the best available combination of technical expertise and international business and market experience. The IASB is also expected to provide an appropriate mix of recent practical experience among auditors, preparers, users and academics. The publication of a Standard, Exposure Draft, or Interpretation requires approval by ten of the IASB's sixteen members. At 1 January 2015 the IASB members (all full time) were:

Hans Hoogervorst, <i>Chairman</i>	Gary Kabureck
Ian Mackintosh, <i>Vice-Chairman</i>	Suzanne Lloyd
Stephen Cooper	Patricia McConnell
Philippe Danjou	Takatsugu Ochi
Amaro Luiz De Oliveira Gomes	Darrel Scott
Martin Edelmann	Chungwoo Suh
Jan Engström	Mary Tokar
Patrick Finnegan	Wei-Guo Zhang

The IASB issues a summary of its decisions after each Board meeting. This *IASB Update* is published in electronic format on the website www.ifrs.org.

IFRS Advisory Council

The Advisory Council provides a forum for participation by organisations and individuals with an interest in international financial reporting from diverse geographical and functional backgrounds. The objective of the Advisory Council is to give the IASB advice on agenda decisions and priorities in its work and give other advice to the IASB or the Trustees.

The Advisory Council comprises about fifty members, representing stakeholder organisations internationally. The Advisory Council normally meets three times a year. Its meetings are open to the public. The chair of the Advisory Council is appointed by the

Trustees, and cannot be a member of the IASB or its staff. The chair of the Advisory Council is invited to attend and participate in the Trustees' meetings.

Details of the members of the Advisory Council are available on the website www.ifrs.org.

IFRS Interpretations Committee

The Trustees established the Interpretations Committee (then called the International Financial Reporting Interpretations Committee (IFRIC)) in March 2002, when it replaced the previous interpretations committee, the Standing Interpretations Committee (SIC). The role of the Interpretations Committee is to provide timely guidance on newly identified financial reporting issues not specifically addressed in Standards or issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop. It thus promotes the rigorous and uniform application of IFRS.

The Interpretations Committee has fourteen voting members in addition to a non-voting chair, currently Wayne Upton. The chair has the right to speak about the technical issues being considered but not to vote. The Trustees, as they deem necessary, may appoint as non-voting observers regulatory organisations, whose representatives have the right to attend and speak at meetings. Currently, the International Organization of Securities Commissions (IOSCO) and the European Commission are non-voting observers.

The Interpretations Committee publishes a summary of its decisions after each meeting. This *IFRIC Update* is published in electronic format on the website www.ifrs.org.

Details of the members of the Interpretations Committee are available on the website www.ifrs.org.

IASB technical staff

A staff based in London, headed by the Chairman of the IASB, supports the IASB. The staff come from nearly 30 countries around the world.

Openness of meetings

Meetings of the Trustees, the IASB, the Advisory Council and the Interpretations Committee are all open to public observation. These meetings are also broadcast via audio and in most cases video, webcasting on the website www.ifrs.org. Recordings of the meetings are also retained on the website.

The agenda for each meeting of the Trustees, the IASB, the Advisory Council and the Interpretations Committee is published in advance on the website, together with all papers discussed at those meetings.

Consultation

The development of an International Financial Reporting Standard involves an open, public process of debating technical issues and evaluating input sought through several mechanisms. The IASB publishes, for public comment, Discussion Papers and an Exposure Draft of each Standard or Interpretation. Opportunities for interested parties to participate in the development of IFRSs include, depending on the nature of the project:

- participation in the development of views as a member of the Advisory Council;

- participation in working groups;
- submission of an issue to the Interpretations Committee (see the website for details);
- submission of a comment letter in response to a Discussion Paper;
- submission of a comment letter in response to an Exposure Draft;
- submission of a comment letter in response to a draft Interpretation;
- participation in public hearings and round-table discussions; and
- participation in field visits.

The IASB publishes an annual report on its activities during the past year and priorities for the next year. The report provides a basis and opportunity for comment by interested parties.

Preface to International Financial Reporting Standards

The *Preface to International Financial Reporting Standards* sets out the objectives and due process of the IASB and explains the scope, authority and timing of application of IFRS.

IASB Conceptual Framework

The *Conceptual Framework for Financial Reporting* was issued in September 2010, replacing the *Framework for the Preparation and Presentation of Financial Statements* that had been developed by the IASB's predecessor body. The *Conceptual Framework* assists the IASB:

- (a) in the development of future Standards and in its review of existing Standards; and
- (b) in promoting the harmonisation of regulations, accounting standards and procedures relating to the presentation of financial statements by providing a basis for reducing the number of alternative accounting treatments permitted by IFRS.

In addition, the *Conceptual Framework* may assist:

- preparers of financial statements in applying IFRS and in dealing with topics that have yet to form the subject of a Standard or an Interpretation;
- auditors in forming an opinion on whether financial statements comply with IFRS;
- users of financial statements in interpreting the information contained in financial statements prepared in conformity with IFRS; and
- those who are interested in the work of the IASB, providing them with information about its approach to the formulation of accounting standards.

The *Conceptual Framework* is not a Standard. However, when developing an accounting policy in the absence of a Standard or an Interpretation that specifically applies to an item, an entity's management is required to refer to, and consider the applicability of, the concepts in the *Conceptual Framework* (see IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*).

In a limited number of cases there may be a conflict between the *Conceptual Framework* and a requirement within a Standard or an Interpretation. In those cases where there is a conflict, the requirements of the Standard or Interpretation prevail over those of the *Conceptual Framework*.