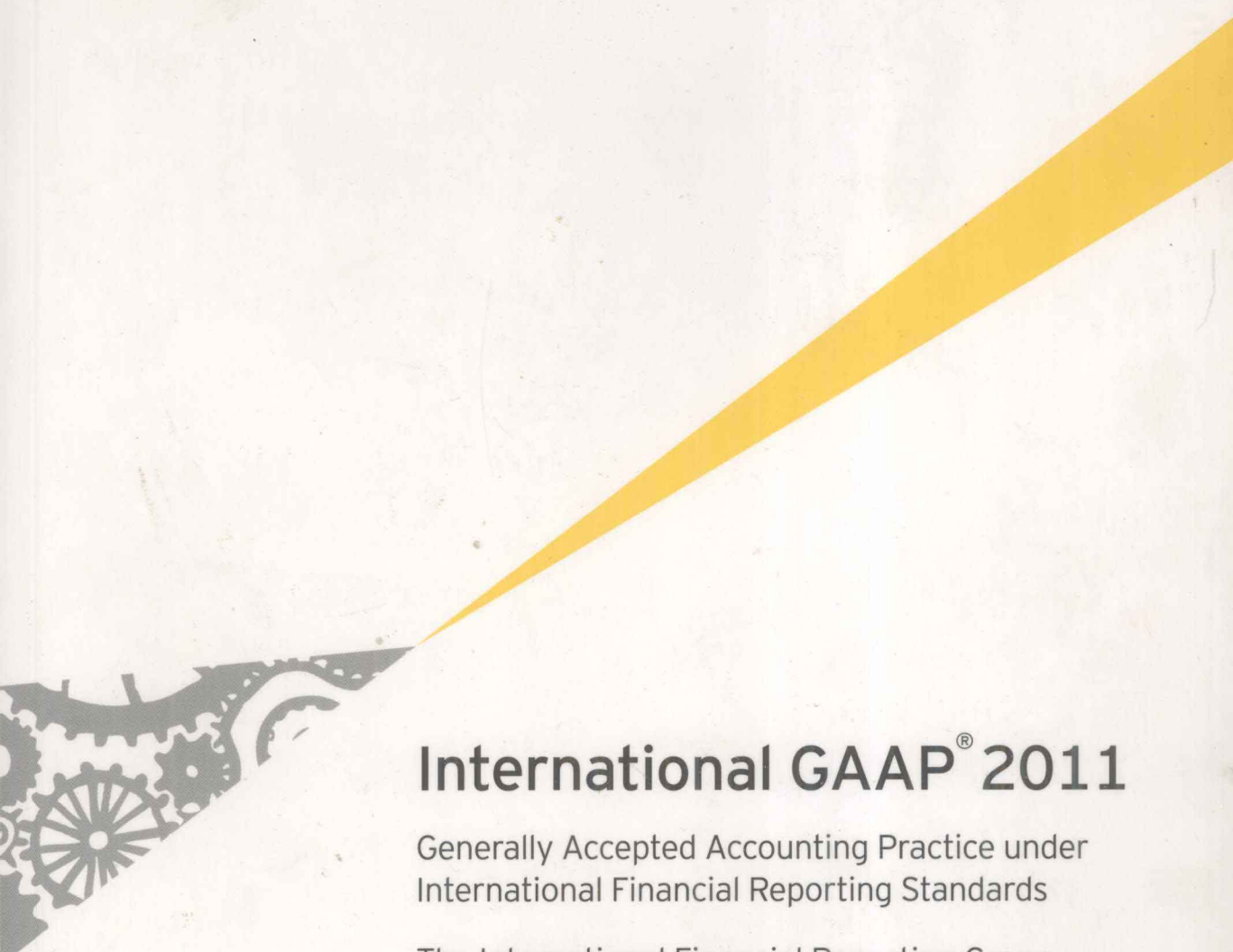


Volume 1



International GAAP[®] 2011

Generally Accepted Accounting Practice under
International Financial Reporting Standards

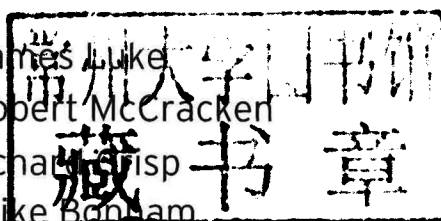
The International Financial Reporting Group
of Ernst & Young

International GAAP[®] 2011

Generally Accepted Accounting Practice
under International Financial Reporting Standards

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About this book

International GAAP® 2011 has been fully revised and updated in order to:

- Deal with all new and amended authoritative pronouncements, including the new standard on Financial Instruments (IFRS 9) and the recent revisions to IAS 24 (Related Party Disclosures), IAS 27 (Consolidated and Separate Financial Statements) and IFRS 3 (Business Combinations) and all changes that have been made through the 2010 Annual Improvements Process.
- Explain the many initiatives that are presently being pursued by the IASB and IFRIC and that will lead to changes in accounting requirements; In particular projects on Consolidation, Revenue Recognition, Leases and Financial Instruments may all significantly change current accounting practices.
- Provide insight and guidance on the interpretation and practical application of IFRS from a truly global perspective, based on the experience of the book's authors in dealing with recent day-to-day practical issues.

Within this edition we have, for the first time, included a table of contents at the beginning of each chapter, which will hopefully enable readers to locate the issue they are looking for more quickly. In addition, we have now included references to the IASB standards within the main text, rather than as endnotes at the end of each chapter, which we hope will also make the book easier to use.

The book is published in two volumes, comprising 49 Chapters, three indexes, and over 100 pages of detailed contents. These are set out over the two volumes as follows:

Volume 1

- Complete set of detailed contents
- Chapters 1 to 27, each preceded by a list of contents
- Index of extracts from financial statements
- Index of standards
- Index

Volume 2

- Complete set of detailed contents
- Chapters 28 to 49, each preceded by a list of contents
- Index of extracts from financial statements
- Index of standards
- Index

Preface

International accounting standards have come a long way since 2001, when the IASB was established in its current form, under the leadership of Sir David Tweedie. Perhaps most remarkable is the pace at which the globalisation of accounting standards has moved: from the position only a few years ago where numerous disparate national systems existed, to the position today where, despite continued uncertainty over adoption within the US, IFRS has become the predominant globally recognised accounting language in most major capital markets.

This represents a considerable achievement by all concerned: the European Union, whose leaders had the vision to set the agenda for a common financial reporting regime across the EU; the former Board of the International Accounting Standards Committee (IASC), who undertook the core standards programme that laid the groundwork for global acceptance of international standards; the many countries throughout the world whose standard-setters have contributed to the work of the IASC and the International Accounting Standards Board (IASB); the members of the IASB; and the large number of governments that have recognised the value of a common financial reporting regime, and adopted IFRS. We must in particular also recognise the enormous contribution made by Sir David Tweedie, the Chairman of the IASB since its inception in 2001, who will be retiring in 2011. He has been hugely influential in the development and success of IFRS and will be very hard to succeed. However, the recent announcement that Hans Hoogervorst will take over as Chairman, with Ian Mackintosh as his Deputy, should ensure that the IASB continues to be in good hands, and hopefully the combination of political and technical skills held by this new leadership team will enable it to safely navigate any choppy waters ahead.

This past year has clearly been another very difficult one for the global economy. There are signs of a return to growth in many of those countries that have experienced recession, but the rates of resumption in growth have typically been slow, and there is still uncertainty over what will happen when the stimulus measures that have been employed by many governments during these difficult times are withdrawn. Unsurprisingly there has been debate over the part that financial reporting requirements may have played in the recent turbulent times that we have experienced. Some argue that accounting standards and requirements have exacerbated these market difficulties. We do not agree with this view. However we do agree with the G20 in their calls to the international accounting standard setters to “redouble their efforts to achieve a single set of high quality, global accounting standards....” We have previously argued that the benefits derived from having a single set of globally applied, high quality financial reporting standards would be considerable. It is encouraging that constituents still recognise these benefits and continue to press the IASB and FASB to move forward.

In this regard we welcome the refocusing by the IASB and FASB on those projects that they believe to be most significant in their convergence programme. It was clear that their previous workload was unmanageable, and even the revised project timetable presents significant challenges if the prioritised major projects are to be completed on schedule.

Looking ahead, 2011 should be a particularly interesting year for two reasons. Firstly it will be interesting to see whether there is any change in direction or focus at the IASB under its new leadership by Hans Hoogervorst and Ian Mackintosh, after the retirement of Sir David Tweedie. Secondly the US Securities and Exchange Commission (SEC) will set out its views on the role of IFRS in the US. It is encouraging that the SEC's Chairperson, Mary Schapiro, has noted that she does not expect the newly revised work plan to impact the SEC's own work plan, announced in February 2010, to consider whether and how to incorporate IFRS into the US financial system, and we continue to await their decision with much interest. We are finally in sight of the single global accounting language that has for so long been sought. Who knows? – one final push and we might actually get there.

We are deeply indebted to many of our colleagues within the global organisation of Ernst & Young for their selfless assistance and support in the publication of this book. It has been a truly international effort, with valuable contributions from Ernst & Young people around the globe.

Our thanks go particularly to those who reviewed, edited and assisted in the preparation of drafts, most notably: Doug Cameron, Robin Chatterjee, Jacob Cooper, Garth Coppin, Sean Cremen, Michael Elliot, Charlie Feeney, John Guess, Sven Hayn, Paul Hebditch, Katrina Kimpel, Michiel van der Lof, Lan Ming, John O'Grady, Eric Ohlund, Shannon O'Mahony, Danita Ostling, Ruth Picker, Gerard van Santen, Alison Spivey, Matthew Sutton, Leo van der Tas, Lynda Tomkins, and Paul Wallek. Within the Financial Reporting Group itself, our thanks go to everyone who directly and indirectly contributed to the book's creation: Elizer Baltazar, Justine Belton, Denise Brand, Tony Clifford, Larissa Connor, Julie Dempers, Bernd Kremp, Sarah Vinall and Lawrence Wong. We also thank Jeremy Gugenheim for his assistance with the production technology throughout the period of writing.

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	<i>Tim Denton</i>	<i>Robert Overend</i>	

Abbreviations

The following abbreviations are used in this book:

Professional and regulatory bodies:

AASB	Australian Accounting Standards Board
AICPA	American Institute of Certified Public Accountants
AOSSG	Asian-Oceanian Standard-Setters Group
APB	Accounting Principles Board (of the AICPA, predecessor of the FASB)
ARC	Accounting Regulatory Committee of representatives of EU Member States
ASB	Accounting Standards Board in the UK
ASBJ	Accounting Standards Board of Japan
CESR	Committee of European Securities Regulators, an independent committee whose members comprise senior representatives from EU securities regulators
CICA	Canadian Institute of Chartered Accountants
EC	European Commission
ECB	European Central Bank
EFRAG	European Financial Reporting Advisory Group
EITF	Emerging Issues Task Force in the US
EU	European Union
FAF	Financial Accounting Foundation
FASB	Financial Accounting Standards Board in the US
FCAG	Financial Crisis Advisory Group
FEE	Federation of European Accountants
G4+1	The (now disbanded) group of four plus 1, actually with six members, that comprised an informal 'think tank' of staff from the standard setters from Australia, Canada, New Zealand, UK, and USA, plus the IASC
G20	The Group of Twenty Finance Ministers and Central Bank Governors
HKICPA	Hong Kong Institute of Certified Public Accountants
ICAI	Institute of Chartered Accountants of India
IASB	International Accounting Standards Board

cxviii Abbreviations

IASC	International Accounting Standards Committee. The former Board of the IASC was the predecessor of the IASB
IASCF	International Accounting Standards Committee Foundation (predecessor of the IFRS Foundation)
ICAEW	Institute of Chartered Accountants in England and Wales
ICAS	Institute of Chartered Accountants of Scotland
IFRIC	International Financial Reporting Interpretations Committee of the IASB (now simply termed the IFRS Interpretations Committee).
IGC	Implementation Guidance Committee on IAS 39 (now disbanded)
IOSCO	International Organisation of Securities Commissions
JWG	Joint Working Group of Standard-setters that comprised representatives from the IASC, the FASB, and eight other international bodies. The purpose of the (now disbanded) group was to develop an integrated and harmonised standard on financial instruments – a task they were unable to complete
SAC	Standards Advisory Council, predecessor of the IFRS Advisory Council which provides advice to the IASB on a wide range of issues
SEC	Securities and Exchange Commission (the US securities regulator)
SIC	Standing Interpretations Committee of the IASC (replaced by IFRIC)
TEG	Technical Expert Group, an advisor to the European Commission

Accounting related terms:

ADS	American Depositary Shares
AFS	Available-for-sale investment
ARB	Accounting Research Bulletins (issued by the AICPA)
ARS	Accounting Research Studies (issued by the APB)
ASC	Accounting Standards Codification. US GAAP accounting standards are now organised by a comprehensive Accounting Standards Codification scheme, which is now the single source of authoritative US GAAP
CGU	Cash Generating Unit
CIS	Comprehensive Income Statement, as developed by the G4+1 group of accounting standard-setters, and published in June 1999 in the ASB Discussion Paper <i>Reporting Financial Performance: Proposals for Change</i>
CU	Currency Unit
CULS	Convertible Unsecured Loan Stock
DPF	Discretionary Participation Feature
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EPS	Earnings per Share

FAS	Financial Accounting Standards (issued by the FASB)
FC	Foreign currency
FIFO	First-In, First-Out basis of valuation
FRS	Financial Reporting Standard (issued by the ASB)
FTA	First-time Adoption
FVLCS	Fair value less costs to sell
GAAP	Generally accepted accounting practice (as it applies under IFRS), or generally accepted accounting principles (as it applies to the US)
HTM	Held-to-maturity investment
IAS	International Accounting Standard (issued by the former board of the IASC)
IBNR	Incurred but not reported claims
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard (issued by the IASB)
IPO	Initial Public Offering
IPR&D	In-process Research and Development
IRR	Internal Rate of Return
JV	Joint Venture
LAT	Liability Adequacy Test
LC	Local Currency
LIBOR	London Inter Bank Offered Rate
LIFO	Last-In, First-Out basis of valuation
NBV	Net Book Value
NRV	Net Realisable Value
PP&E	Property, Plant and Equipment
R&D	Research and development
SFAC	Statement of Financial Accounting Concepts (issued by the FASB as part of its conceptual framework project)
SFAS	Statement of Financial Accounting Standards (issued by the FASB)
SPE	Special Purpose Entity
TSR	Total Shareholder Return
VIU	Value In Use
WACC	Weighted Average Cost of Capital

References to IFRSs, IASs, Interpretations and supporting documentation:

AG	Application Guidance
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cxx *Abbreviations*

AV	Alternative View
B, BCZ	Basis for Conclusions on IASs
BC	Basis for Conclusions on IFRSs and IASs
DO	Dissenting Opinion
DP	Discussion Paper
ED	Exposure Draft
IE	Illustrative Examples on IFRSs and IASs
IG	Implementation Guidance
IN	Introduction to IFRSs and IASs

Authoritative literature

The content of this book takes into account all accounting standards and other relevant rules issued up to September 2010. Consequently, it covers the IASB's *Framework for the Preparation and Presentation of Financial Statements* and authoritative literature listed below.

Unless otherwise indicated therein, all references in the main text of each chapter to the extant pronouncements below are to the versions of those pronouncements as approved and included in the Blue Book edition of the Bound Volume 2011 International Financial Reporting Standards IFRS – Consolidated without early application, Official pronouncements applicable on 1 January 2011 published by the IASB (ISBN 978-1-907026-85-0). References to those extant pronouncements below which have an effective date after 1 January 2011 (such as IFRS 9: *Financial Instruments*) are to the versions of those pronouncements as approved and included in the Red Book edition of the Bound Volume 2010 International Financial Reporting Standards IFRS – Official pronouncements issued as at 1 January 2010 published by the IASB (ISBN 978-1-907026-61-4).

Effective 1 July 2009 US GAAP accounting standards that are issued by various standard setters are now organised by a comprehensive Accounting Standards Codification scheme, which is now the single source of authoritative US GAAP. The new codification has been applied in this publication.

† The standards and interpretations marked with a dagger have been withdrawn or superseded.

IASB Framework

Framework for the Preparation and Presentation of Financial Statements

International Financial Reporting Standards

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments

International Accounting Standards

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

IFRS Interpretations Committee Interpretations

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
† IFRIC 3	Emission Rights
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 – <i>Financial Reporting in Hyperinflationary Economies</i>
† IFRIC 8	Scope of IFRS 2

IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
† IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfer of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Standing Interpretations Committee Interpretations

SIC-7	Introduction of the Euro
SIC-10	Government Assistance – No Specific Relation to Operating Activities
SIC-12	Consolidation – Special Purpose Entities
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
SIC-15	Operating Leases – Incentives
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC-29	Service Concession Arrangements: Disclosures
SIC-31	Revenue – Barter Transactions Involving Advertising Services
SIC-32	Intangible Assets – Web Site Costs

Other IASB publications

Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendments to IFRS 1)
Improvements to IFRSs (issued 6 May 2010)
The Conceptual Framework for Financial Reporting 2010
International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SMEs)

IASB Exposure Drafts

ED 9	Joint Arrangements
	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IAS 19 Employee Benefits
ED 10	Consolidated Financial Statements
ED/2009/2	Income Tax
ED/2009/3	Derecognition (Proposed amendments to IAS 39 and IFRS 7)
ED/2009/5	Fair Value Measurement
ED/2009/6	Management Commentary
ED/2009/8	Rate-regulated Activities

ED/2009/12	Financial Instruments: Amortised Cost and Impairment
ED/2010/1	Measurement of Liabilities in IAS 37 (proposed amendments to IAS 37)
ED/2010/3	Defined Benefit Plans (Proposed amendment to IAS 19)
ED/2010/4	Fair Value Option for Financial Liabilities
ED/2010/5	Presentation of Other Comprehensive Income (Proposed amendments to IAS 1)
ED/2010/6	Revenue from Contracts with Customers
ED/2010/7	Measurement Uncertainty Analysis Disclosure of Fair Value Measurements (Limited re-exposure of proposed disclosure)
ED/2010/8	Insurance Contracts
ED/2010/9	Leases
ED/2010/10	Removal of Fixed Dates for First-time Adopters (Proposed amendments to IFRS 1)
ED/2010/11	Deferred Tax: Recovery of Underlying Assets (Proposed amendments to IAS 12)
ED/2010/12	Severe Hyperinflation (Proposed amendments to IFRS 1)

IFRIC Exposure Drafts

DI/2010/1	Stripping Costs in the Production Phase of a Surface Mine
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