

COMMISSION REGULATION (EU) No 243/2010

of 23 March 2010

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards Improvements to International Financial Reporting Standards (IFRSs)

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards⁽¹⁾, and in particular Article 3(1) thereof,

Whereas:

(1) By Commission Regulation (EC) No 1126/2008⁽²⁾ certain international standards and interpretations that were in existence at 15 October 2008 were adopted.

(2) In April 2009, the International Accounting Standards Board (IASB) published Improvements to International Financial Reporting Standards, hereinafter 'the Improvements to IFRSs', in the framework of its annual improvement process which aims at streamlining and clarifying the international accounting standards. Majority of the amendments are clarifications or corrections of existing IFRSs or amendments consequential to changes previously made to IFRS. Amendments to IFRS 8, IAS 17, IAS 36, IAS 39 involve changes to the existing requirements or additional guidance on the implementation of those requirements.

(3) The consultation with the Technical Expert Group (TEG) of the European Financial Reporting Advisory Group (EFRAG) confirms that the Improvements to IFRSs meet the technical criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002. In accordance with Commission Decision 2006/505/EC of 14 July 2006 setting up a Standards Advice Review Group to advise the Commission on the objectivity and

neutrality of the European Financial Reporting Advisory Group's (EFRAG's) opinions⁽³⁾, the Standards Advice Review Group considered EFRAG's opinion on endorsement and advised the Commission that it is well-balanced and objective.

(4) Regulation (EC) No 1126/2008 should therefore be amended accordingly.

(5) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

The Annex to Regulation (EC) No 1126/2008 is amended as follows:

1. International Financial Reporting Standard (IFRS) 2, IFRS 5, IFRS 8 are amended as set out in the Annex to this Regulation;
2. International Accounting Standard (IAS) 1, IAS 7, IAS 17, IAS 36, IAS 38, IAS 39 are amended as set out in the Annex to this Regulation;
3. International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 9 and IFRIC Interpretation 16 are amended as set out in the Annex to this Regulation.

Article 2

Each company shall apply the amendments to the standards referred to in Article 1, at the latest, as from the commencement date of its first financial year starting after 31 December 2009.

⁽¹⁾ OJ L 243, 11.9.2002, p. 1.

⁽²⁾ OJ L 320, 29.11.2008, p. 1.

⁽³⁾ OJ L 199, 21.7.2006, p. 33.

Article 3

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 23 March 2010.

For the Commission

The President

José Manuel BARROSO

ANNEX

INTERNATIONAL ACCOUNTING STANDARDS**Improvements to International Financial Reporting Standards**

Amendment to IFRS 2 *Share-based Payment*

Paragraphs 5 and 61 are amended.

SCOPE

- 5 As noted in paragraph 2, this IFRS ... However, an entity shall not apply this IFRS to transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 *Business Combinations* (as revised in 2008), in a combination of entities or businesses under common control as described in paragraphs B1–B4 of IFRS 3, or the contribution of a business on the formation of a joint venture as defined by IAS 31 *Interests in Joint Ventures*. Hence, equity instruments issued ... (and therefore within the scope of this IFRS).

EFFECTIVE DATE

- 61 IFRS 3 (as revised in 2008) and *Improvements to IFRSs* issued in April 2009 amended paragraph 5. An entity shall apply those amendments for annual periods beginning on or after 1 July 2009. Earlier application is permitted. If an entity applies IFRS 3 (revised 2008) for an earlier period, the amendments shall also be applied for that earlier period.

Amendment to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Paragraphs 5B and 44E are added.

SCOPE

- 5B This IFRS specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRSs require:

- (a) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or
- (b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and such disclosures are not already provided in the other notes to the financial statements.

Additional disclosures about non-current assets (or disposal groups) classified as held for sale or discontinued operations may be necessary to comply with the general requirements of IAS 1, in particular paragraphs 15 and 125 of that Standard.

EFFECTIVE DATE

- 44E Paragraph 5B was added by *Improvements to IFRSs* issued in April 2009. An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Amendment to IFRS 8 *Operating Segments*

Paragraphs 23 and 36 are amended. Paragraph 35A is added.

DISCLOSURE

Information about profit or loss, assets and liabilities

- 23 An entity shall report a measure of profit or loss for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker even if not included in that measure of segment profit or loss:

- (a) revenues from external customers;
- (b) ...

TRANSITION AND EFFECTIVE DATE

- 35A Paragraph 23 was amended by *Improvements to IFRSs* issued in April 2009. An entity shall apply that amendment for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

- 36 Segment information for prior years that is reported as comparative information for the initial year of application (including application of the amendment to paragraph 23 made in April 2009) shall be restated to conform to the requirements of this IFRS, unless the necessary information is not available and the cost to develop it would be excessive.

Amendment to IAS 1 *Presentation of Financial Statements*

Paragraph 69 is amended. Paragraph 139D is added.

STRUCTURE AND CONTENT

Statement of financial position

Current liabilities

- 69 An entity shall classify a liability as current when:**

- (a) **it expects to settle the liability in its normal operating cycle;**
- (b) **it holds the liability primarily for the purpose of trading;**
- (c) **the liability is due to be settled within twelve months after the reporting period; or**
- (d) **it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period (see paragraph 73). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.**

An entity shall classify all other liabilities as non-current.

TRANSITION AND EFFECTIVE DATE

139D Paragraph 69 was amended by *Improvements to IFRSs* issued in April 2009. An entity shall apply that amendment for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Amendment to IAS 7 *Statement of Cash Flows*

Paragraph 16 is amended and paragraph 56 is added.

PRESENTATION OF A STATEMENT OF CASH FLOWS

Investing activities

- 16 The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows. Only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Examples of cash flows arising from investing activities are:

- (a) ...

EFFECTIVE DATE

- 56 Paragraph 16 was amended by *Improvements to IFRSs* issued in April 2009. An entity shall apply that amendment for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Amendment to IAS 17 *Leases*

Paragraphs 14 and 15 are deleted. Paragraphs 15A, 68A and 69A are added.

CLASSIFICATION OF LEASES

14 [Deleted]

15 [Deleted]

- 15A When a lease includes both land and buildings elements, an entity assesses the classification of each element as a finance or an operating lease separately in accordance with paragraphs 7–13. In determining whether the land element is an operating or a finance lease, an important consideration is that land normally has an indefinite economic life.

TRANSITIONAL PROVISIONS

68A An entity shall reassess the classification of land elements of unexpired leases at the date it adopts the amendments referred to in paragraph 69A on the basis of information existing at the inception of those leases. It shall recognise a lease newly classified as a finance lease retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity does not have the information necessary to apply the amendments retrospectively, it shall:

- (a) apply the amendments to those leases on the basis of the facts and circumstances existing on the date it adopts the amendments; and
- (b) recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings.

EFFECTIVE DATE

69A Paragraphs 14 and 15 were deleted, and paragraphs 15A and 68A were added as part of *Improvements to IFRSs* issued in April 2009. An entity shall apply those amendments for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendment to IAS 36 *Impairment of Assets*

Paragraph 80 is amended and paragraph 140E is added.

CASH-GENERATING UNITS AND GOODWILL

Recoverable amount and carrying amount of a cash-generating unit*Goodwill**Allocating goodwill to cash-generating units*

80 For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall:

- (a) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and
- (b) not be larger than an operating segment as defined by paragraph 5 of IFRS 8 *Operating Segments* before aggregation.

TRANSITIONAL PROVISIONS AND EFFECTIVE DATE

140E *Improvements to IFRSs* issued in April 2009 amended paragraph 80(b). An entity shall apply that amendment prospectively for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Amendment to IAS 38 *Intangible Assets*

Paragraphs 36, 37, 40, 41 and 130C are amended and paragraph 130E is added.

RECOGNITION AND MEASUREMENT

Acquisition as part of a business combination*Measuring the fair value of an intangible asset acquired in a business combination*

36 An intangible asset acquired in a business combination might be separable, but only together with a related contract, identifiable asset or liability. In such cases, the acquirer recognises the intangible asset separately from goodwill, but together with the related item.

- 37 The acquirer may recognise a group of complementary intangible assets as a single asset provided the individual assets in the group have similar useful lives. For example, the terms 'brand' and 'brand name' are often used as synonyms for trademarks and other marks. However, the former are general marketing terms that are typically used to refer to a group of complementary assets such as a trademark (or service mark) and its related trade name, formulas, recipes and technological expertise.
- 40 If no active market exists for an intangible asset, its fair value is the amount that the entity would have paid for the asset, at the acquisition date, in an arm's length transaction between knowledgeable and willing parties, on the basis of the best information available. In determining this amount, an entity considers the outcome of recent transactions for similar assets. For example, an entity may apply multiples reflecting current market transactions to factors that drive the profitability of the asset (such as revenue, operating profit or earnings before interest, tax, depreciation and amortisation).
- 41 Entities that are involved in the purchase and sale of intangible assets may have developed techniques for estimating their fair values indirectly. These techniques may be used for initial measurement of an intangible asset acquired in a business combination if their objective is to estimate fair value and if they reflect current transactions and practices in the industry to which the asset belongs. These techniques include, for example:
- (a) discounting estimated future net cash flows from the asset; or
 - (b) estimating the costs the entity avoids by owning the intangible asset and not needing:
 - (i) to license it from another party in an arm's length transaction (as in the 'relief from royalty' approach, using discounted net cash flows); or
 - (ii) to recreate or replace it (as in the cost approach).

TRANSITIONAL PROVISIONS AND EFFECTIVE DATE

130C IFRS 3 (as revised in 2008) amended paragraphs 12, 33–35, 68, 69, 94 and 130, deleted paragraphs 38 and 129 and added paragraph 115A. *Improvements to IFRSs* issued in April 2009 amended paragraphs 36 and 37. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. Therefore, amounts recognised for intangible assets and goodwill in prior business combinations shall not be adjusted. If an entity applies IFRS 3 (revised 2008) for an earlier period, it shall apply the amendments for that earlier period and disclose that fact.

130E *Improvements to IFRSs* issued in April 2009 amended paragraphs 40 and 41. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 July 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement*

Paragraphs 2(g), 80, 97, 100 and 108C are amended and paragraph 103K is added.

SCOPE

2 This Standard shall be applied by all entities to all types of financial instruments except:

(a) ...

(g) **any forward contract between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date. The term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction.**

(h) ...

HEDGING

Hedged items*Qualifying items*

- 80 For hedge accounting purposes, only assets, liabilities, firm commitments or highly probable forecast transactions that involve a party external to the entity can be designated as hedged items. It follows that hedge accounting can be applied to transactions between entities in the same group only in the individual or separate financial statements of those entities and not in the consolidated financial statements of the group. As an exception ...

Hedge accounting*Cash flow hedges*

- 97 **If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income in accordance with paragraph 95 shall be reclassified from equity to profit or loss as a reclassification adjustment (see IAS 1 (as revised in 2007)) in the same period or periods during which the hedged forecast cash flows affect profit or loss (such as in the periods that interest income or interest expense is recognised). However, if an entity expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into profit or loss as a reclassification adjustment the amount that is not expected to be recovered.**
- 100 **For cash flow hedges other than those covered by paragraphs 97 and 98, amounts that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment (see IAS 1 (revised 2007)) in the same period or periods during which the hedged forecast cash flows affect profit or loss (for example, when a forecast sale occurs).**

EFFECTIVE DATE AND TRANSITION

103K *Improvements to IFRSs* issued in April 2009 amended paragraphs 2(g), 97, 100 and AG30(g). An entity shall apply the amendments to paragraphs 2(g), 97 and 100 prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010. An entity shall apply the amendment to paragraph AG30(g) for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

108C Paragraphs 9, 73 and AG8 were amended and paragraph 50A added by *Improvements to IFRSs* issued in May 2008. Paragraph 80 was amended by *Improvements to IFRSs* issued in April 2009. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. An entity shall apply the amendments in paragraphs 9 and 50A as of the date and in the manner it applied the 2005 amendments described in paragraph 105A. Earlier application of all the amendments is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Amendment to application guidance on IAS 39 *Financial Instruments: Recognition and Measurement*

Paragraph AG30(g) is amended.

EMBEDDED DERIVATIVES (PARAGRAPHS 10–13)

AG30 The economic characteristics and risks of an embedded derivative are not closely related to the host contract (paragraph 11(a)) in the following examples. In these examples, assuming the conditions in paragraph 11(b) and (c) are met, an entity accounts for the embedded derivative separately from the host contract.

...

(g) A call, put, or prepayment option embedded in a host debt contract or host insurance contract is not closely related to the host contract unless:

- (i) the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument or the carrying amount of the host insurance contract; or

- (ii) the exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract. Lost interest is the product of the principal amount prepaid multiplied by the interest rate differential. The interest rate differential is the excess of the effective interest rate of the host contract over the effective interest rate the entity would receive at the prepayment date if it reinvested the principal amount prepaid in a similar contract for the remaining term of the host contract.

The assessment of whether the call or put option is closely related to the host debt contract is made before separating the equity element of a convertible debt instrument in accordance with IAS 32.

(h) ...

Amendment to IFRIC 9 Reassessment of Embedded Derivatives

Paragraph 5 is amended and paragraph 11 is added.

SCOPE

5 This interpretation does not apply to embedded derivatives in contracts acquired in:

- (a) a business combination (as defined in IFRS 3 *Business Combinations* as revised in 2008);
- (b) a combination of entities or businesses under common control as described in paragraphs B1–B4 of IFRS 3 (revised 2008); or
- (c) the formation of a joint venture as defined in IAS 31 *Interests in Joint Ventures*

or their possible reassessment at the date of acquisition ⁽¹⁾.

EFFECTIVE DATE AND TRANSITION

11 Paragraph 5 was amended by *Improvements to IFRSs* issued in April 2009. An entity shall apply that amendment prospectively for annual periods beginning on or after 1 July 2009. If an entity applies IFRS 3 (as revised in 2008) for an earlier period, it shall apply the amendment for that earlier period and disclose that fact.

Amendment to IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation

Paragraphs 14 and 18 are amended.

CONSENSUS

Where the hedging instrument can be held

14 A derivative or a non-derivative instrument (or a combination of derivative and non-derivative instruments) may be designated as a hedging instrument in a hedge of a net investment in a foreign operation. The hedging instrument(s) may be held by any entity or entities within the group, as long as the designation, documentation and effectiveness requirements of IAS 39 paragraph 88 that relate to a net investment hedge are satisfied. In particular, the hedging strategy of the group should be clearly documented because of the possibility of different designations at different levels of the group.

EFFECTIVE DATE

18 An entity shall apply this Interpretation for annual periods beginning on or after 1 October 2008. An entity shall apply the amendment to paragraph 14 made by *Improvements to IFRSs* issued in April 2009 for annual periods beginning on or after 1 July 2009. Earlier application of both is permitted. If an entity applies this Interpretation for a period beginning before 1 October 2008, or the amendment to paragraph 14 before 1 July 2009, it shall disclose that fact.

⁽¹⁾ IFRS 3 (as revised in 2008) addresses the acquisition of contracts with embedded derivatives in a business combination.