▼M1

Appendix C

Amendments to other IFRSs

The amendments in this appendix become effective for annual financial statements covering periods beginning on or after 1 January 2004. If an entity applies this IFRS for an earlier period, these amendments become effective for that earlier period.

C1 This IFRS supersedes SIC-8 First-time Application of IASs as the Primary Basis of Accounting.

C2 This IFRS amends paragraph 172(h) of IAS 39 Financial Instruments: Recognition and Measurement to read as follows:

‘(h) if a securitisation, transfer, or other derecognition transaction was entered into prior to the beginning of the financial year in which this Standard is initially applied, the accounting for that transaction should not be retrospectively changed to conform to the requirements of this Standard. However, this does not exempt a transferor from the requirements:

(i) to recognise all derivatives or other interests, such as servicing rights or servicing liabilities, retained after that transaction that qualify for recognition under this Standard or other IFRSs; and

(ii) to consolidate all special purpose entities controlled by the transferor (see SIC-12 Consolidation—Special Purpose Entities).’

▼B

STANDING INTERPRETATIONS COMMITTEE INTERPRETATION SIC-10

Government assistance — no specific relation to operating activities

Paragraph 11 of IAS 1 (revised 1997), presentation of financials statements, requires that financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable standard and each applicable interpretation issued by the Standing Interpretations Committee. SIC interpretations are not intended to apply to immaterial items.

Reference: IAS 20, accounting for government grants and disclosure of government assistance.

Issue

1. In some countries government assistance to enterprises may be aimed at encouragement or long-term support of business activities either in certain regions or industry sectors. Conditions to receive such assistance may not be specifically related to the operating activities of the enterprise. Examples of such assistance are transfers of resources by governments to enterprises which:

   (a) operate in a particular industry;

   (b) continue operating in recently privatised industries; or

   (c) start or continue to run their business in underdeveloped areas.

2. The issue is whether such government assistance is a ‘government grant’ within the scope of IAS 20 and, therefore, should be accounted for in accordance with this standard.

Consensus

3. Government assistance to enterprises meets the definition of government grants in IAS 20, even if there are no conditions specifically relating to the operating activities of the enterprise other than the requirement to operate in certain regions or industry sectors. Such grants should therefore not be credited directly to equity.

   Date of consensus: January 1998.

▼B

Effective date: This interpretation becomes effective on 1 August 1998. Changes in accounting policies should be accounted for according to the transition requirements of IAS 8.46.

▼M5

▼B

STANDING INTERPRETATIONS COMMITTEE INTERPRETATION SIC-12

Consolidation — special purpose entities

Paragraph 11 of IAS 1 (revised 1997), presentation of financial statements, requires that financial statements should not be described as complying with International Accounting Standards unless they comply with all the requirements of each applicable standard and each applicable interpretation issued by the Standing Interpretations Committee. SIC interpretations are not intended to apply to immaterial items.

Reference: IAS 27, consolidated financial statements and accounting for investments in subsidiaries.

Issue

1. An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (i.e. they operate on 'autopilot').

2. The sponsor (or enterprise on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An enterprise that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE.

3. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits of the SPE's activities. In most cases, the creator or sponsor (or the enterprise on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's equity.

4. IAS 27 requires the consolidation of entities that are controlled by the reporting enterprise. However, the standard does not provide explicit guidance on the consolidation of SPEs.

5. The issue is under what circumstances an enterprise should consolidate an SPE.

6. This interpretation does not apply to post-employment benefit plans or equity compensation plans.

7. A transfer of assets from an enterprise to an SPE may qualify as a sale by that enterprise. Even if the transfer does qualify as a sale, the provisions of IAS 27 and this interpretation may mean that the enterprise should consolidate the SPE. This interpretation does not address the circumstances in which sale treatment should apply for the enterprise or the elimination of the consequences of such a sale upon consolidation.

Consensus

8. An SPE should be consolidated when the substance of the relationship between an enterprise and the SPE indicates that the SPE is controlled by that enterprise.