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)

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.

Changes to legislation: *There are outstanding changes not yet made to Commission Regulation (EU) No 243/2010. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

(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.

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

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EU) No 243/2010. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

ANNEX

INTERNATIONAL ACCOUNTING STANDARDSImprovements to International Financial Reporting Standards

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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

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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

***Changes to legislation:** There are outstanding changes not yet made to Commission Regulation (EU) No 243/2010. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

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