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# IFRS in your pocket 2015





# Foreword

Welcome to the 2015 edition of IFRS in Your Pocket, which provides an update of developments up to April 2015. We cover all of the material which has made this publication an annual world-wide favourite: background information on the structure and workings of the IASB; analysis of the use of IFRSs around the world; summaries of all current Standards and Interpretations; and up-to-date details of IASB and IFRIC agenda projects. It is the ideal guide, update and refresher for everyone either contemplating a move to IFRSs or already reporting under the IFRS framework.

The year has seen an encouraging consolidation and expansion of the IFRS community around the world. The most recent research from the IASB shows that IFRS is required in the vast majority of jurisdictions and there is encouraging progress elsewhere. In the major markets still working towards IFRS, China is making progress and has substantially converged its national standards with IFRS; India has recently adopted standards for large and listed companies which are largely converged with IFRS; in Japan IFRS is permitted and there has been a rapid recent uptake amongst companies listed on the Tokyo stock exchange; and in the US the SEC has said that continued collaboration between US standard-setters and the IASB is critical to its desire to achieve a single set of high-quality, globally accepted accounting standards. Recent research by the ICAEW into academic studies relating to the effect of IFRS adoption on European capital markets shows that it benefited financial reporting transparency and comparability, the cost of capital, market liquidity, corporate investment efficiency and cross-border capital flows.

The IASB has completed the work on the two key standards: revenue recognition, and the final pieces in the IFRS9 jigsaw. We support the way that the IASB and FASB continue to collaborate through the Transition Resource Group for Revenue Recognition to keep the standards converged while addressing the difficulties companies are having in implementing the new model of revenue recognition and working together to ensure that the maximum value can be gained from the convergence process. The IASB is similarly being equally constructive and responsive to companies grappling with the implementation of the new impairment model through the work of the IFRS Transition Resource Group for Impairment of Financial Instruments.

Work continues on leases and insurance and the debate continues on the Conceptual Framework and on Rate-regulated Activities. We will also be looking forward to the start of the IASB's latest agenda consultation.

And, of course, the best way you can keep up to date, hour-by-hour, day-by-day, with the latest developments in the arenas of international and domestic financial reporting, is through our website [www.iasplus.com](http://www.iasplus.com). We believe it to be the most comprehensive source of news, and comment, about international financial reporting available today.

Veronica Poole

Global IFRS Leader

# Our IAS Plus website

The screenshot shows the Deloitte IAS Plus website interface. At the top, there is a navigation menu with links for Home, News, Publications, Meetings, Standards, Projects, Jurisdictions, and Resources. A search bar is positioned in the upper right corner. The main content area is titled "The #1 website for global accounting news" and features several news items, each with a logo and a brief description. The items include: "IASB issues work plan update" (dated 28 May 2015), "IASB publishes Exposure Draft of a new Conceptual Framework" (dated 23 May 2015), and "Seven lessons learned from the IFRS adoption in the EU" (dated 23 May 2015). To the right, there is a section titled "Important dates" listing various events such as the "June 2015 IFRS Advisory Council meeting" and the "June 2015 IFRS Foundation conference".

Deloitte's IAS Plus ([www.iasplus.com](http://www.iasplus.com)) is one of the most comprehensive sources of global financial reporting news on the Web. It is a central repository for information about International Financial Reporting Standards (IFRSs) as well as the activities of the International Accounting Standards Board (IASB). The site, which is also available in German, includes portals tailored to the United Kingdom and the United States, each with a focus on local GAAP and jurisdiction-specific corporate reporting requirements. Canadian portals in English and French will be added in Mid-2015, which will feature news and publications related to all Canadian financial reporting frameworks, including IFRSs.

IAS Plus features:

- news about global financial reporting developments, presented intuitively with related news, publications, events and more;
- summaries of all standards, interpretations and projects, with complete histories of developments and standard-setter discussions together with related news and publications;
- rich jurisdiction-specific information, including background and financial reporting requirements, links to country-specific resources, related news and publications and a comprehensive history of the adoption of IFRSs around the world;
- detailed personalisation of the site, which is available by selecting particular topics of interest and viewing tailored views of the site;
- dedicated resource pages for research and education, sustainability and integrated reporting, accounting developments in Europe, global financial crisis, XBRL and Islamic accounting;
- important dates highlighted throughout the site for upcoming meetings, deadlines and more;

- a library of IFRS-related publications available for download and subscription including our popular IFRS in Focus newsletter and other publications;
- model IFRS financial statements and checklists, with many versions available tailored to specific jurisdictions;
- an extensive electronic library of both global and jurisdiction-specific IFRS resources;
- expert analysis and commentary from Deloitte subject matter experts, including webcasts, podcasts and interviews;
- e-learning modules for most International Accounting Standards (IASs) and IFRSs;
- enhanced search functionality, allowing easy access to topics of interest by tags, categories or free text searches, with search results intuitively presented by category with further filtering options;
- Deloitte comment letters to the IASB and numerous other bodies; and
- a mobile-friendly interface and updates through Twitter and RSS feeds.

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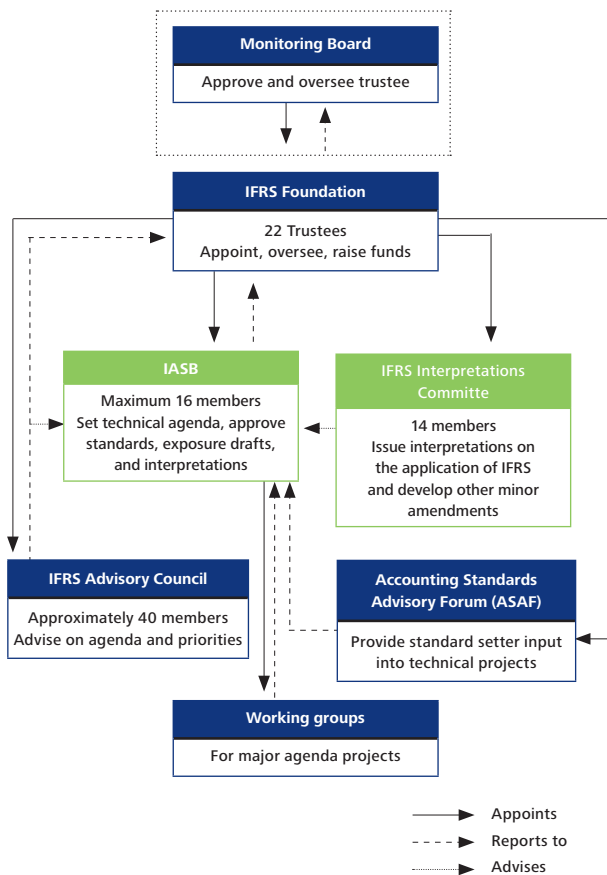
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# Abbreviations

<b>ASAF</b>	Accounting Standards Advisory Forum
<b>DI</b>	Draft Interpretation
<b>DP</b>	Discussion Paper
<b>DPOC</b>	Due Process Oversight Committee
<b>EC</b>	European Commission
<b>ED</b>	Exposure Draft
<b>EEA</b>	European Economic Area (EU 28 + 3 countries)
<b>EFRAG</b>	European Financial Reporting Advisory Group
<b>ESMA</b>	European Securities and Markets Authority
<b>EU</b>	European Union (28 countries)
<b>FASB</b>	Financial Accounting Standards Board (US)
<b>FEE</b>	Federation of European Accountants (Fédération des Experts-comptables Européens)
<b>GAAP</b>	Generally Accepted Accounting Principle(s)
<b>IAS(s)</b>	International Accounting Standard(s)
<b>IASB</b>	International Accounting Standards Board
<b>IASC</b>	International Accounting Standards Committee (predecessor to the IASB)
<b>IASCF</b>	IFRS Foundation (predecessor to the IFRSF)
<b>ICAEW</b>	Institute of Chartered Accountants in England and Wales
<b>IFRIC</b>	IFRS Interpretations Committee (previously “International Financial Reporting Interpretations Committee of the IASB”), and Interpretations issued by that committee
<b>IFRS(s)</b>	International Financial Reporting Standard(s)
<b>IFRSF</b>	IFRS Foundation, parent body of the IASB
<b>IOSCO</b>	International Organization of Securities Commissions
<b>ITG</b>	IFRS Transition Resource Group for Impairment of Financial Instruments
<b>IVSC</b>	International Valuation Standards Council
<b>NCI</b>	Non-controlling Interest(s) (previously “minority” interests)
<b>RFI</b>	Request For Information
<b>SAC</b>	Standards Advisory Council (predecessor to the IFRS Advisory Council)
<b>SEC</b>	Securities and Exchange Commission (US)
<b>SIC</b>	Standing Interpretations Committee of the IASC, and Interpretations issued by that committee
<b>SME(s)</b>	Small and Medium-sized Entity(ies)
<b>TRG</b>	Transition Resource Group for Revenue Recognition



# IASB structure



## Monitoring Board

The primary purpose of the Monitoring Board is to provide a mechanism for formal interaction between capital markets authorities responsible for the form and content of financial reporting and the IFRS Foundation (IFRSF). In particular, it assures public accountability of the IFRSF through a formal reporting line from the IFRSF Trustees to the Monitoring Board.

The responsibilities of the Monitoring Board include:

- participating in the process for appointing trustees and approving the appointment of trustees according to the guidelines set out in the IFRSF's Constitution;
- reviewing the adequacy and appropriateness of Trustee arrangements for financing the IASB;
- reviewing the Trustees' oversight of the IASB's standard-setting process. In particular, with respect to its due process arrangements;
- conferring with the Trustees regarding the responsibilities, particularly in relation to the regulatory, legal and policy developments that are pertinent to the IFRS Foundation's oversight to the IASB; and
- referring matters of broad public interest related to financial reporting to the IASB through the IFRS Foundation.

The Monitoring Board currently comprises representatives of the Board and the Growth and Emerging Markets Committee, the International Organization of Securities Commissions (IOSCO), the European Commission (EC), Financial Services Agency of Japan (JFSA), US Securities and Exchange Commission (SEC), Brazilian Securities Commission (CVM), and Financial Services Commission of Korea (FSC). The Basel Committee on Banking Supervision is a non-voting observer.

## IFRS Foundation

**Composition:** 22 individual trustees, one appointed as Chair and up to two as Vice-Chairs. Trustees are appointed for a three-year term, renewable once. Regardless of prior service, a trustee may be appointed to serve as Chair or Vice-Chair for a term of three years, renewable once, provided total years' service as a trustee does not exceed nine years.

**Geographical balance:** six trustees from the Asia/Oceania region; six from Europe; six from North America; one from Africa; one from South America and two from any area (subject to maintaining overall geographical balance).

**Backgrounds of trustees:** the IFRSF Constitution requires an appropriate balance of professional backgrounds, including auditors, preparers, users, academics, and other officials serving the public interest. Two will normally be senior partners of prominent international accounting firms.

## International Accounting Standards Board

**Composition:** 14 Board Members, of whom one is appointed as chair and up to two as vice-chairs. Up to three members may be 'part-time' members. IASB members are appointed for an initial term of five years, renewable for a further three years. The chair and vice-chairs may serve second terms of five years, subject to an overall maximum term of ten years. The introduction of the Accounting Standards Advisory Forum (ASAF), the establishment of regional groupings of accounting standard-setters, the introduction of more sophisticated IASB outreach and stakeholder engagement programmes, as well as the end of the convergence programme, have all led to the IASB facing a different set of challenges and priorities in the coming years. Recognising this changed standard-setting landscape, the Trustees intend to seek public input on the appropriate size of the IASB, while continuing to maintain geographical balance.

**Geographical balance:** to ensure a broad international diversity, there will normally be four members from the Asia/Oceania region; four from Europe; four from North America; one each from Africa and South America; and two appointed from any area, subject to maintaining overall geographical balance.

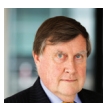
**Backgrounds of Board members:** the main qualification for membership is professional competence and practical experience. The group is required to represent the best available combination of technical expertise and diversity of international business and market experience.

# Members of the IASB



**Hans Hoogervorst, Chairman** was formerly Chairman of the Executive Board, the Netherlands Authority for the Financial Markets, and a former chairman of the IOSCO technical committee. He was appointed as a Co-Chair of the Financial Crisis Advisory Group, a high level group of business leaders with experience of international markets, to advise the IASB and the FASB on their joint response to the financial crisis. He also served as Chairman of the Monitoring Board of the IFRS Foundation, oversight body of the IASB.

Mr Hoogervorst held a number of positions in the Dutch Government, including Minister of Finance between 1998 and 2007. Term expires 30 June, 2016.



**Ian Mackintosh, Vice-Chairman** was formerly Chairman of the United Kingdom Accounting Standards Board.

Mr Mackintosh has played an active role in standard-setting since 1983. He was a member and later Deputy Chairman, of the Australian Accounting Standards Board, as well as chairing its Urgent Issues Group. Term expires 30 June, 2016.



**Stephen Cooper** was Managing Director and head of valuation and accounting research at UBS Investment Bank prior to his appointment in 2007. Term expires 31, July 2017.



**Philippe Danjou** has previously served as director of the accounting division of the Autorité des Marchés Financiers, the French securities regulator. Term expires 30 June, 2016.



**Martin Edelmann** has previously served as a member of the German Accounting Standards Board from 2006 until 2011. He is a former Head of Group Reporting at Deutsche Bank AG. Term expires 30 June, 2017.



**Patrick Finnegan** was a Director of the Financial Reporting Policy Group, CFA Institute for Financial Market Integrity. His second term expires 30 June 2019.



**Amaro Luiz de Oliveira Gomes** was Head of the Financial System Regulation Department of the Central Bank of Brazil prior to his appointment to the IASB. His second term expires 30 June 2019.



**Gary Kabureck** was the Chief Accounting Officer (and since 2003 as a Corporate Vice President) for Xerox Corporation. Term expires 30 June 2017.



**Takatsugu (Tak) Ochi** is a former Assistant General Manager, Financial Resources Management Group of Sumitomo Corporation. Term expires 30 June 2016.



**Darrell Scott** was CFO of the FirstRand Banking Group, one of the largest financial institutions in South Africa. His second term expires 30 June 2018.



**Mary Tokar** has served for more than 10 years as the Global leader for KPMG's International Financial Reporting Group. Term expires 30 June, 2017.



**Dr Chung Woo Suh** was an advisor to the Korea Accounting Standards Board (KASB) and is a Professor of Accounting at Kookmin University, Seoul. Term expires 30 June 2017



**Wei Guo Zhang** was Chief Accountant of the China Securities Regulatory Commission (CSRC) between 1997 and 2007. Term expires 30 June, 2017.



**Suzanne Lloyd** was Senior Director of Technical Activities for the IASB. Prior to this role, Ms Lloyd served as the IASB's Director of Capital Markets, with responsibility for the IASB's work to reform the accounting for financial instruments. Term expires 30 December, 2018.

Further information on the structure of the IFRS foundation and the IASB can be found at <http://www.iasplus.com/en/resources/ifrsf>

# IASB due process

In developing IFRSs (including Interpretations), the IASB follows a comprehensive, open due process. The due process requirements are built on the principles of transparency, full and fair consultation – considering the perspectives of those affected by IFRSs globally – and accountability. The IFRS Foundation Trustees, through its Due Process Oversight Committee, is responsible for overseeing all aspects of the due process procedures of the IASB and the IFRS Interpretations Committee, and for ensuring that those procedures reflect best practice.

*Transparency* is provided by holding all technical discussions in public (and usually webcast), providing public access to staff papers, ensuring that the IASB and IFRIC have sufficient information to be able to make decisions based on the staff recommendations. A final Standard or Interpretation must be approved by at least 9 of the 14 members of the IASB.

Full and fair consultation *includes mandatory steps*:

- conducting, every three years, a public consultation on the IASB's technical work programme;
- debating any standard-setting proposals in public meetings;
- issuing an Exposure Draft of any proposed new Standard, amendment to a Standard or proposed Interpretation, with the related basis for conclusions and alternative views ('dissenting opinions'), for public comment, and subject to minimum comment periods;
- considering in a timely manner those comment letters received on the proposals. Comment letters are placed on the public record;
- considering whether the proposals should be exposed again;
- issuing final Standards together with a basis for conclusions and any dissenting opinions;
- consulting the Advisory Council on the technical programme, major projects, project proposals and work priorities; and
- ratification of an Interpretation by the IASB.

In addition to the review of its technical agenda every three years, the IASB and/or the Interpretations Committee evaluate all requests received for possible interpretation or amendment of a Standard.

The IASB is committed to conducting post-implementation reviews of each new Standard or major amendment of an existing Standard.

In addition and subject to a 'comply or explain' condition, the following non-mandatory steps are part of the due process:

- publishing a discussion document (for example, a Discussion Paper) before an Exposure Draft is developed. This document will usually include the IASB's preliminary views on issues in the project;
- establishing consultative groups or other types of specialist advisory groups;
- holding public hearings; and
- undertaking fieldwork.

*Accountability* is provided through such means as effects analysis and the basis for conclusions (and dissenting views) accompanying an IFRS.

Further information on the IASB due process can be found at <http://www.iasplus.com/en/resources/ifrsf/due-process/iasb-due-process>

# Obtaining IASB pronouncements and publications

IASB pronouncements and publications can be purchased in printed and electronic formats on the IASB's website ([www.ifrs.org](http://www.ifrs.org)). The IASB's Standards (including mandatory application guidance, but not implementation guidance or bases for conclusions) are available on its website for free download. The complete IFRS for SMEs, including implementation guidance and basis for conclusions, is available without charge. Discussion Papers and Exposure Drafts may be downloaded from the IASB's website without charge.



# IASB contact information

International Accounting Standards Board

## **International Headquarters**

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- Publications e-mail: [publications@ifrs.org](mailto:publications@ifrs.org)
- Office hours: Monday-Friday 09:30-17:30 London time

# Use of IFRSs around the world

IFRSs are now used extensively around the world as the basis for preparing financial reports.

We maintain an up-to-date summary of the adoption of IFRS around the world on IAS Plus at:

<http://www.iasplus.com/en/resources/ifrs-topics/use-of-ifrs>

The IASB foundation publishes individual jurisdictional profiles which can be found in:

<http://www.ifrs.org/Use-around-the-world/Pages/Jurisdiction-profiles.aspx>

The status of IFRS in major capital markets is discussed below.

## Use of IFRSs in Europe

### European Accounting Regulation

**Listed companies** – To implement a ‘financial reporting strategy’ adopted by the European Commission (EC) in June 2000, the EU in 2002 approved a Regulation (the ‘IAS Regulation’) requiring all EU companies listed on a regulated market to follow IFRSs in their consolidated financial statements starting in 2005. The IFRS requirement applies not only in the 28 EU Member States but also in the three European Economic Area (EEA) countries. Most large companies in Switzerland (not an EU or EEA member) also use IFRSs.

Non-EU companies listed on an EU regulated market must file financial statements prepared using either IFRSs as adopted by the EU, IFRSs as issued by the IASB or a GAAP designated by the EC as equivalent to IFRSs. This includes companies from jurisdictions that have adopted IFRSs as their local GAAP, as long as the companies state a full compliance with IFRSs in their audited financial statements.

**Unlisted companies and separate-company statements** – EU Member States may also extend the IFRS requirement to non-listed companies and to separate (i.e. company-only) financial statements. Nearly all Member States permit some or all non-listed companies to use IFRSs in their consolidated financial statements, and some permit it in separate financial statements.

### Endorsement of IFRSs for use in Europe

Under the EU IAS Regulation, IFRSs must be individually endorsed for use in Europe. The endorsement process involves the following steps:

- EU translates the IFRSs into all European languages;
- the private-sector European Financial Reporting Advisory Group (EFRAG) gives its endorsement advice to the EC;

- the EC's Accounting Regulatory Committee (ARC) makes an endorsement recommendation; and
- the EC submits the endorsement proposal to the European Parliament and to the Council of the EU. Both must not oppose (or in certain circumstances approve) endorsement within three months, otherwise the proposal is sent back to the EC for further consideration.

Further background information on IFRS in Europe can be found at <http://www.iasplus.com/en/resources/ifrs-topics/europe>

By the end of April 2015, the EU has endorsed all IFRSs and all Interpretations with the exception of:

- IFRS 9 *Financial Instruments*
- IFRS 14 *Regulatory Deferral Accounts*
- IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IFRS 10, 12 and IAS 28: Investment entities: Applying the Consolidation Exception
- Amendments to IAS 1: Disclosure Initiative
- Annual improvements to IFRSs 2012-2014 Cycle
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between and Investor and its Associate or Joint Venture.
- Amendments to IAS 27: Equity Method in Separate Financial Statements

The most recent status on EU endorsement of IFRSs can be found at: [http://www.efrag.org/Front/c1-306/Endorsement-Status-Report\\_EN.aspx](http://www.efrag.org/Front/c1-306/Endorsement-Status-Report_EN.aspx)

## **Use of IFRSs in the United States**

### **SEC recognition of IFRSs**

Since November 2007, the SEC permits foreign private issuers to submit financial statements prepared using IFRSs as issued by the IASB without having to include a reconciliation of the IFRS figures to US GAAP.

The SEC does not permit its domestic issuers to use IFRS in preparing their financial statements; rather, it requires them to use US GAAP.

In addition, the SEC has been exploring whether and, if so, how to incorporate IFRSs into the financial reporting system for US domestic issuers.

In December 2014 SEC officials discussed a new potential alternative for using IFRS in the United States, namely the voluntary disclosure of IFRS-based financial reporting information in addition to the US GAAP-based information used for SEC filings.

## **Use of IFRSs in Canada**

Reporting Issuer entities (other than SEC issuers and foreign issuers – see below) that file their financial statements in Canada in accordance with the continuous disclosure requirements of the applicable securities rules are required to prepare their financial statements in accordance with Canadian GAAP applicable to publicly accountable entities (IFRSs).

SEC issuers, entities that have a class of securities registered under section 12 of the Securities Exchange Act (1934) or that file reports under section 15(d) of that Act, filing their financial statements in Canada may prepare them in accordance with US GAAP.

Foreign issuers, i.e issuer incorporated or organised under the laws of a foreign jurisdiction, may prepare their financial statements in accordance with (a) IFRS; (b) US GAAP (if they are an SEC foreign issuer); (c) accounting principles that meet the disclosure requirements for foreign private issuers as set out in the Securities Exchange Act of 1934; or (d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

Investment companies were required to adopt IFRSs in January 1, 2014 and entities with rate-regulated activities adopted IFRSs on January 1, 2015. Mandatory adoption of IFRSs has been deferred for entities with rate-regulated activities until January 1, 2015. Not-for-profit entities, public sector entities, pension plans and segregated accounts of life insurance enterprises are excluded and will not be required to adopt IFRSs.

## **Use of IFRSs elsewhere in the Americas**

Nearly all countries in Latin America and the Caribbean require or permit IFRSs (or are in the process of introducing such requirements) as the basis for preparing financial statements. Argentina adopted IFRSs for all listed companies from 2012 (other than banks and insurance companies which continue to apply domestic requirements). Brazil adopted IFRSs for all listed companies and banks effective 2010. Chile adopted IFRSs for all public interest companies in 2012. IFRSs have been adopted in Mexico for all listed entities other than banks and insurance companies which apply Mexican Financial Reporting Standards (MFRS).

IFRSs are already required in a number of other Latin American and Caribbean countries.

## Use of IFRSs in Asia-Pacific

Asia-Pacific jurisdictions are taking a variety of approaches toward convergence of national GAAP for domestically listed companies with IFRSs.

### Use of IFRSs in Japan

Listed companies may use Japanese Accounting Standards, IFRS or US GAAP. Voluntary application of IFRS in consolidated financial statements by listed companies that meet certain criteria has been permitted since March 2010. In 2013 those criteria were broadened to permit virtually all listed companies to use IFRS, as well as unlisted companies that are preparing consolidated financial statements for listing purposes.

### Use of IFRSs elsewhere in Asia-Pacific

#### All national standards are virtually word-for-word IFRSs

Australia, Hong Kong, Korea, Malaysia, New Zealand, and Sri Lanka are taking this approach. Effective dates and transitions may differ from IFRSs as issued by the IASB.

#### Nearly all national standards are word-for-word IFRSs

The Philippines and Singapore have adopted most IFRSs word-for-word, but have made some significant modifications.

#### Some national standards are close to word-for-word IFRSs

India, Pakistan and Thailand have adopted selected IFRSs quite closely, but significant differences exist in other national standards, and there are time lags in adopting new or amended IFRSs.

#### IFRSs are looked to in developing national GAAP

IFRSs are considered to varying degrees in Indonesia, Taiwan and Vietnam.

In February 2006, China adopted the Chinese Accounting Standards for Business Enterprises (ASBE), which are substantially converged with IFRS.

In May 2009, the Financial Supervisory Commission (FSC) of Taiwan announced its roadmap for the full adoption of IFRSs in two phases starting from 2013. Early adoption is permitted for certain companies from 2012.

#### Some domestic listed companies may use IFRSs

Hong Kong (companies based in Hong Kong but incorporated elsewhere).

# Recent pronouncements

## Effective for 31 December 2015 year ends

Amended Standards	
IAS 19	Amendments to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service
Various	Annual Improvements 2010-2012 Cycle
Various	Annual Improvements 2011-2013 Cycle

## Available for early adoption for 31 December 2015 year ends

Note: Transitional provisions are complex, and there are interdependencies among Standards. See Standards and Interpretations for details. Transitional provisions are highlighted below for new or amended standards with an effective date of 1 January 2015 or later.

New and amended Standards		Effective for annual periods beginning on or after
IFRS 7	Additional disclosures (and consequential amendments) resulting from IFRS 9	Concurrent with adoption of IFRS 9
IFRS 9	Financial Instruments	1 January 2018
IFRS 10	Amendments to clarify the accounting for the loss of control of a subsidiary when the subsidiary does not constitute a business	1 January 2016
IFRS 11	Amendments to clarify the accounting for the acquisition of an interest in a joint operation when the activity constitutes a business	1 January 2016
IFRS 14	Regulatory Deferral Accounts	First time adopters whose first annual financial statements begins on or after 1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2017 (*)
IAS 16 and IAS 38	Amendments to clarify acceptable methods of depreciation and amortisation	1 January 2016
IAS 16 and IAS 41	Amendments to clarify accounting for agriculture Bearer Plants	1 January 2016
IAS 28	Amendments to clarify the accounting for the loss of control of a subsidiary when the subsidiary does not constitute a business	1 January 2016

IAS 27	Equity method in Separate Financial Statements	1 January 2016
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 January 2016
Various	Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016
IAS 1	Disclosure Initiative – Amendments to IAS 1	1 January 2016

(\*) The IASB issued an Exposure Draft in May 2015 to defer the effective date of IFRS 15 for one year to 1 January 2018 with earlier application permitted. A final decision is expected in July 2015.

Further information on effective dates on IFRSs and amendments can be found at <http://www.iasplus.com/en/standards/effective-dates/effective-ifs>



# Summaries of current Standards and related Interpretations

On pages 31 to 102, the requirements of all International Financial Reporting Standards in issue at 30 April 2015 are summarised, as well as the *Preface to IFRSs* and the *Conceptual Framework for Financial Reporting*.

These summaries are intended as general information and are not a substitute for reading the entire Standard or Interpretation.

'Effective date' means the effective date of the last comprehensive revision of the Standard or Interpretation, not necessarily original issuance. The summaries also include the most recent amendments that are not yet effective but are available for early adoption.

## Preface to International Financial Reporting Standards

### Adoption

Adopted by the IASB in May 2002, amended in 2007, 2008 and 2010.

### Summary

Covers, among other things:

- the objectives of the IASB;
- the scope of IFRSs;
- due process for developing Standards and Interpretations;
- equal status of 'bold type' and 'plain type' paragraphs;
- policy on effective dates; and
- use of English as the official language.

## Conceptual Framework for Financial Reporting

### Adoption

Approved by the IASC Board in April 1989.

Adopted by the IASB in April 2001.

The Conceptual Framework is in the process of being revised. In September 2010, the IASB issued Chapter 1 *The objective of general purpose financial reporting* and Chapter 3 *Qualitative characteristics of useful financial information*.

## Summary

- Defines the objective of general purpose financial reporting. The objective is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.
- Identifies the qualitative characteristics that make financial information in financial reporting useful. To be useful, it must be relevant and faithfully represent what it purports to represent. Usefulness is enhanced if it is comparable, verifiable, timely and understandable.
- Defines the basic elements of financial statements and the criteria for recognising them in financial statements. Elements directly related to financial position are assets, liabilities and equity. Elements directly related to performance are income and expenses.
- Defines the concept of capital and capital maintenance.



The IASB has restarted its project on the development of the *Conceptual Framework*. The *Conceptual Framework* project is focusing on the following: reporting entity, elements of financial statements (including recognition and derecognition), measurement, presentation and disclosure. The IASB published a Discussion Paper addressing these issues in July 2013. An Exposure Draft is expected in the second quarter of 2015.

## IFRS 1 First-time Adoption of International Financial Reporting Standards

<b>Effective date</b>	IFRS 1(2008) issued November 2008, replaced IFRS 1(2003). IFRS 1(2008) is effective for first IFRS financial statements for periods beginning on or after 1 July 2009.
<b>Objective</b>	To prescribe the procedures when an entity adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.
<b>Summary</b>	<p>Overview for an entity that adopts IFRSs for the first time (by an explicit and unreserved statement of compliance with IFRSs) in its annual financial statements for the year ended 31 December 2015.</p> <ul style="list-style-type: none"><li>• Select accounting policies based on IFRSs effective at 31 December 2015 (with early application of new IFRS not yet mandatory, permitted).</li><li>• Prepare at least 2015 and 2014 financial statements and restate retrospectively the opening statement of financial position by applying the IFRSs in force at 31 December 2015, except for those matters dealt with in specific exemptions in IFRS 1:<ul style="list-style-type: none"><li>– the opening statement of financial position is prepared at 1 January 2014 at the latest (but may be earlier if the entity elects to present more than one year of comparative information under IFRSs);</li><li>– the opening statement of financial position is presented in the entity's first IFRS financial statements (therefore, three statements of financial position); and</li><li>– if a 31 December 2015 adopter reports selected financial data (but not full financial statements) on an IFRS basis for periods prior to 2014, in addition to full financial statements for 2014 and 2015, that does not change the fact that its opening IFRS statement of financial position is as at 1 January 2014.</li></ul></li></ul>
<b>Interpretations</b>	None.
<b>Useful Deloitte publication</b>	First-time adoption of International Financial Reporting Standards – A guide to IFRS 1 <a href="http://www.iasplus.com/en/publications/global/guides/pub2712">http://www.iasplus.com/en/publications/global/guides/pub2712</a>

## IFRS 2 Share-based Payment

**Effective date** Annual periods beginning on or after 1 January 2005.

**Objective** To prescribe the accounting for transactions in which an entity receives or acquires goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the entity's shares or other equity instruments of the entity.

### Summary

- All share-based payment transactions are recognised in the financial statements, using a fair value measurement basis.
- An expense is recognised when the goods or services received are consumed.
- IFRS 2 also applies to share-based payment transactions in which the entity cannot specifically identify some or all of the goods or services received.
- IFRS 2 applies to both public and non-public entities. However, in rare cases where the fair value of equity instruments of non-public entities cannot be measured reliably, intrinsic value measurements are used.
- In principle, transactions in which goods or services are received from non-employees as consideration for equity instruments of the entity are measured at the fair value of the goods or services received. Only if the fair value of the goods or services cannot be measured reliably is the fair value of the equity instruments granted used.
- For transactions with employees and others providing similar services, the entity measures the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received.
- For transactions measured at the fair value of the equity instruments granted (such as transactions with employees), fair value is estimated at grant date.
- For transactions measured at the fair value of the goods or services received, fair value is estimated at the date of receipt of those goods or services.

- The fair value of equity instruments granted is based on market prices, if available, and takes into account the terms and conditions on which those equity instruments were granted. In the absence of market prices, fair value is estimated using a valuation model to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. IFRS 2 does not specify which particular valuation model should be used.
- Vesting conditions are either service conditions or performance conditions. A service condition is a vesting condition that requires the counterparty to complete a specified period of service to the entity. Performance conditions require the completion of a specified period of service in addition to specified performance targets. A performance target is defined by reference to (a) the entity's own operations or activities (including those of another entity in the same group), or (b) the price of the entity's equity instruments (or entities in the same group). The period for achieving the performance target shall not extend beyond the end of the service period.
- For goods or services measured by reference to the fair value of the equity instruments granted, in general, vesting conditions (other than market conditions) are not taken into account when estimating the fair value of the shares or options at the relevant measurement date (as specified above) but are subsequently taken into account by adjusting the number of equity instruments included in the measurement of the transaction.
- Market-based vesting conditions and non-vesting conditions are taken into account when estimating the fair value of the shares or options at the relevant measurement date, with no subsequent adjustments made in respect of such conditions.
- IFRS 2 includes specific guidance on the accounting for share-based payment transactions among group entities.

### Interpretations

None.

## IFRS 3 Business Combinations

### Effective date

IFRS 3 (2008) issued January 2008, replacing IFRS 3 (2004).

Effective for business combinations in periods beginning on or after 1 July 2009.

### Core principle

An acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition.

### Summary

- A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants.
- IFRS 3 does not apply to (i) the formation of a joint arrangement in the financial statements of the joint arrangement itself, (ii) combinations of entities or businesses under common control, nor (iii) to the acquisition of an asset or a group of assets that do not constitute a business.
- The acquisition method is used for all business combinations.
- Steps in applying the acquisition method are as follows:
  1. Identification of the 'acquirer' – the combining entity that obtains control of the acquiree.
  2. Determination of the 'acquisition date' – the date on which the acquirer obtains control of the acquiree.
  3. Recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest (NCI) in the acquiree.
  4. Recognition and measurement of goodwill or a gain from a bargain purchase.

- Assets and liabilities are measured at their acquisition-date fair values (with a limited number of specified exceptions). An entity may elect to measure components of NCI in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in liquidation either at (a) fair value or (b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets (option available on a transaction-by-transaction basis). All other components of NCI shall be measured at their acquisition-date fair value, unless another measurement basis is required by IFRS.
- Goodwill is measured as the difference between:
  - the aggregate of (a) the acquisition-date fair value of the consideration transferred, (b) the amount of any NCI, and (c) in a business combination achieved in stages (see below), the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree; and
  - the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (measured in accordance with IFRS 3).
- If the difference above is negative, the resulting gain is recognised as a bargain purchase in profit or loss.
- For business combinations achieved in stages, if the acquirer increases an existing equity interest so as to achieve control of the acquiree, the previously-held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.
- If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the combination is accounted for using provisional values. Adjustments to provisional values relating to facts and circumstances that existed at the acquisition date are permitted within one year. No adjustments are permitted after one year except to correct an error in accordance with IAS 8.

- Consideration for the acquisition includes the acquisition-date fair value of contingent consideration. Contingent consideration should be measured at fair value at each reporting date irrespective of whether the contingent consideration is a financial or non-financial instrument. Changes to contingent consideration resulting from events after the acquisition date are recognised in profit or loss.
- All acquisition-related costs (e.g. finder's fees, professional or consulting fees, costs of internal acquisition department) are recognised in profit or loss except for costs to issue debt or equity securities, which are recognised in accordance with IFRS 9/IAS 39 and IAS 32 respectively.
- Expanded guidance on some specific aspects of business combinations, including:
  - business combinations achieved without the transfer of consideration;
  - reverse acquisitions;
  - identifying intangible assets acquired;
  - un-replaced and voluntarily replaced share-based payment awards;
  - pre-existing relationships between the acquirer and the acquiree (e.g. reacquired rights); and
  - the reassessment of the acquiree's contractual arrangements at the acquisition date.

## Interpretations

### Useful Deloitte publication

None.

### Business combinations and changes in ownership interests: A guide to the revised IFRS 3 and IAS 27

<http://www.iasplus.com/en/publications/global/guides/pub2690>



## IFRS 4 Insurance Contracts

- Effective date** Annual periods beginning on or after 1 January 2005.
- Objective** To prescribe the financial reporting for insurance contracts until the IASB completes the second phase of its project on insurance contracts.
- This standard applies to insurance contracts that an entity issues.
- Summary**
- Insurers are exempted from applying the IASB Framework and certain existing IFRSs.
  - Catastrophe reserves and equalisation provisions are prohibited.
  - Requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.
  - Insurance liabilities may not be offset against related reinsurance assets.
  - Accounting policy changes are restricted.
  - New disclosures are required.
  - Financial guarantee contracts are in the scope of IAS 39, unless the issuer had previously (prior to initial adoption of IFRS 4) asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. In such circumstances, the issuer may elect to apply either IAS 39 or IFRS 4.
- Interpretations** None.



The IASB issued a revised set of proposals in June 2013: Exposure Draft *Insurance Contracts*. Redeliberations are expected to continue in the first quarter of 2015. A final standard is expected 'not before the end of 2015'.

## IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

**Effective date** Annual periods beginning on or after 1 January 2005.

Amendments resulting from September 2014 Annual Improvements to IFRSs introduced specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distributions to owners (or vice versa). The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

**Objective** To prescribe the accounting for non-current assets held for sale and the presentation and disclosure of discontinued operations.

**Summary**

- Introduces the classification 'held for sale' (available for immediate sale and disposal within 12 months is highly probable) and the concept of a disposal group (a group of assets to be disposed of in a single transaction, including any related liabilities also transferred).
- Non-current assets or disposal groups held for sale are measured at the lower of carrying amount and fair value less costs to sell.
- Such non-current assets held for sale (whether individually or as part of a disposal group) are not depreciated.
- Non-current assets classified as held for sale, and the assets and liabilities in a disposal group classified as held for sale, are presented separately in the statement of financial position.
- Assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

The classification, presentation and measurement requirements applicable to a non-current asset (or disposal group) that is classified as held for sale apply also to a non-current asset (or disposal group) that is classified as held for distribution to owners.

- If an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or directly from being held for distribution to owners to being held for sale, then the change in classification is considered a continuation of the original plan of disposal.
- A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and (a) represents a separate major line of business or major geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively with a view to resale.
- An entity presents as a single amount in the statement of comprehensive income the sum of the post tax profit or loss from discontinued operations for the period and the post tax gain or loss arising on the disposal of discontinued operations (or on the reclassification of the assets and liabilities of discontinued operations as held for sale). Therefore, the statement of comprehensive income is effectively divided into two sections – continuing operations and discontinued operations.
- IFRS 5 requires disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. Consequently, disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRSs specifically require disclosures or the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of the measurement requirements of IFRS 5

### Interpretations

None

### Useful Deloitte publication

**Assets held for sale and discontinued operations: A guide to IFRS 5**

<http://www.iasplus.com/en/publications/global/guides/pub1923>

## IFRS 6 Exploration for and Evaluation of Mineral Resources

**Effective date** Annual periods beginning on or after 1 January 2006.

**Objective** To prescribe the financial reporting for the exploration for and evaluation of mineral resources until the IASB completes a comprehensive project in this area.

**Summary**

- Does not require or prohibit any specific accounting policies for the recognition and measurement of exploration and evaluation assets. An entity is permitted to continue to use its existing accounting policies provided that they comply with the requirements of paragraph 10 of IAS 8, i.e. that they result in information that is relevant to the economic decision-making needs of users and that is reliable.
- Grants a temporary exemption from applying paragraphs 11 and 12 of IAS 8 – which specify a hierarchy of sources of authoritative guidance in the absence of a specific IFRS.
- Requires an impairment test when there is an indication that the carrying amount of exploration and evaluation assets exceeds recoverable amount. Also, exploration and evaluation assets are tested for impairment before reclassification of those assets as development assets.
- Allows impairment to be assessed at a level higher than the 'cash-generating unit' under IAS 36, but requires measurement of the impairment in accordance with IAS 36 once it is assessed.
- Requires disclosure of information that identifies and explains amounts arising from exploration and evaluation of mineral resources.

**Interpretations** None.

## IFRS 7 Financial Instruments: Disclosures

### Effective date and transition

Annual periods beginning on or after 1 January 2007.

Amendments resulting from September 2014 Annual Improvements to IFRSs provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for disclosure purposes and the applicability of the offsetting amendments to IFRS 7 to condensed interim financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

### Objective

To prescribe disclosures that enable financial statement users to evaluate the significance of financial instruments to an entity, the nature and extent of their risks, and how the entity manages those risks.

### Summary

- Requires disclosure of information about the significance of financial instruments for an entity's financial position and performance. These include:
  - disclosures relating to the entity's financial position including information about financial assets and financial liabilities by category; special disclosures when the fair value option is used; reclassifications; derecognition; pledges of assets; embedded derivatives; breaches of terms of agreements and offsetting of financial assets and liabilities;
  - disclosures relating to the entity's performance in the period, including information about recognised income, expenses, gains and losses; interest income and expense; fee income; and impairment losses; and
  - other disclosures, including information about accounting policies; hedge accounting; and the fair values of each class of financial asset and financial liability.

- Requires disclosure of information about the nature and extent of risks arising from financial instruments:
  - qualitative disclosures about exposures to each class of risk and how those risks are managed; and
  - quantitative disclosures about exposures to each class of risk, separately for credit risk, liquidity risk and market risk (including sensitivity analyses).

### **Interpretations**

None.

### **Useful Deloitte publication**

**iGAAP 2015 (Volume B and C): Financial Instruments**

## IFRS 8 Operating Segments

**Effective date** Annual periods beginning on or after 1 January 2009.

**Core principle** An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

- Summary**
- Applies to the consolidated financial statements of a group with a parent (and to the separate or individual financial statements of an entity):
    - whose debt or equity instruments are traded in a public market; or
    - that files, or is in the process of filing its (consolidated) financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
  - An operating segment is a component of an entity:
    - that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
    - whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
    - for which discrete financial information is available.

Start-up operations may be operating segments before earning revenues.

- Guidance is provided on which operating segments are reportable (generally 10% thresholds for revenue, absolute amount of its reported profit or loss, and assets).
- At least 75% of the entity's revenue must be included in reportable segments.

- Does not define segment revenue, segment expense, segment result, segment assets or segment liabilities, nor does it require segment information to be prepared in conformity with the accounting policies adopted for the entity's financial statements.
- Some entity-wide disclosures are required even when an entity has only one reportable segment. These include information about each product and service or groups of products and services, geographical areas, major customers (see below) and judgements made by management in applying the aggregation criteria for operating segments.
- Analyses of revenues and certain non-current assets by geographical area are required from all entities – with an expanded requirement to disclose revenues/non-current assets by individual foreign country (if material), irrespective of the entity's organisation.
- There is also a requirement to disclose information about transactions with major external customers (10% or more of the entity's revenue).
- A reconciliation of the total assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

### Interpretations

None.



## IFRS 9 (2014) Financial Instruments

### Effective date and transition

IFRS 9 *Financial Instruments* issued in July 2014 is the IASB's replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. The IASB completed its project to replace IAS 39 in phases, adding to the standard as it finalised each phase.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018 with early adoption permitted. For periods beginning before 1 January 2018, previous versions of IFRS 9 may be adopted provided the relevant date of initial application is before 1 February 2015.

IFRS 9 does not replace the requirements for portfolio fair value hedge accounting for interest rate risk (often referred to as the 'macro hedge accounting' requirements) because the macro hedging phase of the project was separated from the IFRS 9 project due to its longer term nature. The macro hedging project is currently at the Discussion Paper phase of the due process.

### Objective

IFRS 9 sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

### Summary

- IFRS 9 carries forward the requirements in IAS 39 related to the recognition and derecognition of financial assets and financial liabilities (see IAS 39 Summary).
- All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.
- IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications: those measured at amortised cost and those measured at fair value.
- Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVTOCI).

- Equity investments should be classified as FVTPL, unless FVTOCI classification is elected except for those equity investments for which the entity has elected to present value changes in 'other comprehensive income'. If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at FVTOCI with only dividend income recognised in profit or loss.
- A debt instrument that (1) is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows and (2) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost unless the asset is designated at FVTPL under the fair value option.
- A debt instrument that (1) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (2) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.
- All other debt instruments must be measured at fair value through profit or loss (FVTPL).
- IFRS 9 does not change the basic accounting model for financial liabilities under IAS 39. Two measurement categories continue to exist: FVTPL and amortised cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.
- All derivatives in scope of IFRS 9, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

- Embedded derivatives that under IAS 39 would have been separately accounted for at FVTPL because they were not closely related to the host financial asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if the contractual cash flow characteristics test is not passed. Embedded derivatives not closely related to financial liabilities will be accounted for separately at fair value in the case of financial liabilities not designated at FVTPL (as in IAS 39).
- The hedge accounting requirements in IFRS 9 are optional. If certain eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on financial hedging instruments with losses or gains on the risk exposures they hedge.
- There are three types of hedging relationships: (i) fair value hedge; (ii) cash flow hedge and (iii) hedge of a net investment in a foreign operation.
- A hedging relationship qualifies for hedge accounting only if all of the following criteria are met: (i) the hedging relationship consists only of eligible hedging instruments and eligible hedged items; (ii) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; (iii) the hedging relationship meets all of the hedge effectiveness requirements.
- In order to qualify for hedge accounting, the hedge relationship must meet the following effectiveness criteria: (i) there is an economic relationship between the hedged item and the hedging instrument; (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and (iii) the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge.

- The impairment model in IFRS 9 is based on expected credit losses and it applies equally to debt instruments measured at amortised cost or FVTOCI, lease receivables, contract assets within the scope of IFRS 15 and certain written loan commitments and financial guarantee contracts.
- Expected credit losses (with the exception of purchased or original credit-impaired financial assets) are required to be measured through a loss allowance at an amount equal to: (i) the 12 – month expected credit losses or (ii) full lifetime expected credit losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument.
- Interest revenue is calculated by applying the effective interest rate to the amortised cost (which is the gross carrying amount minus loss allowance) for credit-impaired financial assets while for all other instruments, it is calculated based on the gross carrying amount.

### Interpretations

IFRIC 16 *Hedges of a net investment in a Foreign Operation*.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*.

### Useful Deloitte publication

- **iGAAP 2015 (Volume B): Financial Instruments – IFRS 9 and related Standards**
- **Video interviews and podcast that discuss the new requirements are available at [www.iasplus.com](http://www.iasplus.com)**
- **Publications on the other parts of IFRS 9 previously issued are also available [www.iasplus.com](http://www.iasplus.com)**

## IFRS 10 Consolidated Financial Statements

### Effective date and transition

Annual periods beginning on or after 1 January 2013.

Amendments issued in December 2014 confirm that the exception from preparing consolidated financial statements continues to be available to a parent entity that is a subsidiary of an investment entity. The amendments are effective 1 January 2016 with earlier application permitted.

Amendments issued in September 2014 clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective 1 January 2016 with earlier application permitted.

### Objective

To prescribe a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities).

### Summary

- A subsidiary is an entity controlled by another entity, the parent.
- Control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.
- IFRS 10 includes guidance on the assessment of control, including material on: protective rights; delegated power; de facto control; and de facto agency arrangements.
- Consolidated financial statements are financial statements of a group (parent and subsidiaries) presented as those of a single economic entity.
- When a parent-subsidiary relationship exists, consolidated financial statements are required (subject to certain specified exceptions).
- Consolidated financial statements include all subsidiaries. No exemption for 'temporary control', 'different lines of business' or 'subsidiary that operates under severe long-term funds transfer restrictions'. However, if, on acquisition, a subsidiary meets the criteria to be classified as held for sale under IFRS 5, it is accounted for under that Standard.

- The Standard contains an exemption from consolidation of subsidiaries for entities which meet the definition of an 'investment entity', such as certain investment funds. Instead, such entities would measure their investment in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 or IAS 39. The exception is also available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10.
- Intragroup balances, transactions, income and expenses are eliminated in full.
- All entities in the group use the same accounting policies and, if practicable, the same reporting date. Non-controlling interests (NCI) are reported in equity in the statement of financial position separately from the equity of the owners of the parent. Total comprehensive income is allocated between NCI and the owners of the parent even if this results in the NCI having a deficit balance.
- Acquisition of a further ownership interest in a subsidiary after obtaining control is accounted for as an equity transaction and no gain, loss or adjustment to goodwill is recognised.
- Partial disposal of an investment in a subsidiary while control is retained is accounted for as an equity transaction with owners, and no gain or loss is recognised in profit or loss.
- Partial disposal of an investment in a subsidiary that results in loss of control triggers remeasurement of the residual holding to fair value at the date control is lost. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognised in profit or loss. If the subsidiary does not contain a business (as defined in IFRS 3), the gain or loss is recognised only to the extent of the unrelated investor's interest. Thereafter, IAS 28, IFRS 11 or IFRS 9/IAS 39 is applied, as appropriate, to the residual holding. is applied, as appropriate, to the residual holding.

**Interpretations** None.

## IFRS 11 Joint Arrangements

**Effective date and transition** Annual periods beginning on or after 1 January 2013.

Amendments to IFRS 11 regarding the accounting for the acquisition of a joint operation in which the activity of the joint operation constitutes a business apply prospectively from 1 January 2016 with earlier application permitted.

**Objective** To establish principles for financial reporting by entities that have an interests in joint arrangements.

**Summary**

- Applies to all entities that are a party to a joint arrangement. A joint arrangement is one in which two or more parties have joint control.
- A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities.
- A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.
- The distinction between a joint operation and a joint venture requires assessment of the structure of the joint arrangement, the legal form of any separate vehicle, the terms of the contractual arrangement and any other relevant facts and circumstances.
- Joint operations: a joint operator recognises the assets it controls, and expenses and liabilities it incurs, and its share of income earned, in both its separate and consolidated financial statements.
- Joint ventures: a joint venturer applies the equity method, as described in IAS 28, except joint ventures where the investor is a venture capital firm, mutual fund or unit trust, and it elects or is required to measure such investments at fair value through profit or loss in accordance with IFRS 9 or IAS 39 with certain disclosures.

Interests in joint operation and joint ventures that are classified as held for sale in accordance with IFRS 5 are accounted for in accordance with that Standard.

- The accounting for joint arrangements in an entity's separate financial statements depends on the involvement of the entity in that joint arrangement and the type of the joint arrangement: If the entity is a joint operator or joint venturer it shall account for its interest in a joint operation in accordance with paragraphs 20-22; a joint venture in accordance with paragraph 10 of IAS 27 Separate Financial Statements. If the entity is a party that participates in, but does not have joint control of, a joint arrangement shall account for its interest in: a joint operation in accordance with paragraphs 23 a joint venture in accordance with IFRS 9, unless the entity has significant influence over the joint venture, in which case it shall apply paragraph 10 of IAS 27.
- The acquisition of an interest in a joint operation in which the activity constitutes a business should be accounted for using the principles of IFRS 3 *Business Combinations*.

**Interpretations** None.

## IFRS 12 Disclosure of Interests in Other Entities

**Effective date and transition** Annual periods beginning on or after 1 January 2013.

Amendments issued in December 2014 clarify that an investment entity that measures all its subsidiaries at fair value should provide the disclosures related to investment entities included in the standard. The amendments are effective 1 January 2016 with earlier application permitted.

**Objective** To require information to be disclosed in an entity's financial statements that will enable users of those statements to evaluate the nature of, and risks associated with, the entity's interests in other entities as well as the effects of those interests on the entity's financial position, financial performance and cash flows.



## Summary

- Requires disclosures for the following broad categories:
  - significant judgements and assumptions such as how control, joint control and significant influence has been determined;
  - interests in subsidiaries including details of the structure of the group, risks associated with consolidated structured entities, restrictions on use of assets and settlement of liabilities, changes in ownership levels, non-controlling interests in the group, etc.;
  - interests in joint arrangements and associates
    - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information) and the risks associated with such entities;
  - interests in unconsolidated structured entities – the nature and extent of interests in unconsolidated structured entities and the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities;
  - where an entity is an investment entity, IFRS 12 requires additional disclosures, including:
    - the fact that the entity is an investment entity;
    - information about significant judgements and assumptions it has made in determining that it is an investment entity, and information where an entity becomes, or ceases to be, an investment entity.

**Interpretations** None.

## IFRS 13 Fair Value Measurement

<b>Effective date and transition</b>	Annual periods beginning on or after 1 January 2013.
<b>Objective</b>	To establish a definition of fair value, provide guidance on how to determine fair value and prescribe the required disclosures about fair value measurements. However, IFRS 13 does not stipulate which items should be measured or disclosed at fair value.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements such as fair value less costs to sell).</li><li>• Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.</li><li>• Requires, with some exceptions, classification of these measurements into a 'fair value hierarchy' based on the nature of the inputs:<ul style="list-style-type: none"><li>– Level 1 – quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date;</li><li>– Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and</li><li>– Level 3 – unobservable inputs for the asset or liability.</li></ul></li><li>• Requires various disclosures depending on the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.</li></ul>
<b>Interpretations</b>	None.
<b>Useful Deloitte publications</b>	A closer look – Fair value measurements of financial instruments under IFRS 13 – See IAS 39 section.

## IFRS 14 Regulatory Deferral Accounts

<b>Effective date</b>	First annual IFRS financial statements beginning on or after 1 January 2016 with earlier application permitted.
<b>Objective</b>	To specify the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

## Summary

- The standard permits an entity which is a first-time adopter of IFRSs to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRSs and in subsequent financial statements.
- Regulatory deferral account balances are presented separately in the statement of financial position and movements in these account balances should also be separately presented in the statement of profit or loss and other comprehensive income. Specific disclosures are also required.
- The requirements of other IFRSs are required to be applied to regulatory deferral account balances, subject to specific exceptions, exemptions and additional requirements as noted in the standard.

## Interpretations

None.

## IFRS 15 Revenue from Contracts with Customers

**Effective date** Annual periods beginning on or after 1 January 2017 with earlier application permitted. (\*)

The requirements of this IFRS supersede IAS 11 *Construction Contracts*, and IAS 18 *Revenue* (and related Interpretations, including IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*).

**Objective** To prescribe the accounting treatment for revenue arising from sales of goods and rendering of services to a customer.

Revenue that does not arise from a contract with a customer is not in the scope of this standard. For example revenue arising from dividends, and donations received would be recognised in accordance with other standards.

### Summary

- The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- To achieve that core principle, an entity would apply the following steps.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

- A contract with a customer falls under the scope of this standard when all of the following conditions are met:
  - The contract has commercial substance (that is, the risk, timing, or amount of the entity's future cash flows is expected to change as a result of the contract).

- The parties to the contract have approved the contract.
  - The entity can identify each party's rights regarding the goods or services to be transferred.
  - The entity can identify the payment terms for the goods or services to be transferred.
  - The parties are committed to perform their respective obligations and they intend to enforce their respective contractual rights.
  - It is probable that the entity will collect the consideration to which they are entitled in exchange for the goods or services that will be transferred to the customer.
- The standard includes application guidance for specific transactions such as performance obligations satisfied over time, methods for measuring progress of performance obligations, sale with a right of return, warranties, principal versus agent considerations, customer options for additional goods or services, non-refundable upfront fees, bill and hold arrangements and customers unexercised rights, licensing, repurchase agreements, consignment arrangements, and customer acceptance.
  - The standard also includes guidance on variable consideration and time value of money and specific disclosure requirements.

**Interpretations** None.

(\*) The IASB issued an Exposure Draft in May 2015 to defer the effective date of IFRS 15 for one year to 1 January 2018 with earlier application permitted.

## IAS 1 Presentation of Financial Statements

**Effective date** Annual periods beginning on or after 1 January 2009. Amendments introduced in December 2014 as part of the disclosure initiative introduced narrow-scope amendments with additional guidance on materiality and aggregation, and the structure of the notes to be presented in the financial statements. The amendments are effective 1 January 2016 with earlier application permitted.

**Objective** To set out the overall framework for presenting general purpose financial statements, including guidelines for their structure and the minimum content.

**Summary**

- Fundamental principles established for the preparation of financial statements, including going concern assumption, consistency in presentation and classification, accrual basis of accounting, and materiality.
- Assets and liabilities, and income and expenses, are not offset unless offsetting is permitted or required by another IFRS.
- Comparative prior-period information is presented for amounts shown in the financial statements and notes.
- Financial statements are generally prepared annually. If the end of the reporting period changes, and financial statements are presented for a period other than one year, additional disclosures are required.
- A complete set of financial statements comprises:
  - a statement of financial position;
  - a statement of profit or loss and other comprehensive income;
  - a statement of changes in equity;
  - a statement of cash flows;
  - notes; and
  - (only when an accounting policy has been applied retrospectively or items in the financial statements have been restated or reclassified) a statement of financial position as at the beginning of the earliest comparative period. (Therefore, in these limited circumstances, generally three statements of financial position.)

- comparative information (i.e. minimum of 2 of each of the above statements – one for the current period and one for the preceding period plus related notes).
- Entities may use titles for the individual financial statements other than those used above.
- Specifies minimum line items to be presented in the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity, and includes guidance for identifying additional line items. IAS 7 provides guidance on line items to be presented in the statement of cash flows.
- In the statement of financial position, current/non-current distinction is used for assets and liabilities unless presentation in order of liquidity provides reliable and more relevant information.
- The statement of profit or loss and other comprehensive income includes all items of income and expense – (i.e. all ‘non-owner’ changes in equity) including (a) components of profit or loss and (b) other comprehensive income (i.e. items of income and expense that are not recognised in profit or loss as required or permitted by other IFRSs). These items may be presented either:
  - in a single statement of profit or loss and other comprehensive income (in which there is a sub-total for profit or loss); or
  - in a separate statement of profit or loss (displaying components of profit or loss) and a statement of profit or loss and other comprehensive income (beginning with profit or loss and displaying components of other comprehensive income).
- Items of other comprehensive income should be grouped based on whether or not they are potentially reclassifiable to profit or loss at a later date.
- Analysis of expenses recognised in profit or loss may be provided by nature or by function. If presented by function, specific disclosures by nature are required in the notes.

- The statement of changes in equity includes the following information:
  - total comprehensive income for the period;
  - the effects on each component of equity of retrospective application or retrospective restatement in accordance with IAS 8; and
  - for each component of equity, a reconciliation between the opening and closing balances, separately disclosing each change.
- Specifies minimum note disclosures which include information about:
  - accounting policies followed;
  - the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements;
  - sources of estimation uncertainty; and
  - information about management of capital and compliance with capital requirements.
- Implementation guidance for IAS 1 includes illustrative financial statements other than the statement of cash flows (see IAS 7).

### Interpretations

#### SIC 29 Service Concession Arrangements: Disclosure

Disclosure is required if an entity agrees to provide services that give the public access to major economic or social facilities.

### Useful Deloitte publications

#### IFRS model financial statements

#### IFRS presentation and disclosure checklist

Illustrating the layout of financial statements and the presentation and disclosure requirements of IFRSs. Available for download at <http://www.iasplus.com/en/tag-types/global/publication-series/models-and-checklists>



## IAS 2 Inventories

<b>Effective date</b>	Annual periods beginning on or after 1 January 2005.
<b>Objective</b>	To prescribe the accounting treatment for inventories, including cost determination and expense recognition.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Inventories are stated at the lower of cost and net realisable value (NRV).</li><li>• Costs include purchase cost, conversion cost (materials, labour and overheads), and other costs to bring inventory to its present location and condition, but not foreign exchange differences.</li><li>• For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory.</li><li>• For interchangeable items, cost is determined on either a First In First Out (FIFO) or weighted average basis. Last In First Out (LIFO) is not permitted.</li><li>• When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.</li><li>• Write-downs to NRV are recognised as an expense in the period of the write-down. Reversals arising from an increase in NRV are recognised as a reduction of the inventory expense in the period in which they occur.</li></ul>
<b>Interpretations</b>	None.

## IAS 7 Statement of Cash Flows

<b>Effective date</b>	Periods beginning on or after 1 January 1994.
<b>Objective</b>	To require the presentation of information about historical changes in an entity's cash and cash equivalents by means of a statement of cash flows that classifies cash flows during the period according to operating, investing and financing activities.

## Summary

- The statement of cash flows analyses changes in cash and cash equivalents during a period.
- Cash equivalents include investments that are short-term (less than three months from date of acquisition), readily convertible to a known amount of cash, and subject to an insignificant risk of changes in value. Generally exclude equity investments.
- Cash flows from operating, investing and financing activities are separately reported.
- Cash flows arising from operating activities are reported using either the direct (recommended) or the indirect method.
- Cash flows arising from taxes on income are classified as operating unless they can be specifically identified with financing or investing activities.
- The exchange rate used for translation of transactions denominated in a foreign currency and the cash flows of a foreign subsidiary is the rate in effect at the date of the cash flows.
- Aggregate cash flows relating to obtaining or losing control of subsidiaries or other businesses are presented separately and classified as investing activities, with specified additional disclosures.
- Investing and financing transactions that do not require the use of cash are excluded from the statement of cash flows, but separately disclosed.
- Only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities.
- Illustrative statements of cash flows are included in appendices to IAS 7.

## Interpretations

None.

## IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

<b>Effective date</b>	Annual periods beginning on or after 1 January 2005.
<b>Objective</b>	To prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in estimates, and errors.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Hierarchy for selection of accounting policies:<ul style="list-style-type: none"><li>– IASB Standards and Interpretations, taking into account any relevant IASB implementation guidance;</li><li>– in the absence of a directly applicable IFRS, look to the requirements in IFRSs dealing with similar and related issues and the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the <i>Conceptual Framework for Financial Reporting</i>; and</li><li>– management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices.</li></ul></li><li>• Accounting policies are applied consistently to similar transactions.</li><li>• An accounting policy is changed only if required by an IFRS, or if the change results in reliable and more relevant information.</li><li>• If a change in accounting policy is required by an IFRS, the pronouncement's transitional requirements are followed. If none are specified, or if the change is voluntary, the new accounting policy is applied retrospectively by restating prior periods.</li><li>• If it is impracticable to determine period-specific effects for retrospective application, the new accounting policy is applied as of the beginning of the earliest period for which retrospective application is practicable and cumulative adjustments are made to balances at the beginning of that period. The new accounting policy is applied prospectively from the start of the earliest period practicable when the entity cannot determine the cumulative effect of applying the policy to all prior periods.</li></ul>

- Changes in accounting estimates (e.g. change in useful life of an asset) are accounted for in the current year, or future years, or both (no restatement).
- All material prior period errors are corrected by restating comparative prior period amounts and, if the error occurred before the earliest period presented, by restating the opening statement of financial position.

**Interpretations** None.

## IAS 10 Events after the Reporting Period

**Effective date** Annual periods beginning on or after 1 January 2005.

**Objective** To prescribe:

- when an entity should adjust its financial statements for events after the end of the reporting period; and
- disclosures about the date when the financial statements were authorised for issue and events after the end of the reporting period.

**Summary**

- Events after the end of the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.
- Adjusting events –the financial statements are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period (such as the resolution of a court case after the end of the reporting period).
- Non-adjusting events –the financial statements are not adjusted to reflect events that arose after the end of the reporting period (such as a decline in market prices after year end, which does not change the valuation of investments at the end of the reporting period). The nature and impact of such events are disclosed.

- Dividends proposed or declared on equity instruments after the end of the reporting period are not recognised as a liability at the end of the reporting period. Disclosure is required.
- Financial statements are not prepared on a going concern basis if events after the end of the reporting period indicate that the going concern assumption is not appropriate.
- An entity discloses the date its financial statements are authorised for issue.

**Interpretations** None.

## IAS 11 Construction Contracts

<b>Effective date</b>	Periods beginning on or after 1 January 1995.  IAS 11 will be superseded on adoption of IFRS 15 <i>Revenue from Contracts with Customers</i> .
<b>Objective</b>	To prescribe the accounting treatment for revenue and costs associated with construction contracts in the financial statements of the contractor.
<b>Summary</b>	<ul style="list-style-type: none"> <li>• Contract revenue comprises the amount agreed in the initial contract together with variations in contract work, claims, and incentive payments to the extent that it is probable that they will result in revenues and can be measured reliably.</li> <li>• Contract costs comprise costs that relate directly to the specific contract, costs that are attributable to general contract activity and that can be allocated to the contract, together with other costs that are specifically chargeable to the customer under the terms of the contract.</li> <li>• Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of contract activity (the percentage of completion method of accounting).</li> </ul>

- If the outcome cannot be estimated reliably, no profit is recognised. Instead, contract revenue is recognised only to the extent that contract costs incurred are expected to be recovered, and contract costs are expensed as incurred.
- If it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

### Interpretations

Refer to IAS 18 for a summary of IFRIC 15 *Agreements for the Construction of Real Estate*.

## IAS 12 Income Taxes

### Effective date

Periods beginning on or after 1 January 1998.

### Objective

To prescribe the accounting treatment for income taxes.

To establish the principles and provide guidance in accounting for the current and future tax consequences of:

- the future recovery (settlement) of carrying amounts of assets (liabilities) recognised in an entity's statement of financial position, and
- the transactions and other events of the current period that are recognised in an entity's financial statements.

### Summary

- Current tax liabilities and assets are recognised for current and prior period taxes, measured at the rates that have been enacted or substantively enacted by the end of the reporting period.
- A temporary difference is a difference between the carrying amount of an asset or liability and its tax base.

- Deferred tax liabilities are recognised for the future tax consequences of all taxable temporary differences with three exceptions:
  - where the deferred tax liability arises from the initial recognition of goodwill;
  - the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and
  - differences arising from investments in subsidiaries, branches and associates and interests in joint arrangements (e.g. due to undistributed profits) where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.
- A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, with the following exceptions:
  - a deferred tax asset arising from the initial recognition of an asset/liability, other than in a business combination, which, at the time of the transaction, does not affect the accounting or the taxable profit; and
  - deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available to utilise the difference.
- Deferred tax liabilities/assets are measured at the tax rates expected to apply when the liability is settled or the asset is realised, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.
- There is a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 will normally be through sale.
- Deferred tax assets and liabilities are not discounted.

- Current and deferred tax are recognised as income or expense in profit or loss except to the extent that the tax arises from:
  - a transaction or event that is recognised outside profit or loss (whether in other comprehensive income or in equity); or
  - a business combination.
- Deferred tax assets and liabilities are presented as non-current items in the statement of financial position.

## Interpretations

### SIC 25 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders

The current and deferred tax consequences of changes in tax status are included in profit or loss for the period unless those consequences relate to transactions or events that were recognised outside profit or loss.

## IAS 16 Property, Plant and Equipment

### Effective date and transition

Annual periods beginning on or after 1 January 2005.

Amendments clarifying acceptable methods of depreciation are effective 1 January 2016 with earlier application permitted.

Amendments requiring biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment are effective 1 January 2016 with earlier application permitted.

### Objective

To prescribe the principles for the initial recognition and subsequent accounting for property, plant and equipment.

### Summary

- Items of property, plant, and equipment are recognised as assets when it is probable that the future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.
- Bearer plants that are used in the production or supply of agricultural produce and which will not be sold as agricultural produce are included in property, plant and equipment.



- Initial recognition is at cost, which includes all costs necessary to get the asset ready for its intended use. If payment is deferred beyond normal credit terms, interest expense is recognised unless such interest can be capitalised in accordance with IAS 23.
- Subsequent to acquisition, IAS 16 allows a choice of accounting model:
  - cost model: the asset is carried at cost less accumulated depreciation and impairment; or
  - revaluation model: the asset is carried at a revalued amount, which is fair value at revaluation date less subsequent accumulated depreciation and impairment.
- Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued.
  - revaluation increases are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss; and
  - revaluation decreases are recognised in profit or loss. However, the decrease shall be debited directly to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- When the revalued asset is disposed of, the revaluation surplus in equity remains in equity and is not reclassified to profit or loss.
- Components of an asset with differing patterns of benefits are depreciated separately.

- Depreciation is charged systematically over the asset's useful life. The depreciation method reflects the pattern of benefit consumption. A depreciation method that is based on revenue that is generated from the use of an asset is not appropriate. The residual value is reviewed at least annually and is the amount the entity would receive currently if the asset were already of the age and condition expected at the end of its useful life. Useful life is also reviewed annually. If operation of an item of property, plant and equipment (e.g. an aircraft) requires regular major inspections, when each major inspection is performed, its cost is recognised in the carrying amount of the asset as a replacement, if the recognition criteria are satisfied.
- Impairment of property, plant and equipment is assessed under IAS 36.
- All exchanges of property, plant and equipment are measured at fair value, including exchanges of similar items, unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.
- Entities that routinely sell items of property, plant and equipment that they have previously held for rental to others should transfer such assets to inventories at their carrying amount when they cease to be rented and became held for sale. The proceeds from the sale of such assets should be recognised as revenue in accordance with IAS 18.

### Interpretations

Refer to IAS 18 for a summary of IFRIC 18 *Transfers of Assets from Customers*.

#### **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

IFRIC 20 addresses recognition of production stripping costs as an asset and measurement (initial and subsequent) of that stripping activity asset.

## IAS 17 Leases

<b>Effective date</b>	Annual periods beginning on or after 1 January 2005.
<b>Objective</b>	To prescribe, for lessees and lessors, the appropriate accounting policies and disclosures for finance and operating leases.
<b>Summary</b>	<ul style="list-style-type: none"><li>• A lease (including a lease of land) is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership. Examples:<ul style="list-style-type: none"><li>– lease covers substantially all of the asset's life; and/or</li><li>– present value of lease payments is substantially equal to the asset's fair value.</li></ul></li><li>• All other leases are classified as operating leases.</li><li>• A lease of both land and buildings is split into land and building elements. However, separate measurement of the land and buildings elements is not required if the lessee's interest in both land and buildings is classified as an investment property under IAS 40 and the fair value model is adopted.</li><li>• Finance leases – Lessee's Accounting:<ul style="list-style-type: none"><li>– asset and liability are recognised at the lower of the present value of minimum lease payments and the fair value of the asset;</li><li>– depreciation policy is as for owned assets; and</li><li>– finance lease payments are apportioned between interest expense and reduction in liability.</li></ul></li><li>• Finance leases – Lessor's Accounting:<ul style="list-style-type: none"><li>– receivable is recognised at an amount equal to the net investment in the lease;</li><li>– finance income is recognised based on a pattern reflecting a constant periodic rate of return on the lessor's net investment; and</li><li>– manufacturer or dealer lessors recognise selling profit or loss consistent with the policy for outright sales.</li></ul></li><li>• Operating leases – Lessee's Accounting:<ul style="list-style-type: none"><li>– lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit.</li></ul></li></ul>

- Operating leases – Lessor’s Accounting:
  - assets held for operating leases are presented in the lessor’s statement of financial position according to the nature of the asset and are depreciated in accordance with the lessor’s depreciation policy for similar assets; and
  - lease income is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the pattern of benefit.
- Lessors add initial direct costs to the carrying amount of the leased asset and spread them over the lease term (immediate expensing prohibited).
- Accounting for sale and leaseback transactions depends on whether these are essentially finance or operating leases.

## Interpretations

### SIC 15 Operating Leases – Incentives

Lease incentives (such as rent-free periods) are recognised by both the lessor and the lessee as a reduction of rental income and expense, respectively, over the lease term.

### SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

If a series of transactions involves the legal form of a lease and can only be understood with reference to the series as a whole, then the series is accounted for as a single transaction.

### IFRIC 4 Determining whether an Arrangement contains a Lease

IFRIC 4 addresses arrangements that do not take the legal form of a lease but which convey rights to use assets in return for a payment or a series of payments. An arrangement that meets the following criteria is, or contains, a lease that is accounted for in accordance with IAS 17, both from the lessee and lessor perspectives:

- the fulfilment of the arrangement depends upon a specific asset (either explicitly or implicitly in the arrangement); and
- the arrangement conveys the right to control the use of the underlying asset. IFRIC 4 provides further guidance to identify when this situation exists.



The IASB has a major convergence project with the FASB on lease accounting. In May 2013 both Boards issued re-Exposure Drafts with proposals to bring all leases (other than those for less than 12 months) on balance sheet. The comment period closed on 13 September 2013. The accounting for lessees and lessors is based on whether a significant part of an assets economic benefits are consumed over the lease period.

The Boards completed redeliberations in the first quarter of 2015 and a finalised IFRS is expected during the second half of 2015.

A summary of tentative decisions reached to date can be found in the latest edition of Project insight –Leases. <http://www.iasplus.com/en/publications/global/project-insights/leases>

## IAS 18 Revenue

**Effective date** Periods beginning on or after 1 January 1995.

IAS 18 and related interpretations will be superseded on adoption of IFRS 15 *Revenue from Contracts with Customers*.

**Objective** To prescribe the accounting treatment for revenue arising from sales of goods, rendering of services and from interest, royalties and dividends.

## Summary

- Revenue is measured at the fair value of the consideration received/receivable.
- Revenue is generally recognised when it is probable that the economic benefits will flow to the entity, and when the amount of revenue can be measured reliably, and when the following conditions are met:
  - sale of goods: when significant risks and rewards have been transferred to buyer, seller has lost effective control, and cost can be reliably measured.
  - rendering of services: percentage of completion method.
  - interest, royalties, and dividends:
    - Interest – using the effective interest method as set out in IAS 39.
    - Royalties – on an accrual basis in accordance with the substance of the agreement.
    - Dividends – when shareholder’s right to receive payment is established.
- If a transaction has multiple components (such as sale of goods with an identifiable amount for subsequent servicing), the recognition criteria are applied to the separate components separately.

## Interpretations

### **SIC 31 Revenue – Barter Transactions Involving Advertising Services**

Revenue from barter transactions involving advertising services is recognised only if substantial revenue is also received from non-barter transactions.

### **IFRIC 13 Customer Loyalty Programmes**

Award credits granted to customers as part of a sales transaction are accounted for as a separately identifiable component of the sales transaction(s), with the consideration received or receivable allocated between the award credits and the other components of the sale.

## **IFRIC 15 Agreements for the Construction of Real Estate**

The construction of real estate is a construction contract within the scope of IAS 11 only when the buyer is able to specify the major structural elements of the design before construction begins and/or major structural changes once construction is in progress. If this criterion is not satisfied, the revenue should be accounted for in accordance with IAS 18.

IFRIC 15 provides further guidance on determining whether the entity is providing goods or rendering services in accordance with IAS 18.

## **IFRIC 18 Transfers of Assets from Customers**

IFRIC 18 deals with circumstances where an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

IFRIC 18 also provides guidance on the pattern of revenue recognition arising on the transfer of the asset.

## **IAS 19 Employee Benefits**

### **Effective date and transition**

Annual periods beginning on or after 1 January 2013, with earlier application permitted. Supersedes the previous version of IAS 19 from the date of application.

Amendments clarifying the accounting treatment for contributions from employees or third parties that are linked to service are effective 1 July 2014 with earlier application permitted.

Amendments resulting from September 2014 Annual Improvements to IFRSs add clarifications to estimate the discount rate for post-retirement benefits.

The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

### **Objective**

To prescribe the accounting and disclosure for employee benefits, including short-term benefits (wages, annual leave, sick leave, annual profit-sharing, bonuses and non-monetary benefits), pensions, post-employment life insurance and medical benefits, other long-term employee benefits (long-service leave, disability, deferred compensation, and long-term profit-sharing and bonuses); and termination benefits.

## Summary

- Underlying principle: the cost of providing employee benefits is recognised in the period in which the entity receives services from the employee, rather than when the benefits are paid or payable.
- Short-term employee benefits (expected to be settled wholly before 12 months after the annual period in which the services were rendered) are recognised as an expense in the period in which the employee renders the service. Unpaid benefit liability is measured at undiscounted amount.
- Profit-sharing and bonus payments are recognised only when the entity has a legal or constructive obligation to pay them and the costs can be reliably estimated.
- Post-employment benefit plans (such as pensions and health care) are categorised as either defined contribution plans or defined benefit plans.
- For defined contribution plans, expenses are recognised in the period in which the contribution is payable.
- For defined benefit plans, a liability (or asset) is recognised in the statement of financial position equal to the net of:
  - the present value of the defined benefit obligation (the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods); and
  - the fair value of any plan assets at the end of the reporting period.
- Plan assets include assets held by a long-term employee benefit fund and qualifying insurance policies.
- The defined benefit asset is limited to the lower of the surplus in the defined benefit plan and the asset ceiling. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



- The change in the defined benefit liability (or surplus) has the following components:
  - a) service cost – recognised in profit or loss;
  - b) net interest (i.e. time value) on the net defined benefit deficit/surplus – recognised in profit or loss;
  - c) remeasurements including a) changes in fair value of plan assets that arise from factors other than time value and b) actuarial gains and losses on obligations – recognised in OCI.
- For group plans, the net cost is recognised in the separate financial statements of the entity that is legally the sponsoring employer unless a contractual agreement or stated policy for allocating the cost exists.
- Other long-term employee benefits are recognised and measured in the same way as post-employment benefits under a defined benefit plan. However, unlike defined benefit plans, remeasurements are recognised immediately in profit or loss.
- Termination benefits are recognised at the earlier of when the entity can no longer withdraw the offer of the benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

## Interpretations

### **IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

IFRIC 14 addresses three issues:

- when refunds or reductions in future contributions should be regarded as ‘available’ in the context of paragraph 58 of IAS 19;
- how a minimum funding requirement might affect the availability of reductions in future contributions; and
- when a minimum funding requirement might give rise to a liability.

IFRIC 14 was amended in November 2009 to address the situations when an entity with minimum funding requirements makes a prepayment of contributions to cover those requirements. The amendments permit the benefit of such prepayment to be recognised as an asset.

## IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

- Effective date** Periods beginning on or after 1 January 1984.
- Objective** To prescribe the accounting for, and disclosure of, government grants and other forms of government assistance.
- Summary**
- Government grants are recognised only when there is reasonable assurance that the entity will comply with the conditions attached to the grants and the grants will be received. Non-monetary grants are usually recognised at fair value, although recognition at nominal value is permitted.
  - Grants are recognised in profit or loss over the periods necessary to match them with the related costs.
  - Income-related grants are either presented separately as income or as a deduction in reporting the related expense.
  - Asset-related grants are either presented as deferred income in the statement of financial position, or deducted in arriving at the carrying amount of the asset.
  - Repayment of a government grant is accounted for as a change in accounting estimate with different treatment for income and asset-related grants.
  - The benefit of government loans with a below-market rate of interest is accounted for as a government grant – measured as the difference between the initial carrying amount of the loan determined in accordance with IAS 39 and the proceeds received.
- Interpretations** **SIC 10 Government Assistance – No Specific Relation to Operating Activities**
- Government assistance to entities that is aimed at encouragement or long-term support of business activities either in certain regions or industry sectors is treated as a government grant under IAS 20.

## IAS 21 The Effects of Changes in Foreign Exchange Rates

- Effective date** Annual periods beginning on or after 1 January 2005.
- Objective** To prescribe the accounting treatment for an entity's foreign currency transactions and foreign operations.
- Summary**
- First, the entity's functional currency is determined (i.e. the currency of the primary economic environment in which the entity operates).
  - Then all foreign currency items are translated into the functional currency:
    - transactions are recognised on the date that they occur using the transaction-date exchange rate for initial recognition and measurement;
    - at the end of subsequent reporting periods:
      - non-monetary items carried at historical cost continue to be measured using transaction-date exchange rates;
      - monetary items are retranslated using the closing rate; and
      - non-monetary items carried at fair value are measured at valuation-date exchange rates.
  - Exchange differences arising on settlement of monetary items and on translation of monetary items at a rate different than when initially recognised are included in profit or loss, with one exception. Exchange differences arising on monetary items that form part of the reporting entity's net investment in a foreign operation are recognised in the consolidated financial statements that include the foreign operation in other comprehensive income. Such differences are reclassified from equity to profit or loss on disposal of the net investment.
  - The results and financial position of an entity whose functional currency is not the currency of a hyperinflationary economy are translated into a different presentation currency using the following procedures:
    - assets (including goodwill arising on the acquisition of a foreign operation) and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each period presented (including comparatives) are translated at exchange rates at the dates of the transactions; and
  - all resulting exchange differences are recognised as other comprehensive income and the cumulative amount is presented in a separate component of equity until disposal of the foreign operation.
- Special rules exist for translating into a presentation currency the results and financial position of an entity whose functional currency is hyperinflationary.

## Interpretations SIC 7 Introduction of the Euro

Explains how to apply IAS 21 when the Euro was first introduced, and when new EU Members join the Eurozone.

Refer to IAS 39 for a summary of IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

## IAS 23 Borrowing Costs

**Effective date** Annual periods beginning on or after 1 January 2009.

**Objective** To prescribe the accounting treatment for borrowing costs.

**Summary**

- Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset but only when it is probable that these costs will result in future economic benefits to the entity and the costs can be measured reliably. All other borrowing costs that do not satisfy the conditions for capitalisation are expensed when incurred.
- A qualifying asset is one that necessarily takes a substantial period of time to make it ready for its intended use or sale. Examples include manufacturing plants, investment properties and some inventories.
- To the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

- If funds are borrowed generally and used for the purpose of obtaining the qualifying asset, a capitalisation rate (weighted average of borrowing costs applicable to the general outstanding borrowings during the period) is applied to expenditure incurred during the period, to determine the amount of borrowing costs eligible for capitalisation. The amount of borrowing costs that the entity capitalises during a period cannot exceed the amount of borrowing costs incurred during the period.

**Interpretations** None.

## IAS 24 Related Party Disclosures

**Effective date** Annual periods beginning on or after 1 January 2011.

**Objective** To ensure that financial statements draw attention to the possibility that the financial position and results of operations may have been affected by the existence of related parties.

**Summary**

- A related party is a person or entity that is related to the reporting entity.
  - (a) A person or a close member of that person's family is related to the reporting entity if that person:
    - i. has control or joint control of the reporting entity;
    - ii. has significant influence over the reporting entity; or
    - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  - b) An entity is related to the reporting entity if any of the following conditions applies:
    - i. the entity and the reporting entity are members of the same group (each parent, subsidiary and fellow subsidiary are related to the others);
    - ii. one entity is an associate or a joint venture of the other entity;
    - iii. both entities are joint ventures of the same third party;

- iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; if the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - vi. the entity is controlled or jointly controlled by a person identified in (a);
  - vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.
- The Standard requires disclosure of:
    - relationships involving control, even when there have been no transactions;
    - related party transactions; and
    - key management personnel compensation (including an analysis by type of compensation).
  - For related party transactions, disclosure is required of the nature of the relationship and of sufficient information to enable an understanding of the potential effect of the transactions.
  - The standard provides a partial exemption for government-related entities. Requirements to disclose information that is costly to gather and of less value to users have been eliminated.

**Interpretations** None.

## IAS 26 Accounting and Reporting by Retirement Benefit Plans

- Effective date** Periods beginning on or after 1 January 1998.
- Objective** To specify the measurement and disclosure principles for the financial reports of retirement benefit plans.
- Summary**
- Sets out the reporting requirements for both defined contribution and defined benefit plans, including a statement of net assets available for benefits and disclosure of the actuarial present value of promised benefits (split between vested and non-vested).
  - Specifies the need for actuarial valuation of the benefits for defined benefits and the use of fair values for plan investments.
- Interpretations** None.

## IAS 27 Separate Financial Statements

- Effective date** Annual periods beginning on or after 1 January 2013.
- The amendments to the previous version of the Standard moved all requirements for consolidated financial statements from IAS 27 into IFRS 10.
- Amendments introduced in August 2014 reinstated the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
- Objective** To prescribe how to account for investments in subsidiaries, joint ventures and associates in separate financial statements.
- Summary**
- In the parent's separate financial statements: investments in subsidiaries, associates and joint ventures (other than those that are classified as held for sale under IFRS 5) are accounted for either at cost or as investments in accordance with IFRS 9 or IAS 39 or using the equity method as described in IAS 28.
  - The parent has to disclose a list of significant investments and to describe the method used to account for these investments.
- Interpretations** None.

## IAS 28 Investments in Associates and Joint Ventures

### Effective date and transition

Annual periods beginning on or after 1 January 2013.

Amendments issued in December 2014 permit an entity to retain the fair value measurements applied by an investment entity, associate or joint venture to its interests in subsidiaries. The amendments are effective 1 January 2016 with earlier application permitted.

Amendments issued in September 2014 clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The amendments are effective 1 January 2016 with earlier application permitted.

### Objective

To define significant influence for investments in associates and to prescribe investor's accounting for investments in associates and joint ventures.

### Summary

- Applies to all investments in which an investor has significant influence and joint ventures unless the investor is a venture capital firm, mutual fund, unit trust or a similar entity, and it elects to measure such investments at fair value through profit or loss in accordance with IFRS 9 or IAS 39. Otherwise, the equity method is used for all investments in associates over which the entity has significant influence and in joint ventures.
- Interests in associates and joint ventures that are classified as held for sale in accordance with IFRS 5 are accounted for in accordance with that Standard.
- Otherwise, the equity method is used for all investments in associates over which the entity has significant influence and in joint ventures.
- Rebuttable presumption of significant influence if investment held, directly and indirectly, is 20% or more of the voting power of the investee.
- Under the equity method, the investment is initially recorded at cost. It is subsequently adjusted by the investor's share of the investee's post acquisition change in net assets.
- Investor's statement of comprehensive income reflects its share of the investee's post-acquisition profit or loss.



- Associate's and joint venture's accounting policies shall be the same as those of the investor for like transactions and events in similar circumstances. However, if an entity that is not itself an investment entity but has an interest in an associate or joint venture that is an investment entity, the entity is permitted to retain the fair value measurements applied by an investment entity associate, or joint venture to its interests in subsidiaries.
- The end of the reporting period of an associate or a joint venture cannot be more than a three months difference from the investor's end of the reporting period.
- An investment in an associate or a joint venture shall be accounted for in the entity's separate financial statements in accordance with IAS 27 Separate Financial Statements.
- Impairment is tested in accordance with IAS 36. The impairment indicators in IFRS 9 or IAS 39 apply. An investment in an associate or joint venture is treated as a single asset for impairment purposes.
- When an entity discontinues the use of the equity method (for example, as a result of a change in ownership), the investment retained is remeasured to its fair value, with the gain or loss recognised in profit or loss. For transactions involving assets that do constitute a business (as defined in IFRS 3), the gain or loss is recognised in full. Thereafter, IFRS 9 or IAS 39 is applied to the remaining holding unless the investment becomes a subsidiary in which case the investment is accounted for in accordance with IFRS 3.

**Interpretations** None.

## IAS 29 Financial Reporting in Hyperinflationary Economies

<b>Effective date</b>	Periods beginning on or after 1 January 1990.
<b>Objective</b>	To provide specific guidance for entities reporting in the currency of a hyperinflationary economy, so that the financial information provided is meaningful.
<b>Summary</b>	<ul style="list-style-type: none"><li>• The financial statements of an entity whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period.</li><li>• The gain or loss on the net monetary position is included in profit and loss.</li><li>• Comparative figures for prior period(s) are restated into the same current measuring unit.</li><li>• Generally an economy is hyperinflationary when the cumulative inflation rate over three years is approaching or exceeds 100%.</li><li>• When an economy ceases to be hyperinflationary, amounts expressed in the measuring unit current at the end of the previous reporting period become the basis for the carrying amounts in subsequent financial statements.</li></ul>
<b>Interpretations</b>	<p><b>IFRIC 7 Applying the Restatement Approach under IAS 29</b></p> <p>When the economy of an entity's functional currency becomes hyperinflationary, the entity applies the requirements of IAS 29 as though the economy had always been hyperinflationary.</p>

## IAS 32 Financial Instruments: Presentation

<b>Effective date</b>	Annual periods beginning on or after 1 January 2005. Disclosure provisions superseded on adoption of IFRS 7, effective 1 January 2007.
<b>Objective</b>	To prescribe principles for classifying and presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities.
<b>Summary</b>	<ul style="list-style-type: none"><li>• Issuer's classification of an instrument either as a liability or an equity instrument:<ul style="list-style-type: none"><li>– based on substance, not form, of the instrument;</li><li>– classification is made at the time of issue and is not subsequently altered;</li></ul></li></ul>

- an instrument is a financial liability if for instance the issuer may be obligated to deliver cash or another financial asset or the holder has a right to demand cash or another financial asset. An example is mandatorily redeemable preference shares;
  - an equity instrument is an instrument that evidences a residual interest in the assets of the entity after deducting all of its liabilities; and
  - interest, dividends, gains and losses relating to an instrument classified as a liability are reported as income or expense as appropriate.
- Puttable instruments and instruments that impose on the entity an obligation to deliver a pro-rata share of net assets only on liquidation that (a) are subordinate to all other classes of instruments and (b) meet additional criteria, are classified as equity instruments even though they would otherwise meet the definition of a liability.
  - At issue, an issuer classifies separately the debt and equity components of a single compound instrument such as convertible debt.
  - A financial asset and a financial liability are offset and the net amount reported when, and only when, an entity has a legally enforceable right to set off the amounts, and intends either to settle on a net basis or simultaneously.
  - Cost of treasury shares is deducted from equity and resales of treasury shares are equity transactions.
  - Costs of issuing or reacquiring equity instruments are accounted for as a deduction from equity, net of any related income tax benefit.

### Interpretations

#### IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments

These are liabilities unless the co-op has the legal right not to redeem on demand.

### Useful Deloitte publication

iGAAP 2015: Financial Instruments – IAS 39 (Volume C) and IFRS 9 (Volume B) and related Standards

## IAS 33 Earnings per Share

**Effective date** Annual periods beginning on or after 1 January 2005.

**Objective** To prescribe principles for determining and presenting earnings per share (EPS) amounts in order to improve performance comparisons between different entities in the same period and between different accounting periods for the same entity.

**Summary**

- Applies to publicly-traded entities, entities in the process of issuing such shares and any other entity voluntarily presenting EPS.
- An entity presents basic and diluted EPS:
  - for each class of ordinary share that has a different right to share in profit for the period;
  - with equal prominence;
  - for all periods presented.
- If an entity presents only a statement of comprehensive income, EPS is reported in that statement. If it presents items of profit and loss in a separate statement, EPS is reported only in that statement.
- EPS is reported for profit or loss attributable to equity holders of the parent entity, for profit or loss from continuing operations attributable to equity holders of the parent entity and for any discontinued operations (this last item can be in the notes).
- In consolidated financial statements, EPS reflects earnings attributable to the parent's shareholders.
- Dilution is a reduction in EPS or an increase in loss per share on the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued when specified conditions are met. Basic EPS calculation:
  - earnings numerator: after deduction of all expenses including tax, and after deduction of non-controlling interests and preference dividends; and
  - denominator: weighted average number of shares outstanding during the period.

- Diluted EPS calculation:
  - earnings numerator: the profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares (such as options, warrants, convertible securities and contingent insurance agreements) and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;
  - denominator: adjusted for the number of shares that would be issued on the conversion of all of the dilutive potential ordinary shares into ordinary shares; and
  - anti-dilutive potential ordinary shares are excluded from the calculation.

**Interpretations** None.

## IAS 34 Interim Financial Reporting

- Effective date** Periods beginning on or after 1 January 1999.
- Amendments resulting from September 2014 Annual Improvements to IFRSs clarify the requirements related to information that is presented elsewhere in the interim financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.
- Objective** To prescribe the minimum content of an interim financial report and the recognition and measurement principles for an interim financial report.
- Summary**
- IAS 34 applies only when an entity is required or elects to publish an interim financial report in accordance with IFRSs.
  - Local regulators (not IAS 34) mandate:
    - which entities should publish interim financial reports;
    - how frequently; and
    - how soon after the end of an interim period.
  - An interim financial report is a complete or condensed set of financial statements for a period shorter than an entity's full financial year.

- Minimum components of a condensed interim financial report are:
  - condensed statement of financial position;
  - condensed statement of comprehensive income presented either as a condensed single statement or a condensed separate income statement and a condensed statement of comprehensive income;
  - condensed statement of changes in equity;
  - condensed statement of cash flows; and
  - selected explanatory notes.
- Prescribes the comparative periods for which interim financial statements are required to be presented as part of interim financial statements.
- Materiality is based on interim financial data, not forecast annual amounts.
- The notes in an interim financial report provide an explanation of events and transactions significant to understanding the changes since the last annual financial statements.
- Same accounting policies as annual.
- Revenue and costs are recognised when they occur, not anticipated or deferred.
- Change in accounting policy – restate previously reported interim periods.

## Interpretations

### **IFRIC 10 Interim Financial Reporting and Impairment**

Where an entity has recognised an impairment loss in an interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost, that impairment is neither reversed in subsequent interim financial statements nor in annual financial statements.

## IAS 36 Impairment of Assets

- Effective date** Applies to goodwill and intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004 and to all other assets prospectively for periods beginning on or after 31 March 2004.
- Objective** To ensure that assets are carried at no more than their recoverable amount and to prescribe how recoverable amount, impairment loss or its reversal is calculated.
- Summary**
- IAS 36 applies to all assets except inventories (see IAS 2), assets arising from construction contracts (see IAS 11), deferred tax assets (see IAS 12), assets arising from employee benefits (see IAS 19), financial assets (see IAS 39 or IFRS 9), investment property measured at fair value (see IAS 40), biological assets related to agricultural activity measured at fair value less costs to sell (see IAS 41), deferred acquisition costs and intangible assets arising from insurance contracts (see IFRS 4) and non-current assets classified as held for sale (see IFRS 5).
  - An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.
  - An impairment loss is recognised in profit or loss for assets carried at cost; and treated as a revaluation decrease for assets carried at revalued amount.
  - Recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use.
  - Value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
  - Discount rate used to measure an asset's value in use is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The discount rate used does not reflect risks for which future cash flows have been adjusted and is the rate of return that investors would require if they were to choose an investment that would generate cash flows equivalent to those expected from the asset.

- At the end of each reporting period, assets are reviewed to look for any indication that an asset may be impaired. If impairment is indicated, the asset's recoverable amount is calculated.
  - Goodwill and other intangibles with indefinite useful lives are tested for impairment at least annually and recoverable amount calculated.
  - If it is not possible to determine the recoverable amount for an individual asset, then the recoverable amount of the asset's cash-generating unit is determined. The impairment test for goodwill is performed at the lowest level within the entity at which goodwill is monitored for internal management purposes, provided that the unit or group of units to which goodwill is allocated is not larger than an operating segment under IFRS 8.
  - Reversal of prior years' impairment losses is required in certain instances (prohibited for goodwill).
- Interpretations**
- Refer to IAS 34 for a summary of IFRIC 10 *Interim Financial Reporting and Impairment*.



## IAS 37 Provisions, Contingent Liabilities and Contingent Assets

**Effective date** Periods beginning on or after 1 July 1999.

**Objective** To ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature timing and amount.

- Summary**
- A provision is recognised only when a past event has created a legal or constructive obligation, an outflow of resources is probable and the amount of the obligation can be estimated reliably.
  - The amount recognised as a provision is the best estimate of the settlement amount at the end of the reporting period.
  - Provisions are reviewed at the end of each reporting period to adjust for changes in estimate.
  - Provisions are utilised only for original purposes.
  - Examples of provisions may include onerous contracts, restructuring provisions, warranties, refunds and site restoration.
  - Planned future expenditure, even where authorised by the board of directors or equivalent governing body, is excluded from recognition, as are accruals for self-insured losses, general uncertainties and other events that have not yet taken place.
  - A contingent liability arises when:
    - there is a possible obligation to be confirmed by a future event that is outside the control of the entity; or
    - a present obligation may, but probably will not, require an outflow of resources; or
    - a sufficiently reliable estimate of the amount of a present obligation cannot be made (this is rare).
  - Contingent liabilities require disclosure only (no recognition). If the possibility of outflow is remote, then no disclosure is required.
  - A contingent asset arises when the inflow of economic benefits is probable, but not virtually certain, and occurrence depends on an event outside the control of the entity.

- Contingent assets require disclosure only. If the realisation of income is virtually certain, the related asset is not a contingent asset and recognition is appropriate.

## Interpretations

### **IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities**

Provisions are adjusted for changes in the amount or timing of future costs and for changes in the market-based discount rate.

### **IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds**

IFRIC 5 deals with the accounting, in the financial statements of the contributor, for interests in decommissioning, restoration and environmental rehabilitation funds established to fund some or all of the costs of decommissioning assets or to undertake environmental rehabilitation.

### **IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (WE&EE)**

IFRIC 6 provides guidance on the accounting for liabilities for waste management costs. Specifically, it considers the appropriate trigger for recognition of an obligation to contribute to the costs of disposing of waste equipment based on the entity's share of the market in a measurement period. The Interpretation concludes that the event that triggers liability recognition is participation in the market during a measurement period.

### **IFRIC 21 Levies**

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy.
- The liability is recognised progressively if the obligating event occurs over a period of time.
- If an obligating event is triggered on reaching a minimum threshold, the liability is recognised when that minimum is reached.

## IAS 38 Intangible Assets

**Effective date** Applies to intangible assets acquired in business combinations for which the agreement date is on or after 31 March 2004, and to all other intangible assets prospectively for periods beginning on or after 31 March 2004.

Amendments clarifying acceptable methods of amortisation are effective 1 January 2016 with earlier application permitted.

**Objective** To prescribe the accounting treatment for recognising, measuring and disclosing all intangible assets that are not dealt with specifically in another IFRS.

**Summary** An intangible asset, whether purchased or self-created, is recognised if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.
- Additional recognition criteria for internally-generated intangible assets.
- All research costs are charged to expense when incurred.
- Development costs are capitalised only after technical and commercial feasibility of the resulting product or service have been established.
- Intangible assets, including in-process research and development, acquired in a business combination are recognised separately from goodwill if they arise as a result of contractual or legal rights, or they are separable from the business. In these circumstances the recognition criteria (probability of inflow of future economic benefits and reliable measurement – see above) are always considered to be satisfied.
- Internally-generated goodwill, brands, mastheads, publishing titles, customer lists, start-up costs unless they are included in the cost of an item of PP&E in accordance with IAS 16, training costs, advertising costs and relocation costs are never recognised as assets.

- If an intangible item does not meet both the definition and the recognition criteria for an intangible asset, expenditure on the item is recognised as an expense when it is incurred, except if the cost is incurred as part of a business combination, in which case it forms part of the amount recognised as goodwill at the acquisition date.
- An entity may recognise a prepayment asset for advertising or promotional expenditure. Recognition of an asset would be permitted up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. Mail order catalogues are specifically identified as a form of advertising and promotional activities.
- For the purpose of accounting subsequent to initial acquisition, intangible assets are classified as:
  - indefinite life: no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. (Note – ‘indefinite’ does not mean ‘infinite’); and
  - finite life: a limited period of benefit to the entity.
- Intangible assets may be accounted for using a cost model or a revaluation model (permitted only in limited circumstances – see below). Under the cost model, assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.
- If an intangible asset has a quoted market price in an active market (which is uncommon), an accounting policy choice of a revaluation model is permitted. Under the revaluation model, the asset is carried at a revalued amount, which is fair value at revaluation date less any subsequent depreciation and any subsequent impairment losses.
- The cost of an intangible asset with a finite useful life (residual value is normally zero) is amortised over that life. There is a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. Impairment testing under IAS 36 is required whenever there is an indication that the carrying amount exceeds the recoverable amount of the intangible asset.

- Intangible assets with indefinite useful lives are not amortised but are tested for impairment on an annual basis. If recoverable amount is lower than the carrying amount, an impairment loss is recognised. The entity also considers whether the intangible continues to have an indefinite life.
- Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued (unless there is no active market for a particular asset). Revaluation increases are recognised in other comprehensive income and accumulated in equity. Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss. When the revalued asset is disposed of, the revaluation surplus remains in equity and is not reclassified to profit or loss.
- Normally, subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense. Only rarely are the asset recognition criteria met.

### **Interpretations**

#### **SIC 32 Intangible Assets – Web Site Costs**

Certain initial infrastructure development and graphic design costs incurred in web site development are capitalised.

## IAS 39 Financial Instruments: Recognition and Measurement

- Effective date** Annual periods beginning on or after 1 January 2005
- IAS 39 will be superseded on adoption of IFRS 9 (2014).
- Objective** To establish principles for recognising, derecognising and measuring financial assets and financial liabilities.
- Summary**
- All financial assets and financial liabilities, including all derivatives and certain embedded derivatives, are recognised in the statement of financial position.
  - Financial instruments are initially measured at fair value on date of acquisition or issue. This is generally the same as cost. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are recognised directly in profit or loss. In the case of financial assets and liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue are included in the cost.
  - An entity has an option of recognising regular way purchases and sales of financial assets in the market place consistently either at trade date or settlement date. If settlement-date accounting is used, IAS 39 requires recognition of certain value changes between trade and settlement dates.
  - For the purpose of measuring a financial asset subsequent to initial recognition, IAS 39 classifies financial assets into four categories:
    1. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those the entity intends to sell immediately or in the short-term (which must be classified as held for trading), and those that the entity on initial recognition designates as either at fair value through profit or loss or available-for-sale.

2. Held-to-maturity (HTM) investments, such as debt securities and mandatorily redeemable preference shares that the entity intends and is able to hold to maturity. If an entity sells or reclassifies more than an insignificant amount of HTM investments before maturity (other than in exceptional circumstances), any remaining HTM investments are reclassified as available-for-sale (category 4 below) and any financial assets shall not be classified as held to maturity for the current and next two financial reporting periods.
  3. Financial assets measured at fair value through profit or loss (FVTPL), which includes those held for trading (short-term profit-taking) and any other financial asset that the entity designates (the 'fair value option'). Derivative assets are always in this category unless they are designated in an effective hedging relationship.
  4. Available-for-sale financial assets (AFS) – all financial assets that do not fall into one of the other three categories. This includes all investments in equity instruments that are not measured at FVTPL. Additionally, an entity may designate any loans and receivables as AFS.
- The use of the 'fair value option' (category 3 above) is restricted to those financial instruments designated on initial recognition that meet at least one of the following criteria:
    - where the fair value option eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;
    - those that are part of a group of financial assets, financial liabilities, or both that are managed, and their performance is evaluated by management on a fair value basis in accordance with a documented risk management or investment strategy; and
    - those that contain one or more embedded derivatives, except if the embedded derivative does not modify significantly the associated cash flows or it is clear with little or no analysis that separation is prohibited.

- In certain circumstances, embedded derivatives must be separated from the host contract. If the fair value of the embedded derivative cannot be measured reliably, the entire hybrid contract must be designated as at FVTPL.
- Non-derivative financial assets can be reclassified out of FVTPL or AFS categories in rare circumstances except for non-derivative financial assets that have been designated at FVTPL
- Subsequent to initial recognition:
  - all financial assets in categories 1 and 2 above are carried at amortised cost, subject to a test for impairment;
  - all financial assets in category 3 above are carried at fair value, with value changes recognised in profit or loss; and
  - all financial assets in category 4 above (AFS) are measured at fair value in the statement of financial position, with value changes recognised in other comprehensive income apart from impairment, interest recognised using the effective interest method and for monetary items, foreign exchange gains and losses. If the fair value of an AFS asset cannot be measured reliably, the asset is carried at cost subject to impairment.
- After acquisition, most financial liabilities are measured at amortised cost. The following types of financial liabilities are measured at fair value with value changes recognised in profit or loss:
  - derivative liabilities (unless designated as a hedging instrument in an effective hedge);
  - liabilities held for trading (e.g. short sales); and
  - any liabilities that the entity designates, at issuance, to be measured at FVTPL (the 'fair value option' – see above).
- IAS 39 establishes conditions for determining when a financial asset or liability should be removed from the statement of financial position (derecognised). Derecognition of a financial asset is not permitted to the extent to which the transferor has retained (1) substantially all risks and rewards of the transferred asset or part of the asset, or (2) control of an asset or part of an asset for which it has neither retained nor transferred substantially all risks and rewards.



- Hedge accounting (recognising the offsetting effects of both the hedging instrument and the hedged item in the same period's profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly designated and documented, measurable, and actually effective. IAS 39 provides for three types of hedges:
  - fair value hedge: if an entity hedges a change in fair value of a recognised asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item for the designated risk are recognised in profit or loss when they occur;
  - cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognised asset or liability or a highly probable forecast transaction that involves a party external to the entity, or a firm commitment in some cases then the change in fair value of the hedging instrument is recognised in other comprehensive income to the extent that the hedge is effective until such time as the hedged future cash flows occur; and
  - hedge of a net investment in a foreign entity: this is treated like a cash flow hedge.
- A hedge of foreign currency risk in a firm commitment may be accounted for as a fair value hedge or as a cash flow hedge.
- The foreign currency risk of a highly probable forecast intragroup transaction is permitted to qualify as the hedged item in a cash flow hedge in the consolidated financial statements, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect the consolidated profit or loss. Also, the foreign currency risk of a highly probable intragroup monetary item may qualify as a hedged item in the consolidated financial statements if it results in an exposure to foreign exchange rate gains or losses that are not fully eliminated on consolidation.

- If the hedge of a forecast intragroup transaction qualifies for hedge accounting, any gain or loss that is recognised in other comprehensive income in accordance with the hedging rules in IAS 39 is reclassified from equity to profit or loss in the same period or periods in which the foreign currency risk of the hedged transaction affects profit or loss.
- A portfolio hedge of interest rate risk (hedging an amount rather than a specific asset or liability) can qualify as a fair value hedge if specified conditions are met.

## **Interpretations** IFRIC 9 Reassessment of Embedded Derivatives

Generally, determination as to whether to account for an embedded derivative separately from the host contract is made when the entity first becomes a party to the contract, and is not subsequently reassessed.

A first-time adopter of IFRSs makes its assessment based on conditions existing at a later of the date it first becomes a party to the contract and the date a reassessment is required (see below), not when it adopts IFRSs.

An entity only revisits its assessment if the terms of the contract change, and the expected future cash flows of the embedded derivative, the host contract, or both, change significantly relative to the previously expected cash flows on the contract.

On reclassification of a financial asset out of the fair value through profit and loss category (as permitted by IAS 39, see above), the instrument reclassified must be reassessed for separation of embedded derivatives.

In addition to business combinations, derivatives in contracts acquired in the formation of a joint venture or in a combination of entities under common control are outside the scope of IFRIC 9.

## **IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

The presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

The hedging instrument(s) for the hedge of a net investment in a foreign operation may be held by any entity or entities within the group as long as the designation, effectiveness and documentation requirements for a hedge of a net investment are satisfied.

The April 2009 amendments removed the previous restriction that prevented the hedging instrument from being held by the foreign operation being hedged.

On derecognition of a foreign operation, IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, while IAS 21 must be applied in respect of the hedged item.

### **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

A borrower may enter into an agreement with a lender to issue equity instruments to the lender in order to extinguish a financial liability owed to the lender.

The issue of equity instruments to extinguish all or part of a financial liability constitutes consideration paid. An entity shall measure the equity instruments issued as extinguishment of the financial liability at their fair value on the date of extinguishment of the liability, unless that fair value is not reliably measurable. (In this case the equity instruments should be measured to reflect the fair value of the liability extinguished.)

Any difference between the carrying amount of the liability (or the part of the liability) extinguished and the fair value of equity instruments issued is recognised in profit or loss. When consideration is partly allocated to the portion of a liability which remains outstanding (i.e., when the entity determines that part of the consideration relates to modification of the remaining liability), the part allocated to this portion forms part of the assessment as to whether there has been an extinguishment or a modification of that portion of the liability. If the remaining liability has been substantially modified, the entity should account for the modification as the extinguishment of the original liability and the recognition of a new liability as required by IAS 39.

Implementation guidance is provided in the IASB's annual bound volume of IFRSs.

### **IAS 39 guidance**

## Useful Deloitte publication

### iGAAP 2015 (Volume C): Financial Instruments – IAS 39 and related Standards

Guidance on how to apply these complex Standards, including illustrative examples and interpretations. Information at [www.iasplus.com/igaap](http://www.iasplus.com/igaap)

A Closer Look — Fair value measurement of financial instruments under IFRS 13

This publication considers both practical and technical aspects of applying IFRS 13 Fair Value Measurement to four specific areas affecting financial instruments valuations and disclosures:

- Including an own credit risk adjustment in fair valuing financial liabilities.
- Fair valuing portfolios of financial assets and financial liabilities with offsetting risks.
- Using quoted mid-market prices to derive fair value.
- Additional disclosures.

<http://www.iasplus.com/en/publications/global/a-closer-look/a-closer-look-fvm-ifs-13>

## IAS 40 Investment Property

**Effective date** Annual periods beginning on or after 1 January 2005.

**Objective** To prescribe the accounting treatment for investment property and related disclosures.

**Summary**

- Investment property is land or buildings (or part thereof) or both held (whether by the owner or by a lessee under a finance lease) to earn rentals or for capital appreciation or both.
- IAS 40 does not apply to owner-occupied property or property that is being constructed or developed on behalf of third parties or property held for sale in the ordinary course of business, or property that is leased to another entity under a finance lease.
- Mixed-use property (partly used by the owner and partly held for rental or appreciation) must be split with components accounted for separately if these portions could be sold separately.
- An investment property is measured initially at cost. Transaction costs are included in the initial measurement.

- An entity chooses either the fair value model or the cost model after initial recognition;
  - fair value model: investment property is measured at fair value, and changes in fair value are recognised in profit or loss; or
  - cost model: investment property is measured at depreciated cost less any accumulated impairment losses unless it is classified as a non-current asset held for sale under IFRS 5. Fair value of the investment property is disclosed.
- The chosen measurement model is applied to all of the entity's investment property.
- If an entity using the fair value model acquires a particular property for which there is clear evidence that the entity will not be able to determine fair value on a continuing basis, the cost model is used for that property – and it must continue to be used until disposal of the property.
- Change from one model to the other is permitted if it will result in a more appropriate presentation (highly unlikely for change from fair value to cost model).
- A property interest held by a lessee under an operating lease can qualify as investment property provided that the lessee uses the fair value model of IAS 40. In this case, the lessee accounts for the lease as if it were a finance lease.

**Interpretations** None.

## IAS 41 Agriculture

- Effective date**      Periods beginning on or after 1 January 2003.
- Amendments requiring biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment are effective 1 January 2016 with earlier application permitted.
- Objective**            To prescribe accounting for agricultural activity – the management of the biological transformation of biological assets (living plants and animals) into agricultural produce.
- Summary**             • All biological assets are measured at fair value less costs to sell, unless fair value cannot be measured reliably.
- Bearer plants that are used in the production or supply of agricultural produce and which will not be sold as agricultural produce are included in property, plant and equipment.
  - Agricultural produce is measured at fair value less costs to sell at the point of harvest. Because harvested produce is a marketable commodity, there is no 'measurement reliability' exception for produce.
  - Any change in the fair value of biological assets during a period is reported in profit or loss.
  - Exception to fair value model for biological assets: if there is no active market at the time of recognition in the financial statements, and no other reliable measurement method, then the cost model is used for the specific biological asset only. The biological asset is measured at depreciated cost less any accumulated impairment losses.
  - Fair value measurement stops at harvest. IAS 2 applies after harvest.
- Interpretations**      None.

## IFRIC 12 Service Concession Arrangements

Note: This Interpretation draws from several Standards and is included separately due to its complexity and significance.

<b>Effective date</b>	Periods beginning on or after 1 January 2008.
<b>Objective</b>	To address the accounting by private sector operators involved in the provision of public sector infrastructure assets and services. The Interpretation does not address the accounting for the government (grantor) side of such arrangements.
<b>Summary</b>	<ul style="list-style-type: none"><li>• For all arrangements falling within the scope of the Interpretation (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator recognises:<ul style="list-style-type: none"><li>– a financial asset – where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement; or</li><li>– an intangible asset – where the operator’s future cash flows are not specified (e.g. where they will vary according to usage of the infrastructure asset); or</li><li>– both a financial asset and an intangible asset where the operator’s return is provided partially by a financial asset and partially by an intangible asset.</li></ul></li></ul>
<b>Other interpretations</b>	<b>SIC 29 Service Concession Arrangements: Disclosures</b>  Disclosure requirements for service concession arrangements.
<b>Useful Deloitte publication</b>	<b>IFRIC 12 Service concession arrangements – A pocket practical guide</b>  <a href="http://www.iasplus.com/en/publications/global/guides/ifric-12">http://www.iasplus.com/en/publications/global/guides/ifric-12</a>

## IFRIC 17 Distributions of Non-cash Assets to Owners

Note: This Interpretation draws from several Standards and is included separately due to its complexity and significance

### Effective date

Annual periods beginning on or after 1 July 2009.

### Objective

To address the accounting when non-cash assets are distributed to owners.

### Summary

- A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.
- An entity should measure the non-cash dividend payable at the fair value of the assets to be distributed. The liability should be remeasured at each reporting date with changes recognised directly in equity.
- The difference between the dividend paid and the carrying amount of the assets distributed should be recognised in profit or loss.



# Current IASB agenda projects

Our [www.iasplus.com](http://www.iasplus.com) website has the latest information about the IASB and IFRS Interpretations Committee agenda projects and research topics, including summaries of decisions reached at each IASB and IFRS Interpretations Committee meeting.

The following is a summary of the IASB's agenda projects at 30 April 2015. (\*)

Topic	Major IFRSs	Status
Insurance contracts	The objective of the project is to develop a comprehensive standard on accounting for insurance contracts	Redeliberations are expected to continue in the second quarter of 2015. A final standard is expected 'not before the end of 2015'.
Leases (joint project with FASB)	The objective of the project is to improve the accounting for leases by developing an approach that is more consistent with the conceptual framework definitions of assets and liabilities	The Boards completed redeliberations in the first quarter of 2015 and a finalised IFRS is expected during the fourth quarter of 2015.
Conceptual Framework	The project focuses on the elements of financial statements, measurement, reporting entity, presentation and disclosure	An Exposure Draft is expected in the second quarter of 2015.
Financial Instruments	Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	A Discussion Paper was published on 17 April 2014. Comments on the discussion paper closed on 17 October 2014, and redeliberations are expected to begin in the second quarter of 2015.

Topic	Implementation – narrow scope amendments to existing standards	Status
Annual improvements	Minor amendments to IFRSs: 2014-2016	ED expected in the third quarter of 2015.
Clarifications to IFRS 15: Issues emerging from TRG discussions	This project aims at clarifying the guidance in IFRS 15 'Revenue from Contracts with Customers' in respect of issues arising from the discussions of the Transition Resource Group for Revenue Recognition (TRG)	The project was added to the IASB's agenda in February 2015. The IASB expects to approve the clarifications to be included in an Exposure Draft at its meeting in June 2015.
IAS 7	Narrow scope project to consider issues arising from the disclosure framework initiative	ED published in December 2014 with a comment deadline of 17 April 2015.
IAS 1	Classification of liabilities	ED published in February 2015 with a comment deadline of 10 June 2015.
IAS 12	Recognition of deferred tax assets for unrealised losses	ED published in August 2014. Comment period ended in December 2014 and redeliberations will continue in the second quarter of 2015.
IAS 19/IFRIC 14	Remeasurement at a plan amendment, curtailment or settlement/Availability of a refund of a surplus from a defined benefit plan	An ED is expected in the second quarter of 2015.
IAS 28	Elimination of gains arising from 'downstream' transactions	An ED is expected in the second quarter of 2015.

Topic	Implementation – narrow scope amendments to existing standards	Status
IFRS 2	Clarifications of classification and measurement of share based payment transactions	ED was published in November 2014. The comment period ended in March 2015.
IFRS 13	Unit of account	ED was published in September 2014. The comment period ended in January 2015.
IFRS for SMEs	Comprehensive review 2012-2014	A finalised IFRS is expected in the second quarter of 2015.

(\*) The IASB issued an Exposure Draft in May 2015 to defer the effective date of IFRS 15 for one year to 1 January 2018 with earlier application permitted.

Further detail information on each project can be found at:  
<http://www.iasplus.com/en/projects>

# Interpretations

Interpretations of IASs and IFRSs are developed by the IFRS Interpretations Committee, which replaced the Standing Interpretations Committee (SIC) in 2002. Interpretations are part of IASB's authoritative literature. Therefore, financial statements may not be described as complying with International Financial Reporting Standards unless they comply with all the requirements of each applicable Standard and each applicable Interpretation.

## Interpretations

The following Interpretations have been issued by the IFRS Interpretations Committee starting in 2004 through 30 April 2015.

- IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments*
- IFRIC 3 – withdrawn
- 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 Participating in a Specific Market – Waste Electrical and Electronic Equipment*
- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 – Reassessment of embedded derivatives
- IFRIC 9 – withdrawn
- IFRIC 10 *Interim Financial Reporting and Impairment*
- IFRIC 11 – withdrawn
- 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 (\*) *Transfers of Assets from Customers*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- IFRIC 21 *Levies*

(\*) The Interpretation will be superseded on adoption of IFRS 15 *Revenue from Contracts with Customers*.

## SIC Interpretations

The following Interpretations, issued by the Standing Interpretations Committee (SIC) from 1997-2001, remain in effect. All other SIC Interpretations have been superseded by amendments to IASs or new IFRSs issued by the IASB:

- SIC 7 *Introduction of the Euro*
- SIC 10 *Government Assistance – No Specific Relation to Operating Activities*
- SIC 15 *Operating Leases – Incentives*
- SIC 25 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*
- SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*
- SIC 29 *Service Concession Arrangements: Disclosures*
- SIC 31 *Revenue – Barter Transactions Involving Advertising Services (The interpretation will be superseded on implementation of IFRS 15 Revenue from Contracts with Customers)*
- SIC 32 *Intangible Assets – Web Site Costs*

## Items not added to IFRS Interpretations Committee agenda

We maintain on [www.iasplus.com](http://www.iasplus.com) a list of issues that the IFRS Interpretations Committee (formerly known as IFRIC) considered adding to its agenda but decided not to do so. In each case, the Committee announces its reason for not taking the issue onto its agenda. By their nature, those announcements provide helpful guidance in applying IFRSs. You will find the list at:

<http://www.iasplus.com/en/projects/not-added>

# IFRS Interpretation Committee current agenda issues

The following is a summary of the IFRS Interpretation Committee's active agenda projects at 30 April 2015.

Standard	Topic
IAS 2 <i>Inventories</i>	Should interest be accreted on prepayments in long-term supply contracts?
IAS 12 <i>Income taxes</i>	How should current tax assets and liabilities be measured when the tax position is uncertain?
IAS 16 <i>Property, Plant and Equipment</i>	Accounting for net proceeds and costs of testing for property, plant and equipment
IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	Foreign currency transactions and advance consideration: What is the date of the transaction for the purpose of identifying the applicable exchange rate?
IAS 32 <i>Financial Instruments: Presentation</i> and IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Classification of the liability for prepaid cards issued by a bank in the bank's financial statements
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Reversal of impairment loss relating to goodwill recognised for a disposal group
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Write-down of a disposal group
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Issues relating to the requirements for scope and presentation in IFRS 5

# Deloitte IFRS resources

In addition to this publication, Deloitte Touche Tohmatsu has a range of tools and publications to assist in implementing and reporting under IFRSs.

These include:

**www.iasplus.com** Updated daily, [iasplus.com](http://www.iasplus.com) is your one-stop shop for information on IFRSs.

**iGAAP** Deloitte iGAAP publications set out comprehensive guidance for entities reporting under IFRSs and for entities considering whether to move to IFRSs in the near future.

**Model financial statements and checklists** Model IFRS financial statements, IFRS presentation and disclosure checklists, and IFRS compliance checklists are available in English and a number of other languages here: [www.iasplus.com/models](http://www.iasplus.com/models)

**Translated material** This *IFRSs in your pocket* guide is available in a number of languages here: [www.iasplus.com/pocket](http://www.iasplus.com/pocket).

You will also find other Deloitte IFRS resources in various languages here: [www.iasplus.com/translations](http://www.iasplus.com/translations)

Publication series available for individual jurisdictions can be found here: <http://www.iasplus.com/en/tag-types/member-firms>

# Deloitte IFRS e-learning

Deloitte is pleased to make available, in the public interest and without charge, our e-learning training materials for IFRSs. Modules are available for virtually all IASs/IFRSs. They are kept up to date regularly.

Deloitte eLearning modules can be found at:

<http://www.iasplus.com/en/tag-types/e-learning>



# Website addresses

## **Deloitte Touche Tohmatsu**

[www.deloitte.com](http://www.deloitte.com)

[www.iasplus.com](http://www.iasplus.com)

## **IASB**

[www.ifrs.org](http://www.ifrs.org)

## **Some national standard-setting bodies**

Australian Accounting Standards Board	<a href="http://www.aasb.gov.au">www.aasb.gov.au</a>
Canadian Accounting Standards Board	<a href="http://www.frascanada.ca">www.frascanada.ca</a>
China Accounting Standards Committee	<a href="http://www.casc.gov.cn">www.casc.gov.cn</a>
Autorité des Normes Comptables (France)	<a href="http://www.anc.gouv.fr">www.anc.gouv.fr</a>
German Accounting Standards Board	<a href="http://www.drsc.de">www.drsc.de</a>
Accounting Standards Board of Japan	<a href="http://www.asb.or.jp">www.asb.or.jp</a>
Korea Accounting Standards Board	<a href="http://eng.kasb.or.kr">eng.kasb.or.kr</a>
New Zealand External Reporting Board	<a href="http://www.xrb.govt.nz">www.xrb.govt.nz</a>
Financial Reporting Council, Accounting Council (United Kingdom)	<a href="http://www.frc.org.uk">www.frc.org.uk</a>
Financial Accounting Standards Board (USA)	<a href="http://www.fasb.org">www.fasb.org</a>

## **International Auditing and Assurance Standards Board**

[www.ifac.org/iaasb](http://www.ifac.org/iaasb)

## **International Federation of Accountants**

[www.ifac.org](http://www.ifac.org)

## **International Organization of Securities Commissions**

[www.iosco.org](http://www.iosco.org)

# Subscribe to our IFRS publications

Deloitte publishes various IFRS related publications, including:

- *IFRS in Focus* – published at the time of release of new and revised Standards and Interpretations, Exposure Drafts and discussion documents, including summaries of the documents and consideration of the principal amendments/proposals.
- *IFRS Project Insights* – a quick overview of the key projects of the IASB, with a summary of the current status, key decisions and proposals, key considerations for entities given the status of the project and the next steps in the project.
- *IFRS Industry Insights* – these concise and informative publications provide insights into the potential impacts of recent pronouncements in particular industries, focusing on the key practical implications to be considered.
- *IFRS on Point* – highlights the month's critical financial reporting developments..

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