IFRS Global office
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IFRS in Focus
Closing Out 2015

Contents

In this special edition of IFRS in Focus we set out financial reporting issues that may be relevant for years ending on or after 31 December 2015 as a result of areas of regulatory focus, the current economic environment or changes in accounting Standards.

Deloitte's ***Global Economic Outlook*** provides views from Deloitte economists on the economic situation and outlook on the global economy. The report highlights significant differences in terms of growth among the biggest economies. For example, the U.S. economy showed solid growth during 2015 with improvements observed in the labour market. The Eurozone economy is also growing, although with significant differences between member states. Looking ahead, challenges include the ongoing debate in Congress over the U.S. debt ceiling and the need to manage Greece's debt burden.

In China, the rate of economic growth has slowed, resulting in economic policies focused on increasing investments and consumption and in a decision to allow the country's currency to depreciate. Brazil is technically now in recession with low business confidence and falling consumption following the Petrobras scandal and downgrades in the country's credit rating.

Commodity prices continue to be depressed, with Brent Crude falling by 29% in the 12 months to November 30 2015 and similar falls in the prices of metals and other energy commodities. Year on year changes, however, only tell part of the story with significant price volatility observed during that time.

Preparers of financial statements may, therefore, face a variety of challenges depending on the environment in which they operate. In addition, the implementation of accounting standards will continue to require careful consideration and the application of significant judgement.

This special edition of IFRS in Focus highlights some of the above considerations, together with potential areas of regulatory focus.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

Topical issues

The Impact of Market Volatility

Disclosures about significant judgements and uncertainties should include judgements made in relation to the potential impact of risks derived from current market volatility on the entity's financial performance.

The current interest rate environment shows high volatility with low and even negative interest rates in certain jurisdictions. Accordingly, it is expected that this situation will play a significant role in several accounting estimates including:

- the appropriate discount rate to apply to cash flow projections used to assess the recoverable amount of non-financial assets as required by IAS 36 *Impairment of Assets*;
- the forecast cash flows and discount rates used in calculating the value of assets and liabilities in accordance with IFRS 13 *Fair Value Measurement*;
- risk disclosures and sensitivity analysis required by IFRS 7 *Financial Instruments – Disclosures*;
- judgements made in relation to the estimate of the present value of long term provisions as required by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- judgements made in relation to the discount rate applied to discount benefit plan obligations as required by IAS 19 *Employee Benefits*.

Similarly, volatility in the currency markets can have a significant effect on, amongst other things:

- the reported results of foreign operations;
- the carrying values of assets and liabilities; and
- the functional currency value of forecast cash flows included in impairment reviews under IAS 36.

Another issue which can become significant when foreign exchange rates are volatile is the ability to capitalise exchange differences on foreign currency borrowings as part of the cost of a qualifying asset (for example, a property under development) under IAS 23 *Borrowing Costs*.

IAS 23 allows this only "to the extent that [the exchange differences] are regarded as an adjustment to interest costs" and, as such, a careful assessment of whether, and to what extent, an exchange difference can be regarded as such must be performed before capitalisation can occur.

Volatile commodity prices have a direct impact on industries such as mining and oil and gas but are also significant to a wider range of entities that are dependent on those commodities (for example when oil is a key input in their cost structure). Key assumptions on commodity prices should be revised when relevant to issues such as:

- impairment and net realisable value testing under IAS 36 and IAS 2 *Inventories* respectively;
- the measurement of assets acquired in a business combination under IFRS 3 *Business Combinations*; and
- estimates of the useful life of property plant and equipment and intangible assets.

Disclosures about significant estimates should include not only the prices considered in those assumptions but also the ranges considered in their sensitivity analysis.

Entities operating in some jurisdictions are also exposed to significant restrictions on cash repatriation. Those issues, along with country risk and exposures to high inflation should be considered in the disclosure of accounting policies as well as when applicable to comply with the requirements of:

- IAS 7 *Statement of Cash Flows* to disclose components of cash and cash equivalents held by the entity that are not available to the group (for example, cash held by a subsidiary operating in a country subject to exchange controls);

- IFRS 12 *Disclosure of Interests in Other Entities* to disclose significant restrictions on the use of assets of the group; and

- IFRS 7 *Financial Instruments: Disclosures*, which requires disclosures of liquidity and market risks.

Quality of Disclosures on Accounting Policies, Judgements and Uncertainties

Disclosure of significant accounting policies

To provide users with an understanding of the entity's financial performance, the description of its accounting policies should include information specific to that entity. For example, an explanation of accounting policies in terms of the revenue streams generated by an entity (for example, the specific events that trigger recognition of revenue and the treatment of sales returns, warranties and discounts) together with relevant information to explain how accounting policies are applied to specific material, unusual and non-recurring transactions such as discontinued operations, capitalisation of assets under development and software development costs, minimum funding requirements for pensions, supplier rebates and discounts, debt modifications and bid costs. The disclosure should be informative rather than a simple repetition of the requirements of accounting standards and should explain how the requirements have been applied to the entity's particular circumstances.

Application of materiality to disclosure of accounting policies

The use of lengthy 'boilerplate' accounting policy disclosures is a concern that has been raised in discussions on the IASB's ***Principles of Disclosures project,*** as part of which a ***proposed Practice Statement on Materiality*** was published in October 2015. In its 'Snapshot' explanation of the project, the IASB cited the use of accounting policies copied from illustrative financial statements as an example of poor application of materiality.

Similar concerns were expressed by the European Securities and Markets Authority (ESMA) in a public statement – ***Improving the quality of disclosures in the financial statements*** which recommended that entities think about materiality when preparing entity-specific disclosures that provide information to investors that is relevant to an understanding of the entity's business. The statement also indicates an expectation that auditors should focus on similar objectives.

The IASB expects to issue a Discussion Paper exploring the principles of disclosure more fully early in 2016. We recommend that entities monitor this initiative and similar developments in their own jurisdictions.

Disclosures about significant judgements and uncertainties

Paragraphs 122 and 125 of IAS 1 *Presentation of Financial Statements* require disclosure of the judgements made in applying an entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and disclosure of the major sources of estimation uncertainty.

Entities should ensure that those judgements and assumptions are consistent across significant estimates (for example, the inflation, salary and benefits assumptions used in measuring a defined benefit obligation should be consistent with each other). They should also ensure that when significant changes are made from prior year assumptions those changes (including the events that triggered those changes) are appropriately explained in the financial statements.

The accounting for complex supplier arrangements has been the subject of ***particular focus*** for the UK FRC and requires in most cases the application of significant judgement, particularly related to estimates of year end receivable or payable accruals (i.e. volume rebates and discount reserves), and changes in estimates. Disclosures should provide sufficient information to enable users to assess the potential impact of those arrangements on the entity's performance.

Disclosure about accounting standards issued but not yet effective

Disclosure on the effect of changes in accounting standards that have not yet been adopted is an area of increasing regulatory focus in several jurisdictions, particularly as major new accounting standards on Financial Instruments (IFRS 9) and Revenue from Contracts with Customers (IFRS 15) are currently in issue but are not effective until 2018. There is an expectation that meaningful, entity specific discussion of the likely effect of these new standards on the entity's financial statements will be provided, including the entity's progress in implementing those new standards. A number of regulators in particular jurisdictions have made public statements on their expectations in this area and entities should be aware of expectations in their jurisdictions.

It should also be noted that the requirement to disclose the effect of standards issued and not yet effective is applicable irrespective of whether a new standard has been endorsed by a particular jurisdiction.

Entities should ensure that any statement implying that no significant impact is expected from an accounting standard issued but not yet effective will only be given when a detailed assessment including a review of relevant contracts for IFRS 15, has been performed by the entity to support this assertion.

Cash Flow Statements

The statement of cash flows is an area of ongoing regulatory focus.

Classification and netting of cash flows

Operating activities are defined as the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. The definition implies that operating cash flows are determined after identifying items that specifically meet the definition of investing and financing activities.

Errors in the classification of cash flows (particularly the incorrect classification of operating cash flows as investing or financing) and inappropriate netting of cash inflows and outflows (for example drawdowns of loans from one bank against repayments to a different bank) are common areas of regulatory challenge and highlight the need to apply care in the preparation of cash flow statements. Entities should ensure that cash flow classification is consistent with the treatment of transactions in other primary statements, with cross references provided to the relevant related notes, and should consider whether additional disclosure is necessary to explain significant or unusual cash flows.

Supplier chain financing and reverse factoring

Entities need to assess the impact in their cash flow statements of their financing arrangements when the substance of those arrangements may trigger different classifications either as financing or operating. One example is the practice of 'reverse factoring' under which a bank commits to pay an entity's suppliers at an accelerated rate in exchange for a discount. Entities using such a service will need to consider whether the trade payables to suppliers should be derecognised and replaced by financing liabilities to the bank and whether cash payments made should be classified as operating or financing in the statement of cash flows.

Entities should disclose the accounting policies applied to the statement of financial position and cash flow statement classification balances and transactions affected.

Separate disclosure of non-cash transactions

IAS 7 *Statement of Cash Flows* requires disclosure of relevant information about investing and financing transactions that do not result in cash flows.

Some examples of non-cash transaction are the acquisition of assets through a finance lease, acquisition of property, plant and equipment in exchange for other non-financial assets and issuance of shares as consideration in a business combination.

Definition of cash equivalents
IAS 7 defines cash equivalents as short-term, highly liquid investments which are readily convertible to cash and subject to insignificant risk of change in value.

There is an inherent sensitivity in the concept of classifying an investment as being 'as good as cash', particularly in an environment of market volatility and care should be exercised in determining whether an investment meets these criteria as, for example, a fixed rate of interest could, depending on the interest rate environment, give rise to a significant risk of change in value.

Entities should disclose relevant, specific accounting policies on the classification of items (for example bank overdrafts – which should only be classified as cash equivalents when they form an integral part of the entity's cash management) as cash and cash equivalents.

Fair Value Measurement

A fair value measurement of a non-financial asset is based on its 'highest and best use which in general involves the use of significant judgement and accordingly, is a recurrent area of focus by regulators.

When applying a valuation technique (for example, a discounted cash flow analysis) to measure the fair value of a non-financial asset an entity is required by IFRS 13 *Fair Value Measurement* to maximise the use of observable inputs. The standard defines observable inputs as inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Another important requirement is that entities should use quoted market prices (without adjustment) when available unless, quoted prices do not represent a fair value at the measurement date or are not readily accessible.

'Level 3' fair value disclosures
The objective of the disclosures in IFRS 13 is to provide users information about the valuation techniques and inputs used in fair value measurements, in particular when those inputs are unobservable (i.e. not based on available market data). Focus on the effect of unobservable inputs is provided by additional disclosure requirements for assets and liabilities measured at fair value on a recurring basis and classified as 'Level 3' in IFRS 13's fair value hierarchy (i.e. assets and liabilities with a significant unobservable input into their valuation).

For such items, entities are required to disclose:

- quantitative information about the significant unobservable inputs used;
- a reconciliation of opening and closing balances, including the effect of any transfers into or out of 'Level 3';
- the amount of unrealised gains and losses recognised in profit or loss and the line item(s) in which they are presented;
- a description of the valuation processes used by the entity (including, for example, how the entity decides its valuation policies and procedures and how it analyses changes in fair value measurements from period to period);
- a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs that might result in a significantly different fair value measurement, including how interrelationships between unobservable inputs might magnify or mitigate those effects; and

– for financial assets and liabilities, the effect (if significant) of changing one or more unobservable input to reflect reasonably possible alternative assumptions plus how that effect was calculated.

The insight these disclosures provide into potentially subjective judgements applied to the valuation of an entity's assets and liabilities makes them a likely area of regulatory focus and one in which entities should ensure that comprehensive, meaningful information is provided. It is notable that the disclosure requirements focus not just on the *output* of a valuation exercise but also on *how* it was performed (has the entity, for example, used fair values provided by a third party?).

Classification of Joint Arrangements

The classification of joint arrangements as either joint operations (when the parties have *rights to the assets and obligations for the liabilities*, relating to the arrangement) or as joint ventures (when the parties have *rights to the net assets* of the arrangement) has been a challenging requirement since IFRS 11 *Joint Arrangements* was published in 2011.

In March 2015, the IFRS Interpretations Committee provided additional clarity through the finalisation of a number of agenda decisions confirming that the consideration of 'other facts and circumstances' required by IFRS 11 is not a test of whether each party to the joint arrangement is closely or fully involved with the operation of the separate vehicle, rather it is a test of whether those facts and circumstances create *enforceable* rights to the assets and obligations for the liabilities, and that two joint arrangements with otherwise similar features can be classified differently if one is structured through a separate vehicle and the other is not because:

- the legal form of a joint arrangement structured through a separate vehicle must be overridden by other contractual arrangements or specific other facts and circumstances for the joint arrangement to be classified as a joint operation; but

- a joint arrangement that is not structured through a separate vehicle is always classified as a joint operation.

The Committee also confirmed that all facts and circumstances need to be considered to determine whether *enforceable* rights over the arrangements' assets and *enforceable* obligations for its liabilities exist, including:

- when output from a joint arrangement is sold to its owners at market price, whether the cash flows provided to the joint arrangement through the parties' purchase of the output from the joint arrangement at market price, along with any other funding that the parties are obliged to provide, would be sufficient to enable the joint arrangement to settle its liabilities on a continuous basis; and

- when a joint arrangement obtains financing from a third party, whether cash flows to the joint arrangement from the sale of output to the parties, along with any other funding that the parties are obliged to provide, satisfy the joint arrangement's liabilities (including those to the third-party finance provider).

Entities with significant joint arrangements, particularly those that have classified those arrangements as joint operations based on an assessment of other facts and circumstances, may wish to revisit those assessments to ensure that they are consistent with the Interpretations Committee's analysis.

Income Tax

Uncertain tax positions

Another important topic of regulatory focus is the recognition, measurement and disclosure of uncertain tax positions. Following a conclusion by the IFRS Interpretations Committee in November 2014 that IAS 12 *Income Taxes* should be considered in analysing the recognition and measurement of uncertain tax positions instead of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the IASB issued a draft Interpretation of IAS 12 in October 2015 related to this issue.

> Although the Interpretations is currently in draft form, with no mandatory effective date yet set, it may provide a useful framework for addressing a significant area on which current IFRSs provide limited guidance.

The draft Interpretation proposes the following:

- uncertainties in income tax liabilities or assets should be reflected in the tax liability or asset only when it is probable that the entity will pay or recover the amount under consideration;

- an entity should make a judgement about the unit of account that provides relevant information for each uncertain tax position; and

- measurement of an uncertain tax position would be based on an assumption that the tax authorities would examine the amounts reported to them and have full knowledge of all relevant information (i.e., assuming full 'detection risk').

The draft Interpretation does not include any new disclosure requirements, but emphasises that an entity will need to determine whether it needs to disclose information about the judgements and uncertainties inherent in the tax accounting, in accordance with IAS 1 *Presentation of Financial Statements*.

Meaningful disclosure in this area is also an area of increasing focus. Entities are encouraged to consider including the provision of useful information in the reconciliation between an entity's statutory and effective tax rate and unrecognised tax benefits and judgements related to the recognition and release of valuation allowances on deferred tax assets. Amongst other things, disaggregation of reconciling items and the use of clear descriptions for those items can provide more meaningful information than categorising all items under generic headings such as 'non-taxable income' and 'adjustments in relation to prior years'. Consistency with any discussion of tax risks in an entity's management commentary should also be considered.

Deferred tax assets

IAS 12 *Income Taxes* requires entities to recognise a deferred tax asset derived from deductible tax differences and unused tax losses (even if the entity is currently loss making) provided that it is probable that the entity will generate future taxable income to utilise benefit from them. In many cases, the assessment as to whether the entity will generate future taxable income involves the use of significant judgement, for example the time period considered, tax planning strategies, impact of future contracts etc. Entities are required to disclose the judgements made that support the recognition of those deferred tax assets.

Base Erosion and Profit Shifting

The OECD and the G20 have initiated a project to address concerns over 'Base Erosion and Profit Shifting' ('BEPS'), being the negative effects caused by tax avoidance strategies primarily entered into by multinational companies which exploits gaps in tax rules to artificially shift profits to jurisdictions with lower tax charges.

The project aims to ensure that profits are taxed where economic activities generating the profits are performed and where value is created by formulating a set of common, modernised tax rules that will drive co-ordination of tax rules between different countries and, by so doing, avoid double taxation, improve and standardise reporting for tax administrations and provide more transparency.

Similarly, the European Commission is launching initiatives to address tax evasion and tax fraud with the focus on improving tax transparency and create a more fair tax environment within the European Union.

These initiatives highlight the importance that companies should give to consideration of risks relating to tax as these can have significant effects on the recognition and measurement of tax balances.

Impairment

Impairment continues to be a significant issue for many entities operating in many markets and care should continue to be taken in applying the requirements of IAS 36 *Impairment of Assets* and in properly disclosing the results of that exercise.

In measuring the value in use of an asset, cash-generating unit or group of cash-generating units, entities should focus on ensuring that, as required by IAS 36, cash flow projections are *reasonable and supportable* and that they represent *management's best estimate of the range of economic conditions* that will exist over the remaining useful life of the asset, cash-generating unit or group of cash-generating units. The period over which such projections are made is also important, with use of budgets or forecasts extending beyond five years permitted only when an entity's ability to forecast cash flows over that longer period can be demonstrated based on past experience.

The forecast cash flows must be discounted using a *pre-tax* rate, reflecting *current market assessments* of the time value of money and risks specific to the asset, cash-generating unit or group of cash-generating units. As noted above, in a volatile economic environment the appropriate discount rate may have changed compared to previous periods.

Likewise, any impairment calculation based on fair values should be rigorously performed based on the requirements of IFRS 13 *Fair Value Measurement*, including those discussed above.

The disclosure requirements of IAS 36 should then be applied carefully, including:

- if an impairment loss has been recognised or reversed, whether the recoverable amount of the asset, cash-generating unit or group of cash-generating units has been determined based on its value in use or on its fair value less costs of disposal;
- if the latter, the level within IFRS 13's hierarchy in which that fair value measurement is categorised; and
- if that is Level 2 or Level 3, the valuation technique and key assumptions should be described. If the recoverable amount is value in use, the discount rate(s) used and previous estimate (if any) of value in use should be disclosed.

Impairment is also an area in which the requirements of IAS 1 *Presentation of Financial Statements* to disclose significant judgements and sources of estimation uncertainty can often apply.

For assets other than goodwill that have previously been subject to impairment, it is important to remember that IAS 36 requires an assessment at the end of each reporting period of whether a reversal of that impairment has occurred.

> The current low levels of commodity prices mean that, although by no means the only entities affected, entities operating in extractive industries are likely to have significant judgements to make in terms of impairment.
>
> As well as the general requirements of IAS 36, entities with exploration and evaluation assets should bear in mind the specific requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources* to assess such assets for impairment when:
>
> - the entity's right to explore has expired, or will expire in the near future and is not expected to be renewed;
> - substantive expenditure on further exploration and evaluation activities is neither budgeted not planned;
> - commercially viable quantities of mineral resources have not been discovered and the entity has decided to discontinue exploration and evaluation of the specific area in question; or
> - sufficient data exists to indicate that, even though development in the specific area is likely to proceed, the resulting income is unlikely to be sufficient to recover the carrying amount of the exploration and evaluation asset.

Use of 'Non-GAAP' Measures

As noted in last year's ***Closing Out***, the use of 'Non-GAAP' or 'alternative' measures continues to be an area of heightened regulatory scrutiny with ESMA publishing its finalised ***Guidelines on Alternative Performance Measures***. Consistently with previous publications by, amongst others, the ***International Organisation of Securities Commissions*** (IOSCO) and the ***International Federation of Accountants*** (IFAC) these guidelines note that an alternative performance measure should:

- have a meaningful label that reflects its content and include relevant information to understand its usefulness to the entity's financial statements primary users;
- be reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, identifying and explaining the material reconciling items;
- be presented on a gross basis (i.e. without offsetting gains and losses);
- be used consistently from period to period, with comparative information provided; and
- not be displayed with more prominence, emphasis or authority than, or distract from, measures directly stemming from financial statements.

Entities should include in their accounting policies a description of key assumptions and judgements made in presenting non-GAAP measures in the financial statements.

The IASB's disclosure initiative project also includes this topic. The IASB's tentative view is that non-IFRS information should not be prohibited as long as it is fairly presented, this principle is consistent with the views of other regulators detailed above; however, the IASB considers that it would be difficult to formulate prescriptive rules to define what constitutes 'fair presentation', instead the Board believes that the focus should be on providing general guidance on how those performance measures should be used in the financial statements.

Regulators in different jurisdictions have, however, taken different views on when (or even whether) the use of 'non-GAAP measures' is acceptable. For example, the U.S. Securities and Exchange Commission ('SEC') has indicated that an entity should not exclude from non-GAAP measures items such as expenses that are necessary to run the business (i.e. recurring cash operating expense) and large expenses that are necessary to generate revenue.

Inappropriate identification of items as 'infrequent', 'unusual' or 'non-recurring' is also likely to attract regulatory scrutiny. Indeed, SEC regulation specifically prohibits adjustment of a non-GAAP measure for such items if a similar item has arisen in the last two years or recurrence is reasonably likely in the next two years.

Entities should be aware of requirements in their jurisdiction(s) as they consider how best to present continued their results to the market.

Other topics

- IFRIC 21 *Levies:* The application of this interpretation continues to be challenging, due in part to development of new forms of levy. For example:
  - The EU Banking Deposit Guarantee Scheme was introduced to protect depositors whose banks have failed and is funded by contributions made by banks. Contributions are due on January of each year and should be recognised as an expense on that date.
  - Banks will be required to contribute from 2016 to the EU single resolution fund. If an entity is required to make cash contribution that payment falls into the scope of IFRIC 21.
- Business combinations: Regulators continue to raise comments on the accounting for business combinations, including on:
  - identification of the acquirer (i.e. whether the transaction should be accounted for as a reverse acquisition); and
  - the identification and measurement of assets and liabilities acquired, in particular on whether all intangible assets have been identified in circumstances where significant goodwill is recognised or whether measurement was appropriate in circumstances where a bargain purchase gain is recognised.

  Disclosure is also important on, for example, the nature and terms of any contingent consideration.
- Segment reporting: Significant judgements are required in the identification of reportable segments and of the chief operating decision maker. In some cases, there are complex organisational and reporting structures which add complexity to these judgements. Entities are required to disclose the judgements made in this area and, following an amendment to IFRS 8 *Operating Segments* effective from 1 January 2015, in determining whether segments with similar economic characteristics should be aggregated for disclosure purposes.

New accounting standards, amendments and interpretations mandatorily effective for years ending 31 December 2015

Further detail on the new and revised standards discussed below is available at:

http://www.iasplus.com/en/tag-types/global/newsletters/ifrs-in-focus

IFRS
Amended Standards:
Amendments to IAS 19 *Employee Benefits – Contributions from employees or third parties that are linked to services*.
Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 issued in the *Annual Improvement Cycle 2010-2012*
Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40 issued in the *Annual Improvement Cycle 2011-2013*.

Amendments to IAS 19 *Employee Benefits* – Contributions from employees or third parties that are linked to services

The amendments to IAS 19 permit contributions that are independent of the number of years of service to be recognised as a reduction in the service costs in the period in which the service is rendered, instead of allocating the contributions to periods of service.

Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38 issued in the Annual Improvement Cycle 2010-2012

The amendments introduced in the 2010-2012 annual improvement cycle were:

- IFRS 2 *Share-based Payment* – Definition of 'vesting condition': Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

- IFRS 3 *Business Combinations* – Accounting for contingent consideration in a business combination: Clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

- IFRS 8 *Operating Segments*: (i) Aggregation of operating segments: Requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments. (ii) Reconciliation of the total of the reportable segments' assets to the entity's assets: Clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

- IFRS 13 *Fair Value Measurement* – Short-term receivables and payables: Clarifies that issuing IFRS 13 and amending IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

- IAS 16 *Property, Plant and Equipment* – Revaluation method – proportionate restatement of accumulated depreciation: Clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- IAS 24 *Related Party Disclosures* – Key management personnel: Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

- IAS 38 *Intangible Assets* – Revaluation method – proportionate restatement of accumulated amortisation: Clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40 issued in the Annual Improvement Cycle 2011-2013.
The amendments introduced in the 2011-2013 annual improvement cycle were:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Meaning of effective IFRSs: Clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements.

- IFRS 3 *Business Combinations* – Scope of exception for joint ventures: Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- IFRS 13 *Fair Value Measurement* – Scope of paragraph 52 (portfolio exception): Clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.

- IAS 40 *Investment Property* – Clarifying the interrelationship of IFRS 3 *Business Combinations* and IAS 40 when classifying property as investment property or owner-occupied property: Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 and investment property as defined in IAS 40 requires the separate application of both standards independently of each other.

New and revised IFRSs available for early application in years ending 31 December 2015

Paragraph 30 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires entities to consider and disclose the potential impact of new and revised IFRSs that have been issued but are not yet effective.

The list below reflects a cut-off date of 30 November 2015. The potential impact of the application of any new and revised IFRSs issued by the IASB after that but before the financial statements are issued, which may include the IASB's new standard on leases due for publication in January 2016, should also be considered and disclosed.

Consideration should always be given to the effect of any local endorsement or other regulatory or legal processes on an entity's ability to early adopt an IFRS.

IFRS	Effective Date
New Standards	
IFRS 9 – *Financial Instruments*	1 January 2018 (*)
IFRS 14 – *Regulatory Deferral Accounts*	First time adopters whose first annual IFRS financial statements are for a period beginning on or after 1 January 2016
IFRS 15 – *Revenue from Contracts with Customers*	1 January 2018 (**)
Amended Standards	
Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants*	1 January 2016
Amendments to IAS 27 – *Equity Method in Separate Financial Statements*	1 January 2016
Annual Improvements – 2012-2014 cycle	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 – *Applying the consolidation exception*	1 January 2016
Amendments to IAS 1 – *Disclosure initiative*	1 January 2016

* 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.

** The standard was originally issued with an effective date 1 January 2017, the IASB decided in September 2015 to defer its effective date to 1 January 2018.

Key contacts

Global IFRS Leader Veronica Poole ifrsglobalofficeuk@deloitte.co.uk	

IFRS centres of excellence		
Americas		
Canada	Karen Higgins	iasplus@deloitte.ca
LATCO	Claudio Giaimo	iasplus-LATCO@deloitte.com
United States	Robert Uhl	iasplusamericas@deloitte.com
Asia-Pacific		
Australia	Anna Crawford	iasplus@deloitte.com.au
China	Stephen Taylor	iasplus@deloitte.com.hk
Japan	Shinya Iwasaki	iasplus-tokyo@tohmatsu.co.jp
Singapore	Shariq Barmaky	iasplus-sg@deloitte.com
Europe-Africa		
Belgium	Thomas Carlier	BEIFRSBelgium@deloitte.com
Denmark	Jan Peter Larsen	dk_iasplus@deloitte.dk
France	Laurence Rivat	iasplus@deloitte.fr
Germany	Andreas Barckow	iasplus@deloitte.de
Italy	Franco Riccomagno	friccomagno@deloitte.it
Luxembourg	Eddy Termaten	luiasplus@deloitte.lu
Netherlands	Ralph ter Hoeven	iasplus@deloitte.nl
Russia	Michael Raikhman	iasplus@deloitte.ru
South Africa	Nita Ranchod	iasplus@deloitte.co.za
Spain	Cleber Custodio	iasplus@deloitte.es
United Kingdom	Elizabeth Chrispin	iasplus@deloitte.co.uk

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