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IFRS in your pocket
2017

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Foreword

Welcome to the 2017 edition of IFRS in Your Pocket.

It is a concise guide of the IASB's standard-setting activities that has made this publication an annual, and indispensable, world-wide favourite.

At its core is a comprehensive summary of the current Standards and Interpretations along with details of the projects on the IASB work plan. Backing this up is information about the IASB and analysis of the use of IFRS around the world. It is the ideal guide, update and refresher for everyone involved.

Relatively speaking, 2017 has been a quiet year for the implementation of new requirements, with only three amendments to IFRS becoming effective. 2018 and 2019 will be much different. IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are mandatory for periods beginning on or after 1 January 2018. A new Interpretation and eight amendments also take effect at the same time.

From 1 January 2019, IFRS 16 *Leases* will apply along with a new Interpretation on uncertain tax positions. Further along the horizon IFRS 17 *Insurance Contracts*, which was published this year, is effective from 1 January 2021.

There is more to come. As our summary of the IASB's work plan shows, we are expecting the revised Conceptual Framework early in 2018 and the finalisation of six amendments to IFRS before the end of the first half of 2018.

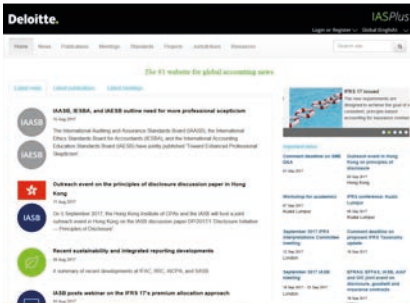
The IASB will also be seeking a significant amount of input on other projects. We expect to see more activity on the projects under the umbrella of Better Communication in Financial Reporting and a broad range of research projects. The IASB plans to issue six Discussion Papers or Exposure Drafts in the first half of 2018.

With so much going on the best way you can keep up to date continuously with the latest developments in the arenas of international and domestic financial reporting, is through our website www.iasplus.com. It is widely regarded as the most comprehensive source of news, and comment, about international financial reporting available today.

Veronica Poole

Global IFRS Leader

Our IAS Plus website



Deloitte's IAS Plus (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, the United States, and Canada (in English and French) each with a focus on local GAAP and jurisdiction-specific corporate reporting requirements.

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, 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 of the IASB's Standards;
- 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.

Use of IFRS

Most jurisdictions have reporting requirements for listed and other types of entity that include presenting financial statements that are prepared in accordance with a set of generally accepted accounting principles. IFRS is increasingly that prescribed set of principles and is used extensively around the world.

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>

Europe

All EU, and European Economic Area (EEA), companies listed on a regulated market are required to apply IFRSs in presenting their consolidated financial statements. 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 European Commission as equivalent to IFRSs. This includes companies from jurisdictions that have adopted IFRSs as their local GAAP, as long as the companies state full compliance with IFRSs in their audited financial statements.

Some EU Member States 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.

The EU IAS Regulation requires that each new IFRS, amendment to an IFRS and IFRIC Interpretation be endorsed for use in Europe. The endorsement process involves translating the IFRSs into all European languages; the private-sector European Financial Reporting Advisory Group (EFRAG) giving its endorsement advice to the EC; the EC's Accounting Regulatory Committee (ARC) making an endorsement recommendation; and the EC submitting the endorsement proposal to the European Parliament and to the Council of the EU. Both must not oppose (or in certain circumstances must 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>. 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

The Americas

United States

Since November 2007, the SEC has permitted 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.

Canada

Reporting Issuer entities (other than SEC issuers and foreign issuers) 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—i.e. IFRS.

SEC issuers may prepare them in accordance with US GAAP. Foreign issuers, i.e. an 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.

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. For example, 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; and IFRSs have been adopted in Mexico for all listed entities other than banks and insurance companies which apply Mexican Financial Reporting Standards (MFRS).

Asia-Oceania

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

In Japan listed companies may use Japanese Accounting Standards, IFRS, US GAAP or JMIS (Japanese Modified International Standards). There has been a steady shift to IFRS by listed companies, with around 30 per cent of the market capitalisation using or planning to use IFRS.

In China listed companies and financial institutions are required to apply national accounting standards (known as Accounting Standards for Business Enterprises, or ASBE) that are substantially converged with IFRS. In Hong Kong listed companies and financial institutions are required to apply Hong Kong Financial Reporting Standards (HKFRS) which are virtually identical to IFRS. Korea has also adopted IFRS.

Australian listed companies, financial institutions and some other entities have been required to apply IFRS since 2005, and New Zealand entities since 2007. India, Indonesia, Malaysia, Singapore and many other countries have adopted or have begun incorporating IFRS into their requirements.

Other jurisdictions

Many other jurisdictions also require the use of IFRS, or IFRS equivalents. For example, Russia and the Ukraine require the use of IFRS. A range of jurisdictions in the middle-East require the use of IFRS, including Kuwait, Saudi Arabia, United Arab Emirates and Qatar. Israel has also adopted IFRS. In Africa, South Africa was an early adopter of IFRS. It has now been adopted in other African countries such as Nigeria, Zambia and Kenya.

Filing requirements

The IASB is also gathering information about the filing requirements for financial statements prepared in accordance with IFRS. This includes an assessment of requirements to file electronic versions of the financial statements, and the form of those filings.

There is an increasing use of structured data filings using the XML-based language called XBRL (eXtensible Business Reporting Language). The US SEC requires for annual periods ending on or after December 15, 2017 that foreign filers submit financial data in XBRL with their first annual report on Form 20-F or 40-F. Electronic filing requirements using XBRL and the IFRS Taxonomy are scheduled to take effect in Europe in 2020.

The IASB is responsible for developing and maintaining the IFRS Taxonomy. More information is available at <http://www.ifrs.org/issued-standards/ifrs-taxonomy/>

Developing IFRS

IFRS Foundation

The IFRS Foundation is the organisation that develops International Financial Reporting Standards, for the public interest. It has a staff of around 160 people and has its main office in London and a smaller Asia-Oceania office in Tokyo.

Within the Foundation is the International Accounting Standards Board (IASB). It is an independent body of accounting professionals that is responsible for the technical content of IFRS. The staff of the Foundation support the work of the IASB. It has technical staff who analyse issues and help the IASB (and its interpretations body the IFRS Interpretations Committee) make technical decisions. Other staff provide support to adopting jurisdictions, publications, education, communications (including the website), investor relations, fundraising and administration.

Trustees

The Foundation's governing body is the Trustees of the IFRS Foundation. There are 22 Trustees, each being appointed for a three-year term, renewable once. The exception is that a trustee can be appointed to serve as Chair or Vice-Chair for a term of three years, renewable once, provided that the total period of service does not exceed nine years.

Trustees are selected to provide a balance of people from senior professional backgrounds who have an interest in promoting and maintaining transparency in corporate reporting globally. To maintain a geographical balance, six trustees are appointed from each of Asia-Oceania, Europe and the Americas, one Trustee is appointed from Africa and three Trustees are appointed from any area, subject to maintaining the overall geographical balance.

The role of the Trustees is to ensure that the IASB has the resources and independence to develop IFRSs. The Trustees do not influence IFRS, but they do ensure that the IASB develops IFRS in accordance with its due process requirements. That oversight is delegated to a committee of the Trustees—the Due Process Oversight Committee.

IFRS Advisory Council

The IFRS Foundation has an advisory body called the IFRS Advisory Council. Members are appointed by the Trustees and are organisations and individuals with an interest in international financial reporting from a broad range of geographical and functional backgrounds.

The Advisory Council meets twice a year to allow its members to give advice to the IASB on its work programme, inform the IASB of their views on major standard-setting projects and to give other advice to the Board or the Trustees. The Advisory Council has at least 30 members (and currently has about 45).

IFRS Foundation (and IASB) contact information

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International Accounting Standards Board

The IASB is a technical standard-setting body. The main qualifications for the 14 members of the Board are professional competence and recent relevant professional experience. Members are selected to ensure that at all times the IASB has the best available combination of technical expertise and diversity of international business and market experience to develop high quality, global financial reporting standards. Members include people who have experience as auditors, preparers, users, academics and market and/or financial regulators. To ensure a global balance it must also have four members from each of Asia-Oceania, Europe and the Americas and one member from Africa. One additional member can be appointed from any area, subject to maintaining overall geographical balance.

Most of the members are full-time, so that they commit all of their time to paid employment as an IASB member. Up to three can be part-time, but they are expected to spend most of their time on IASB activities. The members of the Board are required to commit themselves formally to acting in the public interest in all matters.

The maximum term for an IASB member is 10 years - an initial term of five years and a second term of three years, or up to five years for the chair and vice-chairs.

The current members of the IASB are profiled at <http://www.ifrs.org/groups/international-accounting-standards-board/#members>.

IASB due process

In developing IFRSs 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 via webcast), providing public access to staff papers and ensuring that the IASB and IFRS Interpretations Committee 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.

To ensure full and fair consultation, the IASB is required to:

- conduct every five years, a public consultation on the IASB's technical work programme;
- debate any standard-setting proposals in public meetings;
- issue 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;
- consider in a timely manner comment letters received on the proposals—comment letters are placed on the public record;
- consider whether the proposals should be exposed again;
- issue final Standards together with a basis for conclusions and any dissenting opinions;
- consult the Advisory Council on the technical programme, major projects, project proposals and work priorities; and
- ratify any Interpretations developed by the IFRS Interpretations Committee.

In addition to the review of its technical agenda every five 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.ifrs.org/about-us/how-we-set-standards/>

Advisory groups

The IASB has several advisory groups to give it access to people from different backgrounds.

The Accounting Standards Advisory Forum (ASAF) comprises a standard-setter from Africa, three from each of the Americas, Asia-Oceania and Europe and two from any area of the world at large, subject to maintaining an overall geographical balance. It meets with the IASB four times a year, in a public meeting, to discuss technical topics.

Other advisory groups include the Capital Markets Advisory Committee (users), Global Preparers Forum (preparers), Emerging Economies Group, Islamic Finance Consultative Group, IFRS Taxonomy Consultative Group, SME Implementation Group, Transition Resource Groups for specific new Standards (Impairment of Financial Instruments, Insurance Contracts and Revenue Recognition) and Project consultative groups (Rate Regulation).

The IASB also hosts an annual Conference for World Standard Setters.

IFRS Interpretations Committee

The IFRS Interpretations Committee is responsible for developing Interpretations of IFRSs. It has 14 members, appointed because of their experience with IFRS, and meets every two months to consider requests to interpret IFRS. If it decides that an IFRS is not clear and that it should provide an interpretation of the requirements it either develops an Interpretation or, in consultation with the IASB, develops a narrow scope amendment to the IFRS.

Deciding to develop an Interpretation, or amendment, means that the Committee has taken the matter onto its agenda. The development of an Interpretation follows a similar process to the development of an IFRS. They are developed in public meetings and the Draft Interpretation is exposed for public comment. Once the Interpretation has been completed it must be ratified by the IASB before it can be issued. Interpretations become part of IFRS, so have the same weight as any Standard.

If the Committee decides that it need not, or cannot, develop an Interpretation it publishes a Tentative Agenda Decision, explaining why it does not intend to develop an Interpretation. Once the Committee has considered feedback on the tentative decision it can decide to finalise that decision, or it could add the matter to its agenda. The final agenda decisions sometimes contain an analysis of the relevant Standard that is helpful to preparers.

Monitoring Board

Many jurisdictions have financial reporting requirements for particular types of entity, and mechanisms for developing financial reporting standards. When a jurisdiction decides to adopt IFRS as a basis for financial reporting it means that there is no direct relationship between its securities regulator and the standard-setting function.

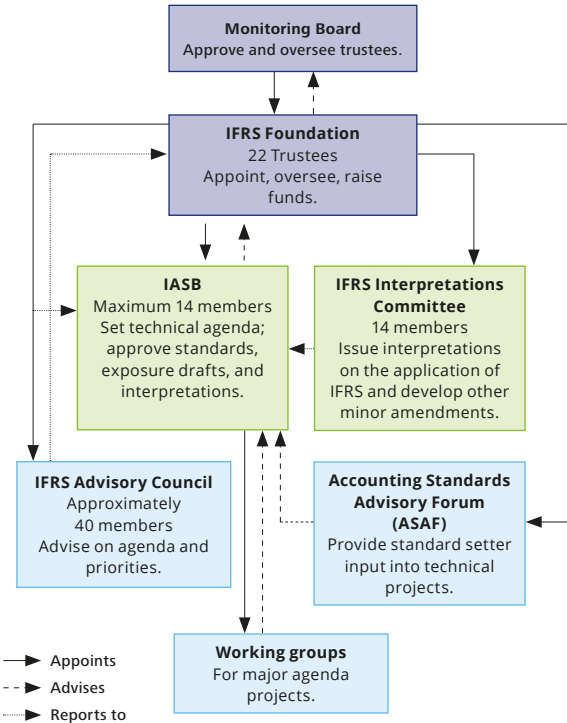
To address this, the IFRS Foundation has a Monitoring Board to provide a mechanism for formal interaction between capital markets authorities and the IFRS Foundation. It provides public accountability of the IFRS Foundation through a formal reporting line from the Trustees of the Foundations to the Monitoring Board.

The responsibilities of the Monitoring Board include:

- participating in the process of, and approving, the appointment of the Trustees;
- reviewing the adequacy and appropriateness of Trustee arrangements for financing the IASB;
- reviewing the Trustees' oversight of the IASB's standard-setting process, particularly 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 IOSCO 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), Financial Services Commission of Korea (FSC), and the Ministry of Finance of the People’s Republic of China. The Basel Committee on Banking Supervision is a non-voting observer.



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

IFRS

The IASB was established in 2001, replacing the International Accounting Standards Committee (IASC). The IASC, which was established in 1973, was a consensus body and its purpose was to harmonise financial reporting standards. It produced Standards called International Accounting Standards (IASs) and its Interpretations were called SICs. One of the first actions of the IASB was to adopt all of the IASC's IASs and SICs as its own. The IASB undertook a major project to improve 13 of these IASs, finalising and issuing the revised IASs in 2004.

At the same time, the IASB started to develop new Standards and Interpretations, calling each new Standard an IFRS and each Interpretation an IFRIC.

The IASB's full set of requirements is called IFRSs (or IFRS Standards in the IASB's communications), and comprises the IASs, SICs, IFRSs and IFRICs adopted or issued by the IASB. All of these individual requirements have equal authority.

The IASB's Standards and Interpretations (but not non-mandatory implementation and illustrative guidance or bases for conclusions) are available on its website for free download. (<http://www.ifrs.org/issued-standards/>)

IASB pronouncements and publications can be purchased in printed and electronic formats from the IFRS Foundation.

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Standards and Interpretations

When the IASB amends or issues new Standards it provides a period of transition before the new requirements are mandatory, but generally allows the new requirements to be applied earlier than the mandatory date if an entity wishes to do so. The effect is that there is sometimes a choice of requirements available to entities. For example, an entity could continue to apply IAS 17 *Leases* and its related Interpretations in periods beginning 1 January 2018 or it could elect to apply IFRS 16 *Leases*.

The lists in this section contain the Standards and Interpretations that an entity preparing financial statements for annual periods beginning on 1 January 2017 would apply if it elected not to apply any new requirements before the mandatory date.

Standards

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 2 Share-based Payment

IFRS 3 Business Combinations

IFRS 4 Insurance Contracts

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

IFRS 6 Exploration for and Evaluation of Mineral Resources

IFRS 7 Financial Instruments: Disclosures

IFRS 8 Operating Segments

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

IFRS 14 Regulatory Deferral Accounts

IAS 1 Presentation of Financial Statements

IAS 2 Inventories

IAS 7 Statement of Cash Flows

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

IAS 10 Events after the Reporting Period

IAS 11 Construction Contracts

IAS 12 Income Taxes

IAS 16 Property, Plant and Equipment

IAS 17 Leases

IAS 18 Revenue

IAS 19 Employee Benefits

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

IAS 21 The Effects of Changes in Foreign Exchange Rates

IAS 23 Borrowing Costs

IAS 24 Related Party Disclosures

IAS 26 *Accounting and Reporting by Retirement Benefit Plans*

IAS 27 *Separate Financial Statements*

IAS 28 *Investments in Associates and Joint Ventures*

IAS 29 *Financial Reporting in Hyperinflationary Economies*

IAS 32 *Financial Instruments: Presentation*

IAS 33 *Earnings per Share*

IAS 34 *Interim Financial Reporting*

IAS 36 *Impairment of Assets*

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

IAS 38 *Intangible Assets*

IAS 39 *Financial Instruments: Recognition and Measurement*

IAS 40 *Investment Property*

IAS 41 *Agriculture*

Interpretations

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

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

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 9 – *Reassessment of Embedded Derivatives*

IFRIC 10 *Interim Financial Reporting and Impairment*

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*

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 Involving the Legal Form of a Lease*

SIC 29 *Service Concession Arrangements: Disclosures*

SIC 31 *Revenue – Barter Transactions Involving Advertising Services*

SIC 32 *Intangible Assets – Web Site Costs*

New requirements for 2017

There are three new requirements that took effect for annual periods beginning on or after 1 January 2017.

Amended Standards

IFRS 12	Amendment to clarify that, with specified exceptions, the requirements of IFRS 12 apply to interests in entities classified as held for sale or discontinued operations
IAS 7	Amendment to require the disclosure of changes in liabilities arising from financing activities
IAS 12	Amendment to clarify the conditions for recognition of a deferred tax asset relating to unrealised losses, for example on debt instruments measured at fair value

When an entity has applied a new IFRS, or an amendment to an IFRS, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the entity to disclose information about that change, if it is material.

New IFRSs and amendments not yet mandatory

When an entity has not applied a new IFRS, or an amendment to an IFRS, that has been issued but is not yet mandatory the entity must state that fact and provide information it knows, or can reasonably estimate, about the possible effect that application will have on its financial statements in the period of initial application.

New Standards

New Standards	Standards and Interpretations being replaced	Effective date
IFRS 9 <i>Financial Instruments</i>	Significant parts of IAS 39 <i>Financial Instruments: Recognition and Measurement</i> IFRIC 9 – <i>Reassessment of Embedded Derivatives</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	IAS 11 <i>Construction Contracts</i> IAS 18 <i>Revenue</i> IFRIC 13 <i>Customer Loyalty Programmes</i> IFRIC 15 <i>Agreements for the Construction of Real Estate</i> IFRIC 18 <i>Transfers of Assets from Customer</i> SIC 31 <i>Revenue – Barter Transactions Involving Advertising Services</i>	1 January 2018
IFRS 16 <i>Leases</i>	IAS 17 <i>Leases</i> IFRIC 4 <i>Determining whether an Arrangement contains a Lease</i> SIC 15 <i>Operating Leases – Incentives</i> SIC 27 <i>Evaluating the Substance of Transactions in the Legal Form of a Lease</i>	1 January 2019
IFRS 17 <i>Insurance Contracts</i>	IFRS 4 <i>Insurance Contracts</i>	1 January 2021

New interpretations

New Interpretation		Effective date
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019

Amendments to Standards

IFRS 1	<i>Deletion of short-term exemptions for first-time adopters (Annual Improvements 2014-2016 Cycle)</i>	1 January 2018
IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
IFRS 4	<i>Applying IFRS 9 with IFRS 4</i>	1 January 2018
IFRS 7	<i>Additional disclosures (and consequential amendments) resulting from IFRS 9</i>	Concurrent with adoption of IFRS 9
IFRS 15	<i>Clarifications to IFRS 15</i>	1 January 2018
IAS 28	<i>Measuring an associate or joint venture at fair value (Annual Improvements 2014-2016 Cycle)</i>	1 January 2018
IAS 40	<i>Transfers of Investment Property</i>	1 January 2018
IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred indefinitely, but available for earlier application.

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 Standards and related Interpretations

This section summarises the requirements of all International Financial Reporting Standards on issue at 31 July 2017. These summaries are intended as general information and are not a substitute for reading the entire Standard or Interpretation.

The summaries also include the most recent amendments that are not yet effective but are available for early application.

The description of the history of the Standard indicates major changes in the Standard.

Preface and Conceptual Framework

Preface to International Financial Reporting Standards

Overview

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.

Adoption

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

Conceptual Framework for Financial Reporting

Overview

Defines the objective of general purpose financial reporting, which 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.

Adoption

Originally approved by the IASC in April 1989, it was 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*. Several new chapters will be issued in 2018. See the discussion of the IASB's projects.

Standards and Interpretations

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

Overview Prescribes the procedures when an entity adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.

Summary 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 2017 would be required to:

- (a) Select accounting policies based on IFRSs effective at 31 December 2017 (with the early application of any new IFRS not yet mandatory being permitted).
 - (b) Prepare at least 2017 and 2016 financial statements and restate retrospectively the opening statement of financial position by applying the IFRSs in force at 31 December 2017, except for those matters dealt with in specific exemptions in IFRS 1:
 - the opening statement of financial position is prepared at 1 January 2016 at the latest (but may be earlier if the entity elects to present more than one year of comparative information under IFRSs);
 - the opening statement of financial position is presented in the entity's first IFRS financial statements (therefore, three statements of financial position); and
 - if a 31 December 2017 adopter reports selected financial data (but not full financial statements) on an IFRS basis for periods prior to 2016, in addition to full financial statements for 2016 and 2017, that does not change the fact that its opening IFRS statement of financial position is as at 1 January 2016.
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History The original IFRS 1 was issued in 2003. It was restructured and this version was issued in 2008, effective for first IFRS financial statements for periods beginning on or after 1 July 2009.

Pending changes

Short-term exemptions for first-time adopters have been deleted as part of the Annual Improvements 2014-2016 Cycle, because they were redundant. The amendments are effective for periods beginning on or after 1 January 2018.

IFRS 2**Share-based Payment****Overview**

Prescribes 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 (including transactions for 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 when the fair value of equity instruments of 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.

History

IFRS 2 was issued in 2004, effective for annual periods beginning on or after 1 January 2005.

Pending changes

In 2016 the IASB issued amendments related to the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The changes are effective for periods beginning on or after 1 January 2018.

IFRS 3**Business Combinations**

Overview

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 are measured at their acquisition-date fair value, unless another measurement basis is required by IFRS.

Goodwill is measured as the difference between:

- (a) 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
- (b) 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 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 is 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, which are recognised in accordance with IFRS 9/IAS 39 and IAS 32 respectively.

IFRS 3 includes 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.

History	<p>The IASB issued the original version of IFRS 3 <i>Business Combinations</i> in 2004, effective for periods beginning on or after 1 January 2005.</p> <p>That version of IFRS 3 was replaced in 2008 by a version developed jointly with the FASB and applies to business combinations in periods beginning on or after 1 July 2009.</p>
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IFRS 4 Insurance Contracts

Overview	<p>Prescribes the financial reporting for insurance contracts put in place pending the completion of the second phase of the IASB's insurance contracts project. That project led to the development of IFRS 17 <i>Insurance Contracts</i>.</p>
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Summary	<p>This standard applies to insurance contracts that an entity issues.</p> <p>Insurers are exempted from applying the IASB Framework and some IFRSs.</p> <p>Catastrophe reserves and equalisation provisions are prohibited.</p> <p>Requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.</p> <p>Insurance liabilities may not be offset against related reinsurance assets.</p> <p>Accounting policy changes are restricted.</p> <p>Some disclosures are required.</p> <p>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.</p>
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History	<p>The IASB issued IFRS 4 in 2004 for inclusion in the original set of Standards effective for annual periods beginning on or after 1 January 2005.</p>
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Pending changes

Amendments to IFRS 4 provide special concessions in relation to the application of IFRS 9, for periods beginning on or after 1 January 2018, until IFRS 17 *Insurance Contracts* comes into effect.

IFRS 4 will be superseded upon application of IFRS 17, which will be effective for annual periods beginning on or after 1 January 2021.

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

Sets out the accounting for non-current assets held for sale and the presentation and disclosure of discontinued operations.

Summary

Non-current assets are 'held for sale' either individually or as part of a disposal group when the entity has the intention to sell them, they are available for immediate sale and disposal within 12 months is highly probable. A disposal group is a group of assets to be disposed of in a single transaction, including any related liabilities also transferred.

Non-current assets, and the assets and liabilities in a disposal group, classified as held for sale are:

- (a) measured at the lower of carrying amount and fair value less costs to sell (the non-current assets are no longer depreciated); and
- (b) 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.

IFRS 5 applies 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, 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.

History

The IASB adopted the 1998 version of IAS 35 *Discontinuing Operations* as part of its original set of Standards.

The IASB replaced IAS 35 with IFRS 5 in 2004, for annual periods beginning on or after 1 January 2005.

IFRS 6 **Exploration for and Evaluation of Mineral Resources**

Overview Prescribes 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.

History Issued for annual periods beginning on or after 1 January 2006.

IFRS 7**Financial Instruments: Disclosures****Overview**

Prescribes 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:

- (a) 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;
- (b) 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
- (c) accounting policies; hedge accounting; and the fair values of each class of financial asset and financial liability.
- (d) the nature and extent of risks arising from financial instruments;
- (e) qualitative information about exposures to each class of risk and how those risks are managed; and
- (f) quantitative information about exposures to each class of risk, separately for credit risk, liquidity risk and market risk (including sensitivity analyses for market risk).

History

The IASB adopted the 1990 version of IAS 30 Disclosures in the *Financial Statements of Banks and Similar Financial Institutions* as part of the original set of Standards effective for periods beginning on or after 1 January 2005.

IFRS 7 replaced IAS 30 and brought together all financial instrument disclosures (from IAS 32) creating a general financial instrument disclosure standard for annual periods beginning on or after 1 January 2007.

Pending changes	Additional disclosures (and consequential amendments) resulting from IFRS 9, that must be applied concurrently with IFRS 9.
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IFRS 8 **Operating Segments**

Overview	Requires entities to disclose segmental information that is consistent with how it is reported internally to the chief operating decision maker.
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Summary	<p>Applies to the consolidated financial statements of a group with a parent (and to the separate or individual financial statements of an entity):</p> <ul style="list-style-type: none"> (a) whose debt or equity instruments are traded in a public market; or (b) 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.
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An operating segment is a component of an entity:

- (a) 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);
- (b) 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
- (c) 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 per cent thresholds for revenue, absolute amount of its reported profit or loss, and assets).

At least 75 per cent 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 some 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 per cent 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.

History

The IASB adopted the 1997 version of IAS 14 *Segment Reporting* as part of the original set of Standards effective for periods beginning on or after 1 January 2005.

IAS 14 was replaced by IFRS 8 in 2006, for annual periods beginning on or after 1 January 2009.

IFRS 9 (2014)	Financial Instruments
Overview	Sets out requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting.
Summary	<p>IFRS 9 generally carries forward the requirements in IAS 39 related to the recognition and derecognition of financial assets and financial liabilities (see IAS 39 Summary).</p> <p>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.</p> <p>IFRS 9 classifies financial assets into two classifications: those measured at amortised cost and those measured at fair value.</p> <p>When assets are measured at fair value, gains and losses are either recognised in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVTOCI).</p> <p>Equity investments are classified as FVTPL. However, 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.</p> <p>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.</p>

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 in 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. Changes in fair value attributable to changes in credit risk of the liability are presented in OCI.

All derivatives in the 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 the 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* and IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* were originally developed for IAS 39, but are also relevant for IFRS 9. They are included in the IAS 39 summary.

History 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 completed each phase.

The version of IFRS 9 issued in 2014 supersedes all previous versions and is mandatorily effective for annual 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.

IFRS 10**Consolidated Financial Statements****Overview**

Sets out a single model for determining whether an entity controls one or more other entities.

Control can be 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).

There are two exceptions to consolidation of controlled entities. 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 other exception is for entities which meet the definition of an 'investment entity', such as some investment funds. 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.

History

The IASB included IAS 27 *Consolidated Financial Statements and Accounting for Investments in Subsidiaries* in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IFRS 10 replaced most of IAS 27 and was effective for annual periods beginning on or after 1 January 2013.

For periods beginning on or after 1 January 2014 an exemption from consolidating investment entities was introduced.

Pending changes	Amendments issued in September 2014 were intended to 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 is a business. The IASB decided in December 2015 to defer indefinitely the effective date of the amendments, although entities may elect to apply them.
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IFRS 11 **Joint Arrangements**

Overview	Sets out principles for identifying whether an entity has a joint arrangement, and if it does whether it is a joint venture or joint operation.
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Summary	<p>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.</p> <p>A joint operation is a joint arrangement whereby each joint operator has rights to assets and obligations for the liabilities of the operation.</p> <p>A joint venture is a joint arrangement in which the venturers have rights to the net assets of the venture.</p> <p>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.</p> <p>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 by applying the relevant IFRSs.</p> <p>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.</p> <p>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 <i>Business Combinations</i>.</p>
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History	<p>The IASB included IAS 31 <i>Interests in Joint Ventures</i> in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.</p> <p>IFRS 11 replaced IAS 31 and was effective for annual periods beginning on or after 1 January 2013.</p>
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IFRS 12 Disclosure of Interests in Other Entities

Overview	<p>Requires 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.</p>
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Summary	<p>Requires disclosures for the following broad categories:</p> <ul style="list-style-type: none">(a) significant judgements and assumptions such as how control, joint control and significant influence has been determined;(b) 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.;(c) 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;(d) 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.
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When an entity is an investment entity, IFRS 12 requires additional disclosures, including a statement 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 when an entity becomes, or ceases to be, an investment entity.

History Issued for annual periods beginning on or after 1 January 2013, as part of the package of Standards revising control (consolidation) and joint control (joint arrangements).

Changes effective this year IFRS 12 was amended to clarify that, with specified exceptions, the requirements of IFRS 12 apply to interests in entities classified as held for sale or discontinued operations.

IFRS 13 Fair Value Measurement

Overview Defines fair value and provides guidance on how to estimate it. IFRS 13 also prescribes the required disclosures about fair value measurements. However, IFRS 13 does not stipulate which items should be measured or disclosed at fair value.

Summary 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).

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.

Requires, with some exceptions, classification of these estimates into a 'fair value hierarchy' based on the nature of the inputs:

Level 1 – quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date;

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

Level 3 – unobservable inputs for the asset or liability.

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.

History

Issued for annual periods beginning on or after 1 January 2013. It was developed to be aligned with the FASB's equivalent guidance.

IFRS 13 is currently the subject of a post-implementation review.

Useful Deloitte publications

A closer look – Fair value measurements of financial instruments under IFRS 13 – See IAS 39 section

IFRS 14

Regulatory Deferral Accounts

Overview

The standard permits an entity that 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.

IFRS 14 was issued as a temporary solution pending a more comprehensive review of rate regulation by the IASB (see the IASB project summary).

Summary

Regulatory deferral account balances relate to the provision of goods or services to customers at a price or rate that is subject to rate regulation.

Regulatory deferral account balances are presented separately in the statement of financial position and movements in these account balances must also be presented separately 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.

History

Issued to be available for the first annual IFRS financial statements beginning on or after 1 January 2016 with earlier application permitted.

IFRS 15**Revenue from Contracts with Customers****Overview**

Prescribes the accounting for revenue from sales of goods and rendering of services to a customer.

The Standard applies only to revenue that arises from a contract with a customer. Other revenue such as from dividends 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: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Standard uses a control model.

A contract with a customer is within the scope of this standard when all of the following conditions are met:

- (a) 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).
- (b) The parties to the contract have approved the contract.
- (c) The entity can identify each party's rights regarding the goods or services to be transferred.
- (d) The entity can identify the payment terms for the goods or services to be transferred.
- (e) The parties are committed to perform their respective obligations and they intend to enforce their respective contractual rights.

- (f) It is probable that the entity will collect the consideration to which they are entitled to 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, sales 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.

History

Annual periods beginning on or after 1 January 2018 with earlier application permitted.

Amendments were issued in April 2016, adding guidance on (i) determining whether promised goods or services are distinct; (ii) principal versus agent considerations and (iii) licensing. The amendments also add two optional practical expedients and are effective 1 January 2018 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*.

IFRS 16**Leases****Overview**

Sets out the recognition, measurement, presentation and disclosure requirements for leases. As a principle, a lessee recognises a leased asset and lease obligation for all leases. Lessors continue to distinguish between operating and finance leases.

Summary

The definition of a lease relies on a control model (rather than risks and rewards). It also moves away from a whole of asset approach, such that a lease can be for only a part of the life of an asset.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed when the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Accounting by a lessee

The Standard provides a single lessee accounting model, requiring lessees to recognise a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. There are optional exemptions when the lease term is 12 months or less or the underlying asset has a low value.

After lease commencement, a lessee measures the right-of-use asset in accordance with IAS 16 (unless specific conditions apply)—the asset is depreciated and assessed for impairment.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee uses its incremental borrowing rate.

When the lease payments are variable the lessee does not recognise an asset and liability, but instead recognises the amounts payable as they fall due. The exception is variable payments that depend on an index or a rate, which are included in the initial measurement of a lease liability.

Accounting by a lessor

The IFRS 16 approach to lessor accounting is substantially unchanged from its predecessor, IAS 17.

Lessors classify each lease as an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

A lessor recognises assets held under a finance lease as a receivable at an amount equal to the net investment in the lease upon lease commencement.

For sale and leaseback transactions, the seller is required to determine whether the transfer of an asset is a sale by applying the requirements of IFRS 15 for determining when a performance obligation is satisfied. If an asset transfer meets IFRS 15's requirements, the seller measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right of use retained. Accordingly, the seller only recognises the amount of gain or loss that relates to the rights transferred to the buyer.

History

Issued in 2016 and effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

It was developed with the FASB, but the IASB and FASB diverged on some aspects of their new standards.

IFRS 17 **Insurance Contracts**

Overview Establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

Summary IFRS 17 specifies how an entity recognises, measures, presents and discloses:

- (a) Insurance contracts (a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder) it issues.
- (b) Reinsurance contracts (an insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that entity (underlying contracts)) it holds or issues.
- (c) Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

Aggregation of insurance contracts

IFRS 17 requires entities to identify portfolios of insurance contracts, which comprise contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together.

Recognition

A group of insurance contracts is recognised from the earliest of:

- (a) the beginning of the coverage period of the group of contracts;
 - (b) the date when the first payment from a policyholder in the group becomes due; and
 - (c) for a group of onerous contracts, when the group becomes onerous.
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Initial measurement

On initial recognition, an entity measures a group of insurance contracts at the total of:

- (a) estimates of future cash flows;
 - (b) an adjustment to reflect the time value of money ("TVM") and the financial risks associated with the future cash flows; and
 - (c) a risk adjustment for non-financial risk (together, the 'fulfilment cash flows' ('FCF'))
- (d) plus, the contractual service margin ("CSM").

The CSM represents the unearned profit of the group of insurance contracts that the entity will recognise as it provides services in the future and is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- (a) the initial recognition of the FCF;
- (b) the derecognition at that date of any asset or liability recognised for insurance acquisition cash flows; and
- (c) any cash flows arising from the contracts in the group at that date.

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of:

- (a) the liability for remaining coverage (comprising the FCF related to future services and the CSM at that date); and
- (b) the liability for incurred claims, comprising the FCF related to past service allocated to the group at that date.

The CSM is adjusted at the end of each reporting period to reflect the profit on a group of insurance contracts that relates to the future service to be provided.

For groups of contracts with a coverage period less than one year, or where it is reasonably expected to produce a liability measurement that would not differ materially from the general approach under IFRS 17, a simplified Premium Allocation Approach ('PAA') can be applied.

Specific measurement requirements also apply to onerous insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

Presentation in the statement of financial position

Separate presentation is required of:

- (a) Insurance contracts issued that are assets
- (b) Insurance contracts issued that are liabilities
- (c) Reinsurance contracts issued that are assets
- (d) Reinsurance contracts issued that are liabilities.

Presentation in the statements of financial performance

Amounts recognised in the statements of financial performance are disaggregated into:

- (a) An insurance service result comprising insurance revenue (from the provision of coverage and other services) and insurance service expenses (incurred claims and other incurred expenses). These amounts are presented in profit or loss.
- (b) Insurance finance income or expenses reflecting changes arising from the effect of the time value of money and financial risk (excluding any such changes for groups of insurance contracts with direct participating insurance contracts that would instead adjust the CSM).

IFRS 17 provides an accounting policy choice to present all insurance finance income or expenses in profit or loss or to present in profit or loss only an amount determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of a group of contracts. If the latter option is taken, the remaining insurance finance income or expense is presented in other comprehensive income.

Note disclosure

Quantitative and qualitative information is disclosed about:

- (a) The amounts recognised in the financial statements that arise from insurance contracts.
- (b) The significant judgements, and changes in those judgements, made when applying IFRS 17.
- (c) The nature and extent of risks arising from insurance contracts.

History

Issued in 2017, it is effective for annual periods beginning on or after 1 January 2021, and replaces IFRS 4 *Insurance Contracts*. Earlier application is permitted if both IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have also been applied.

IAS 1**Presentation of Financial Statements****Overview**

Sets 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
- a statement of financial position as at the beginning of the earliest comparative period, but only when an accounting policy has been applied retrospectively or items in the financial statements have been restated or reclassified.
- comparative information (i.e. minimum of two 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, assets and liabilities are classified current or non-current, unless presenting them 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:

- (a) in a single statement of profit or loss and other comprehensive income (in which there is a sub-total for profit or loss); or

- (b) 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 are 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 they are presented by function, specific disclosures by nature are required in the notes.

The statement of changes in equity includes the following information:

- (a) total comprehensive income for the period;
- (b) the effects on each component of equity of retrospective application or retrospective restatement in accordance with IAS 8; and
- (c) for each component of equity, a reconciliation between the opening and closing balances, separately disclosing each change.

IAS 1 also specifies minimum note disclosures which include information about:

- (a) accounting policies followed;
- (b) 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;
- (c) sources of estimation uncertainty; and
- (d) 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).

History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005. It was revised in 2007 to improve owner equity disclosures and 2011 to improve OCI disclosure. It was revised in 2014 as part of the Disclosure Initiative.

IAS 1 is being reviewed by the IASB as part of the Disclosure Initiative and Primary Financial Statement projects.

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

Overview Prescribes the accounting treatment for inventories, including determining cost and expense recognition.

Summary Inventories are stated at the lower of cost and net realisable value (NRV).

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.

For inventory items that are not interchangeable, specific costs are attributed to the specific individual items of inventory.

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.

When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised.

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.

History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 7 **Statement of Cash Flows**

Overview Requires a Statement of Cash Flows to present information about changes in cash and cash equivalents, classified as operating, investing and financing activities.

Summary 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.

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.

Only outflows that result in a recognised asset can be classified as investing activities.

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 need to be disclosed.

History Originally issued for periods beginning on or after 1 January 1994, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

Changes effective this year Amendments issued in January 2016 require disclosure of changes in liabilities arising from financing activities are effective 1 January 2017, with earlier application permitted.

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

Overview Prescribes 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.

Summary The hierarchy for selection of accounting policies is:

- (a) IASB Standards and Interpretations, taking into account any relevant IASB implementation guidance;
- (b) 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 Conceptual Framework for Financial Reporting; and
- (c) 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.

Accounting policies are applied consistently to similar transactions.

An accounting policy is changed only if required by an IFRS, or if the change results in reliable and more relevant information.

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.

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.

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.

When an entity has not applied a new IFRS, or an amendment to an IFRS, that has been issued but is not yet mandatory the entity must state that fact and provide information it knows, or can reasonably estimate, about the possible effect that application will have on its financial statements in the period of initial application.

History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 10 Events after the Reporting Period

Overview Prescribes when an entity needs to adjust its financial statements for events after the end of the reporting period and what information must be disclosed about non-adjusting events.

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.

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).

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.

History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 11 Construction Contracts

Overview Prescribes the accounting for revenue and costs associated with construction contracts in the financial statements of the contractor.

Summary Contract revenue is 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.

Contract costs are 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.

When 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).

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 <i>Agreements for the Construction of Real Estate</i> .
History	Originally issued for periods beginning on or after 1 January 1995, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.
Pending changes	IAS 11 will be superseded on application of IFRS 15 <i>Revenue from Contracts with Customers</i> .

IAS 12 **Income Taxes**

Overview Sets out the principles and provides 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 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:

- (a) when the deferred tax liability arises from the initial recognition of goodwill;
- (b) the initial recognition of an asset or 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
- (c) differences arising from investments in subsidiaries, branches and associates and interests in joint arrangements (e.g. due to undistributed profits) when 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) a deferred tax asset arising from the initial recognition of an asset or liability, other than in a business combination, which, at the time of the transaction, does not affect the accounting or the taxable profit; and
- (b) 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 and assets are measured at the tax rates expected to apply when the liability is settled or the asset is realised, based on tax rates or laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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.

Current and deferred tax is recognised as income or expense in profit or loss except to the extent that it arises from:

- (a) a transaction or event that is recognised outside profit or loss (whether in other comprehensive income or in equity); or
- (b) a business combination.

Deferred tax assets and liabilities are presented as non-current items in the statement of financial position.

Interpretations	<p>SIC 25 <i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i> clarifies that 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.</p>
History	<p>Originally issued for periods beginning on or after 1 January 1998, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.</p> <p>It was amended in 2010 to address temporary differences relating to investment properties that are measured at fair value and for debt instruments measured at fair value in 2016.</p>
Changes effective this year	<p>The amendments issued in January 2016 clarifying the accounting for deferred taxes for unrealised losses are effective for periods beginning on or after 1 January 2017 with earlier application permitted.</p>
Pending changes	<p>IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> clarifies that an assessment should be made of whether it is probable that a tax authority (with full knowledge of all relevant information) will accept an uncertain tax treatment used, or proposed to be used, in tax filings. If so, tax accounting should be consistent with that treatment. If not, the effect of uncertainty should be reflected in the tax accounting applied (using whichever of a 'most likely amount' or 'expected value' approach is expected to better predict the resolution of the uncertainty). IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019.</p>

IAS 16 **Property, Plant and Equipment**

Overview Sets out the principles for 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 models:

- (a) cost model: the asset is carried at cost less accumulated depreciation and impairment; or
- (b) revaluation model: the asset is carried at a revalued amount, which is fair value at revaluation date less subsequent accumulated depreciation and impairment.

When the revalued asset is disposed of, the revaluation surplus in equity remains in equity and is not reclassified to profit or loss.

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. Components of an asset with differing patterns of benefits are depreciated separately.

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 become held for sale. The proceeds from the sale of such assets should be recognised as revenue in accordance with IAS 18 or IFRS 15.

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

History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 17	Leases
Overview	Prescribes the accounting and disclosures for finance and operating leases, for lessees and lessors.
Summary	<p>A lease is classified as a finance lease if it transfers substantially all risks and rewards incidental to ownership. Among the indication are when the lease covers the major part of the asset's economic life; and, or, the present value of lease payments is substantially all of the asset's fair value.</p> <p>All other leases are classified as operating leases.</p> <p>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.</p> <p><i>Finance leases – Lessee</i></p> <ul style="list-style-type: none"> (a) asset and liability are recognised at the lower of the present value of minimum lease payments and the fair value of the asset; (b) depreciation policy is as for owned assets; and (c) finance lease payments are apportioned between interest expense and reduction in liability. <p><i>Finance leases – Lessor</i></p> <ul style="list-style-type: none"> (a) receivable is recognised at an amount equal to the net investment in the lease; (b) finance income is recognised based on a pattern reflecting a constant periodic rate of return on the lessor's net investment; and (c) manufacturer or dealer lessors recognise selling profit or loss consistent with the policy for outright sales.

Operating leases – Lessee

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.

Operating leases – Lessor

- (a) 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
- (b) 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* clarifies that 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* clarifies that if a series of transactions can only be understood with reference to the series as a whole, then the series is accounted for as a single transaction. It also describes when a contract that is labelled as a lease should be accounted for as a financing arrangement.

IFRIC 4 *Determining whether an Arrangement contains a Lease* 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 depends upon a specific asset (either explicitly or implicitly in the arrangement) or conveys the right to control the use of the underlying asset is a lease. IFRIC 4 provides further guidance to identify when this situation exists.

History	Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.
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Pending changes	IAS 17 and its related Interpretations will be superseded when IFRS 16 <i>Leases</i> is applied.
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IAS 18 Revenue

Overview	Prescribes the accounting treatment for revenue arising from sales of goods, rendering of services and from interest, royalties and dividends.
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Summary	Revenue is measured at the fair value of the consideration received/receivable.
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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:

- (a) sale of goods: when significant risks and rewards have been transferred to buyer, seller has lost effective control, and cost can be reliably measured.
- (b) rendering of services: percentage of completion method.
- (c) 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 individual components separately.

Interpretations	<p>SIC 31 <i>Revenue – Barter Transactions Involving Advertising Services</i> explains that revenue from barter transactions involving advertising services is recognised only if substantial revenue is also received from non-barter transactions for advertising services.</p> <p>IFRIC 13 <i>Customer Loyalty Programmes</i> specifies that award credits granted to customers as part of a sales transaction are 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.</p> <p>IFRIC 15 <i>Agreements for the Construction of Real Estate</i> clarifies that the construction of real estate is 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 guidance on determining whether the entity is providing goods or rendering services in accordance with IAS 18.</p> <p>IFRIC 18 <i>Transfers of Assets from Customers</i> provides guidance for when an entity should recognise as its asset an item of property, plant and equipment that it has received from a customer that it 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. When recognition is appropriate, the deemed cost of the asset is its fair value on the date of transfer. The interpretation also provides guidance on the pattern of revenue recognition arising on the transfer of the asset.</p>
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History	Originally issued for periods beginning on or after 1 January 1995, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.
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Pending changes	IAS 18 and its related Interpretations will be superseded when IFRS 15 <i>Revenue from Contracts with Customers</i> is applied.
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IAS 19**Employee Benefits****Overview**

Sets out the accounting and disclosure requirements 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

The underlying principle is that 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 an 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:

- (a) 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
- (b) 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; and
- (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* 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.

History The IASB adopted the 1993 version of IAS 19 as part of the original set of standards in 2005. In 2011 the IASB eliminated an option that allowed entities to defer the recognition of changes in a defined benefit liability.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Overview Prescribes 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 or IFRS 9 and the proceeds received.

Interpretations SIC 10 *Government Assistance – No Specific Relation to Operating Activities* clarifies that Government assistance to entities that is aimed at encouragement or long-term support of business activities either in specific regions or industry sectors is treated a government grant.

History Originally issued for periods beginning on or after 1 January 1984, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

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

Overview Prescribes the accounting for foreign currency transactions and foreign operations.

Summary An entity's functional currency is determined (i.e. the currency of the primary economic environment in which the entity operates) and all foreign currency items are translated into that currency:

- (a) transactions are recognised on the date that they occur using the transaction-date exchange rate for initial recognition and measurement;
- (b) at the end of subsequent reporting periods:
 - (i) non-monetary items carried at historical cost continue to be measured using transaction-date exchange rates;
 - (ii) monetary items are retranslated using the closing rate; and
 - (iii) 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:

- (a) 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;
- (b) income and expenses for each period presented (including comparatives) are translated at exchange rates at the dates of the transactions; and
- (c) 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 IAS 21 applied when the Euro was first introduced, and when new EU Members join the Eurozone.

The IAS 39 summary includes a summary of IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*.

History

Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

Pending changes	IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> clarifies that when consideration denominated in a foreign currency is paid or received in advance, the date of the transaction for the purposes of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which the non-monetary asset or liability arising from the payment in advance is initially recognised. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018.
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IAS 23 **Borrowing Costs**

Overview Prescribes the accounting when borrowings are made to acquire, construct or produce an asset.

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 are expensed when incurred.

A qualifying asset is one that 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.

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

History Issued in 1993 it was included in the initial set of Standards adopted for 2005. The option of immediate recognition of borrowing costs as an expense was removed for annual periods beginning on or after 1 January 2009.

IAS 24**Related Party Disclosures****Overview**

Sets out disclosure requirements to make investors aware 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:

- (a) relationships involving control, even when there have been no transactions;
- (b) related party transactions; and
- (c) 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 with sufficient information to enable an understanding of the potential effect of the transactions.

The standard provides a partial exemption for government-related entities.

History

The 1993 version was Included in the initial set of Standards adopted for 2005. It was revised for annual periods beginning on or after 1 January 2011 to give partial relief for government-related entities.

IAS 26 Accounting and Reporting by Retirement Benefit Plans

Overview Specifies the measurement and disclosure principles for the financial reports of retirement benefit plans.

Summary Sets out the reporting requirements for the reporting by defined contribution and defined benefit plans, including the need for actuarial valuation of the benefits for defined benefits and the use of fair values for plan investments.

History Originally issued in 1987, it was included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 27 Separate Financial Statements

Overview Prescribes the accounting for investments in subsidiaries, joint ventures and associates in separate financial statements.

Summary In separate financial statements investments in subsidiaries, associates and joint ventures 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.

History Included in the initial set of improved Standards adopted for 2005.

In 2011 IAS 27 was revised and renamed when the requirements for consolidated financial statements were moved from IAS 27 into IFRS 10, effective for periods beginning on or after 1 January 2013. It was amended in 2012 to add disclosures about investment entities and in 2014 to allow a parent to use the equity method for its investments in subsidiaries, associates and joint ventures in its separate financial statements.

IAS 28**Investments in Associates and Joint Ventures****Overview**

Sets out the accounting (the equity method) when an entity has an investment that gives it significant influence over its investee (an associate) and when it has joint control (a joint venture).

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.

There is a rebuttable presumption of significant influence if the investment held, directly and indirectly, is 20 per cent or more of the voting power of the investee.

The investment is initially recorded at cost and 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.

The accounting policies of the associate and joint venture need to 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 different from the investor's end of the reporting period.

An investment in an associate or a joint venture is 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 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.

History

Included in the initial set of improved Standards adopted for 2005 but revised when IFRS 10 was issued, with effect for annual periods beginning on or after 1 January 2013.

Pending changes

Amendments were issued in September 2014 to 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 is a business. However, the IASB decided in December 2015 to defer indefinitely the effective date of the amendments, although entities may elect to apply them.

The Annual Improvements 2014-2016 Cycle included amendments related to measuring an associate or joint venture at fair value. They apply to periods beginning on or after 1 January 2018.

IAS 29**Financial Reporting in Hyperinflationary Economies****Overview**

Sets out the requirements for entities reporting in the currency of a hyperinflationary economy.

Summary

Generally an economy is hyperinflationary when the cumulative inflation rate over three years is approaching or exceeds 100 per cent.

When an entity's functional currency is the currency of a hyperinflationary economy its financial statements are restated in terms of the measuring unit current at the end of the reporting period, with the adjusting gain or loss on the net monetary position included in profit and loss.

Comparative figures for prior period(s) are also restated into the same current measuring unit.

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.

Interpretations

IFRIC 7 *Applying the Restatement Approach under IAS 29* clarifies that 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.

History

Originally issued for periods beginning on or after 1 January 1990, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 32**Financial Instruments: Presentation****Overview**

Prescribes the accounting for classifying and presenting financial instruments as liabilities or equity and for offsetting financial assets and liabilities.

Summary

Classification of an instrument either as a liability or an equity instrument is based on the substance rather than the form of the instrument. Classification is made at the time of issue and is generally not subsequently altered.

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.

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 the time of 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.

The cost of treasury shares is deducted from equity and resales of treasury shares are accounted for as equity issuances.

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* clarifies that these are liabilities unless the co-op has the legal right not to redeem on demand.

History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005. In December 2005 all of the disclosure requirements were moved to IFRS 7 *Financial Instruments: Disclosures*. The IASB also amended IAS 32 for puttable financial instruments in October 2009.

IAS 33 **Earnings per Share**

Overview Sets out the principles for determining and presenting earnings per share (EPS).

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:

- (a) for each class of ordinary share that has a different right to share in profit for the period;
- (b) with equal prominence;
- (c) 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 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

- (a) The numerator is earnings after deduction of all expenses including tax, and after deduction of non-controlling interests and preference dividends.
- (b) The denominator is the weighted average number of shares outstanding during the period.

Diluted EPS calculation

- (a) The numerator is the profit for the period attributable to ordinary shares, 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.
- (b) The denominator is adjusted for the number of shares that would be issued on the conversion of all of the dilutive potential ordinary shares into ordinary shares.

Anti-dilutive potential ordinary shares are excluded from the calculation.

History

Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

IAS 34 **Interim Financial Reporting**

Overview Prescribes 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:

- (a) which entities should publish interim financial reports;
- (b) how frequently; and
- (c) 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. The minimum components of a condensed interim financial report are:

- (a) condensed statement of financial position;
- (b) 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;
- (c) condensed statement of changes in equity;
- (d) condensed statement of cash flows; and
- (e) selected explanatory notes.

Prescribes the comparative periods 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.

The accounting policies are the same as for the annual report.

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* clarifies that when 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.

History Originally issued in 2000, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 36 Impairment of Assets

Overview Sets out requirements 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 assets that are not in the scope of other Standards. Assets that are outside the scope of IAS 36 because they have separate requirements are inventories (IAS 2), assets arising from construction contracts (IAS 11), deferred tax assets (IAS 12), assets arising from employee benefits (IAS 19), financial assets (IAS 39 or IFRS 9), investment property measured at fair value (IAS 40), biological assets related to agricultural activity measured at fair value less costs to sell (IAS 41), insurance contracts (IFRS 4 or IFRS 17), non-current assets classified as held for sale (IFRS 5), and contract assets and assets arising from costs to obtain or fulfill a contracts (IFRS 15).

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. The 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 they 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 some cases, but is prohibited for goodwill.

Interpretations Refer to IAS 34 for a summary of IFRIC 10 *Interim Financial Reporting and Impairment*.

History Originally issued to apply 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, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 37**Provisions, Contingent Liabilities and Contingent Assets****Overview**

Sets out recognition criteria and measurement bases for provisions, contingent liabilities and contingent assets and the related disclosure requirements.

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 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.

Examples of provisions include onerous contracts, restructuring provisions, warranties, refunds and site restoration.

Planned future expenditure, even when 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:

- (a) there is a possible obligation to be confirmed by a future event that is outside the control of the entity; or
- (b) a present obligation may, but probably will not, require an outflow of resources; or
- (c) a sufficiently reliable estimate of the amount of a present obligation cannot be made (this is rare).

Contingent liabilities are not recognised, but require disclosure unless 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* clarifies that 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* 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)* 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* 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 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.

History Originally issued for periods beginning on or after 1 July 1999, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 38**Intangible Assets****Overview**

Prescribes the accounting treatment for recognising, measuring and disclosing intangible assets that are not dealt with in another IFRS.

Summary

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

- (a) it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- (b) the cost of the asset can be measured reliably.

There are 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:

- (a) 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
- (b) 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* clarifies which initial infrastructure development and graphic design costs incurred in web site development are capitalised.

History Originally issued to apply 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, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

IAS 39**Financial Instruments: Recognition and Measurement****Overview**

Establishes 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 some 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:

Category 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.

Category 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.

Category 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.

Category 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:

- (a) 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;
- (b) 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
- (c) 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 some 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 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:

- (a) all financial assets in categories 1 and 2 above are carried at amortised cost, subject to a test for impairment;
- (b) all financial assets in category 3 above are carried at fair value, with value changes recognised in profit or loss; and
- (c) 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:

- (a) derivative liabilities (unless designated as a hedging instrument in an effective hedge);
 - (b) liabilities held for trading (e.g. short sales); and
 - (c) 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:

- (a) 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;
- (b) 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
- (c) 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, determining 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 the 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), 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.

In 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 must 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.

**IAS 39
guidance**

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

History

Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005. It has been amended several times since then. The IASB has also been creating IFRS 9 in phases, replacing sections of IAS 39 for those entities choosing to apply the early versions of IFRS 9.

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). The macro hedging project is currently at the Discussion Paper phase of the due process.

An entity may choose to continue to apply the hedge accounting requirements in IAS 39, after the application of IFRS 9.

IAS 40 Investment Property

Overview Prescribes the accounting when property is held to earn rentals or for capital appreciation rather than being occupied by the owner for the production or supply of goods or services or for administrative purposes.

Summary An 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:

- (a) fair value model: investment property is measured at fair value, and changes in fair value are recognised in profit or loss; or
- (b) 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. The fair value of the investment property must be 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.

History Issued in the set of improved Standards effective for annual periods beginning on or after 1 January 2005.

Pending changes IAS 40 has been amended to clarify that an entity must have changed the use of a property to be able to move it into or out of the investment property classification. The amendments apply to periods beginning on or after 1 January 2018.

IAS 41 **Agriculture**

Overview Prescribes the 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 accounted for as 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.

Fair value measurement stops at harvest. IAS 2 applies after harvest.

History

Originally issued for periods beginning on or after 1 January 2003, it was adopted by the IASB and included in the original set of Standards effective for annual periods beginning on or after 1 January 2005.

Amendments requiring biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment became effective on 1 January 2016.

Additional Interpretations

IFRICs 12 and 17 are summarised separately, because they draw from several Standards and are more complex than most Interpretations.

IFRIC 12

Service Concession Arrangements

Overview

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.

Summary

Arrangements within the scope of the Interpretation (essentially those in which 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:

- a. 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
- b. an intangible asset – when the operator's future cash flows are not specified (e.g. when they will vary according to usage of the infrastructure asset); or

-
- c. 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.
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Other interpretations SIC 29 *Service Concession Arrangements*: Disclosures sets out disclosure requirements for service concession arrangements.

History Issued in November 2006, and effective for periods beginning on or after 1 January 2008.

IFRIC 17 Distributions of Non-cash Assets to Owners

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

Summary A dividend payable must be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.

An entity measures the non-cash dividend payable at the fair value of the assets to be distributed. The liability is measured at each reporting date with changes recognised directly in equity.

The difference between the dividend paid and the carrying amount of the assets distributed is recognised in profit or loss.

History Issued in November 2006 and effective for annual periods beginning on or after 1 July 2009.

Current IASB projects

Our 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. www.iasplus.com/en/projects

The following is a summary of the IASB's projects at 30 September 2017.

Major projects

Conceptual Framework	The IASB is revising its Framework, focusing mainly on the chapters covering the elements of financial statements, measurement, reporting entity, presentation and disclosure.	An exposure draft was published in 2015. Publication of the revised Conceptual Framework is expected in the first half of 2018.
Definition of Material	The IASB developed a Practice Statement to help preparers, auditors and regulators use judgement when applying the concept of materiality in order to make financial reports more meaningful.	The Practice Statement was issued in September 2017, along with a proposal to amend the definition of material.
Rate-regulated Activities	The IASB published a temporary IFRS on rate-regulated activities to give it time to consider whether IFRSs should require entities operating in rate-regulated environments to recognise assets and liabilities arising from the effects of rate regulation.	A Discussion Paper was published in 2014. In the light of comments received, a second Discussion Paper or Exposure Draft is expected in the first half of 2018.

Implementation – narrow scope amendments to existing standards

Improvements to Segment Reporting	Proposed amendments to IFRS 8 following the post-implementation review of the Standard.	An exposure draft was issued in March 2017, with feedback expected to be assessed in the fourth quarter of 2017.
Classification of Liabilities	Proposed amendments to IAS 1 to clarify the conditions for classification of liabilities as non-current.	Amendments expected to be issued in the first half of 2018.
Definition of a Business	Proposed amendments to IFRS 3 to change the definition of a business, following the post-implementation review of the Standard.	An exposure draft was issued in June 2016, the proposals are expected to be finalised in the first half of 2018.
Remeasurement at a Plan Amendment, Curtailment or Settlement/ Availability of a Refund of a Surplus from a Defined Benefit Plan	<p>Proposed amendments to clarify the calculation of current service cost and net interest when an entity remeasures the net defined benefit liability (asset) as a consequence of a plan amendment, curtailment or settlement occurs.</p> <p>Amendments also clarify when a trustee's power to augment benefits or to wind up a plan affects the employer's unconditional right to a refund and thus, in accordance with IFRIC 14, restricts recognition of an asset.</p>	<p>An exposure draft was issued in June 2015. Amendments related to Plan amendments, curtailment or settlement are due to be completed in late 2017.</p> <p>The amendments related to the availability of a refund are being considered separately.</p>

Previously held interests in a joint operation	Proposed amendments to IFRS 3 and IFRS 11 to clarify the accounting treatment over previously held interests when obtaining control or joint control in a joint operation that constitutes a business.	An exposure draft was issued in June 2016. Finalised amendments are expected in late 2017.
Property, Plant and Equipment: Proceeds before Intended Use	A proposed amendment to IAS 16, to prohibit deducting from the cost of an asset the proceeds from sales while an asset is being prepared for its intended purpose.	An exposure draft was issued in June 2017, with comments due in October 2017.
Annual Improvements	The 2015-2017 package included proposals to clarify when borrowing costs are eligible for capitalisation; and a proposed amendment to IAS 12, clarifying that all income tax consequences of dividends are accounted for in the same way, regardless of how the tax arises. The package also included the Long-term interests in associates and joint ventures amendment, but this is being finalised separately.	The annual improvements package is expected to be finalised in late 2017.

Accounting policies and accounting estimates	A proposed amendment to IAS 8 to clarify the distinction between a change in accounting policy and a change in an accounting estimate.	An exposure draft was issued in September 2017.
Accounting policy changes	A proposed amendment to IAS 8 lowering the impracticability threshold regarding retrospective application of voluntary changes in accounting policies that result from agenda decisions made by the IFRS Interpretations Committee.	An exposure draft is expected to be issued in the first half of 2018.
Fees in the '10 per cent' test for derecognition	A proposed amendment to IFRS 9, clarifying which fees and costs are included in a quantitative '10 per cent' test for assessing whether to derecognise a financial liability.	This will be included in the next Annual Improvements cycle.
Long-term interests in associates and joint ventures	A proposed amendment to IAS 28, clarifying that IFRS 9 is applied to long-term interests in an associate or joint venture if the equity method is not applied to those interests.	This was included in the Annual Improvements 2015-2017 package exposed in January 2017. It was finalised in October 2017.

Prepayment features with negative compensation	A proposed amendment to IFRS 9 allowing measurement at amortised cost of some instruments with prepayment features allowing for payment of an amount less than unpaid amounts of capital and interest.	An exposure draft was published in April 2017. It was finalised in October 2017.
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Research

Business combinations under common control	The Board is examining how companies should account for combinations of businesses under common control which are currently outside the scope of IFRS 3.	A Discussion Paper is expected in the first half of 2018.
Disclosure initiative — Principles of disclosure	This research project on financial statement presentation is focused on broader challenges associated with disclosure effectiveness.	A Discussion Paper was issued in March 2017, with comments due by 2 October 2017.
Discount rates	The Board examined why different standards require different discount rates and identified some issues that may be investigated while doing other projects.	A Research Summary is expected in the first half of 2018.
Dynamic risk management	The IASB is assessing how to replace the remaining sections of IAS 39, that deal with macro-hedging.	The IASB published a Discussion Paper in April 2014. Comments on the discussion paper closed in October 2014. A second Discussion Paper is expected in the second half of 2018.

Fair value measurement	Post-implementation review of IFRS 13.	A Request for Information was issued in May 2017, with feedback requested by 22 September 2017.
Financial instruments with characteristics of equity	The Board is exploring whether it can improve the existing requirements in IAS 32 for classifying financial instruments that have characteristics of both a liability and equity	A Discussion Paper is expected in early 2018.
Goodwill and impairment	The Board is exploring whether the existing impairment test for goodwill can be improved or simplified.	A Discussion Paper is expected in the first half of 2018.
Primary financial statements	The Board is exploring targeted improvements to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance.	A Discussion Paper or Exposure Draft is expected in the first half of 2018.
Share-based payments	The Board examined why IFRS 2 generated many application questions for the IFRS Interpretations Committee and concluded that no further amendments are needed.	A Research Summary is expected in the first half of 2018.

Taxonomy

Common Practice	The IASB plans to add common practice elements related to fair value measurement (IFRS 13).	A proposal is expected in the first half of 2018.
Taxonomy updates	The IASB regularly requests comments on updates to the Taxonomy in relation to new IFRS disclosure requirements.	The proposed updates are released around the same time as an IFRS is issued or amended.

Activities of the IFRS Interpretation Committee

The information on the current activities of the IFRS Interpretations Committee (including work in progress and issues rejected) can be found at: <http://www.ifrs.org/projects/interpretations-committee-open-items/>

Abbreviations

Abbreviations	
ASAF	Accounting Standards Advisory Forum
DI	Draft Interpretation
DP	Discussion Paper
DPOC	Due Process Oversight Committee
ED	Exposure Draft
IAS(s)	International Accounting Standard(s)
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee (predecessor to the IASB)
IFRIC	Interpretation issued by the IFRS Interpretations Committee
IFRS(s)	International Financial Reporting Standard(s)
IFRS IC	IFRS Interpretations Committee
IFRSF	IFRS Foundation, parent body of the IASB
RFI	Request For Information
SIC	Interpretation issued by the Standing Interpretations Committee of the IASC, and Interpretations issued by that committee
SME(s)	Small and Medium-sized Entity(ies)

Deloitte IFRS resources

In addition to this publication, we have a range of tools and publications to assist in implementing and reporting under IFRSs.

Websites

www.deloitte.com

www.iasplus.com

Publications

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. The publications are available in print books, eBooks, or online.

IFRS in Focus Published at the time of release of new and revised Standards and Interpretations, Exposure Drafts and discussion documents. They include 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 financial reporting developments during the month.

Model financial statements and checklists Model IFRS financial statements illustrate the application of the presentation and disclosure requirements of IFRSs.

IFRS compliance, presentation and disclosure checklists assist in ensuring compliance with IFRS requirements.

Translated material

This *IFRS in your pocket* guide is available in a number of languages here: www.iasplus.com/pocket.

You will also find other Deloitte IFRS resources in various languages here: www.iasplus.com/translations

Publication series available for individual jurisdictions can be found here:

<http://www.iasplus.com/en/tag-types/member-firms>

Electronic editions of our IFRS related publications are available at www.iasplus.com/pubs

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You can also keep up-to-date with the latest publications, and financial reporting developments in general, through RSS (links are available on www.iasplus.com) and Twitter (twitter.com/iasplus).

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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>

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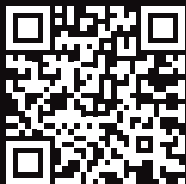
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Notes



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