New and revised IFRS
Highlighting the changes
November 2016
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Foreword

Welcome to the 2016 edition of ‘New and revised IFRS’. The objective of this publication is to provide a summary of new and revised financial reporting requirements under IFRS, updated for financial reporting periods ending on 31 December 2016. This listing can be used to perform a quick check that new financial reporting requirements such as new and revised accounting standards and interpretations, and amendments to standards and interpretations, have been fully considered in the reporting close process. The information below can also be used to assist with the disclosure requirements under paragraph 30 of IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’, which requires entities to disclose any new IFRSs that are in issue but not yet effective and which are likely to impact a company.

The information below reflects developments up and until 31 October 2016. For any subsequent developments relevant for financial reporting periods ending on 31 December 2016, please refer to Deloitte’s www.iasplus.com. For subsequent developments regarding EU endorsement, we refer also to the website of EFRAG, www.efrag.org/Endorsement.

We trust that you will find this publication a useful tool to keep you informed about new and revised pronouncements under IFRS.

Ralph ter Hoeven
Partner | Professional Practice Department
**New standards**

| IFRS 9 Financial Instruments | A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. The standard contains requirements in the following areas:  
- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.  
- Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.  
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures  
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. | 1 January 2018 | Not yet endorsed for use in the EU. |
| IFRS 15 Revenue from Contracts with Customers | IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.  
The five steps in the model are as follows:  
- identify the contract with the customer;  
- identify the performance obligations in the contract;  
- determine the transaction price;  
- allocate the transaction price to the performance obligations in the contracts; and  
- recognise revenue when (or as) the entity satisfies a performance obligation.  
Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. | 1 January 2018 | Endorsed for use in the EU. |
| IFRS 16 Leases | IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. New disclosures about leases are also introduced. | 1 January 2019 | Not yet endorsed for use in the EU. |
## New and revised IFRS

<table>
<thead>
<tr>
<th>Effective date</th>
<th>Description</th>
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<tbody>
<tr>
<td>1 January 2016</td>
<td>Will not be endorsed for use in the EU. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.</td>
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### IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for ‘regulatory deferral account balances’ in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Entities which are eligible to apply IFRS 14 are not required to do so, and so can chose to apply only the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs.

### Revised standards

#### Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amends IFRS 11 ‘Joint Arrangements’ to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 ‘Business Combinations’) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

#### Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Amends IAS 16 ‘Property, Plant and Equipment’ and IAS 38 ‘Intangible Assets’ to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.
### Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Amends IAS 16 ‘Property, Plant and Equipment’ and IAS 41 ‘Agriculture’ to:
- include ‘bearer plants’ within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16
- introduce a definition of ‘bearer plants’ as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales
- clarify that produce growing on bearer plants remains within the scope of IAS 41.

**Effective date:** 1 January 2016

**Endorsed for use in the EU.**

### Equity Method in Separate Financial Statements (Amendments to IAS 27)

Amends IAS 27 ‘Separate Financial Statements’ to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

**Effective date:** 1 January 2016

**Endorsed for use in the EU.**

### Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:
- IFRS 5 – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- IFRS 7 – Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- IAS 19 – Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 – Clarify the meaning of ‘elsewhere in the interim report’ and require a cross-reference

**Effective date:** 1 January 2016

**Endorsed for use in the EU.**

### Disclosure Initiative (Amendments to IAS 1)

Amends IAS 1 ‘Presentation of Financial Statements’ to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:
- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity’s share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

**Effective date:** 1 January 2016

**Endorsed for use in the EU.**
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<tbody>
<tr>
<td><strong>Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)</strong></td>
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<td>Amends IFRS 10 ‘Consolidated Financial Statements’, IFRS 12 ‘Disclosure of Interests in Other Entities’ and IAS 28 ‘Investments in Associates and Joint Ventures’ (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:</td>
<td>1 January 2016</td>
<td>Endorsed for use in the EU.</td>
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<td>• The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.</td>
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<td>• A subsidiary that provides services related to the parent’s investment activities should not be consolidated if the subsidiary itself is an investment entity.</td>
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<td>• When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.</td>
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<td>• An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.</td>
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<td><strong>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</strong></td>
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<td>Amends IAS 12 ‘Income Taxes’ to clarify the following aspects:</td>
<td>1 January 2017</td>
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<td>• Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use.</td>
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<td>• The carrying amount of an asset does not limit the estimation of probable future taxable profits.</td>
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<tr>
<td>• Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</td>
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<td>• An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</td>
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<td><strong>Disclosure Initiative (Amendments to IAS 7)</strong></td>
<td>1 January 2017</td>
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<td>Amends IAS 7 ‘Statement of Cash Flows’ to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</td>
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<td><strong>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</strong></td>
<td>1 January 2018</td>
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<td>Amends IFRS 2 ‘Share-based Payment’ to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.</td>
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Amends IFRS 4 ‘Insurance Contracts’ provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

Effective date

Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.

Not yet endorsed for use in the EU.
New and revised IFRS are expected to impact the financial statements if they are applied for the first time. The financial statements will need to reflect the new recognition, measurement and disclosure requirements. IAS 8 contains a general requirement that changes in accounting policies should be applied fully retrospectively. However, this does not apply where there are specific transitional provisions. For example, IFRS 9, IFRS 15 and IFRS 16 contain specific transitional provisions including disclosure requirements. Further, IAS 8 requires specific disclosures if a new IFRS is applied for the first time. These include the title of the IFRS, the nature of the change in accounting policy, a description of the transitional provisions, and the amount of the adjustment for each financial statement line item that is affected. Additionally, IAS 1 ‘Presentation of Financial Statements’ requires a third statement of financial position to be presented if a company retrospectively applies an accounting policy, restates items or reclassifies items, and those adjustments had a material effect on the information in the statement of financial position at the beginning of the comparative period.

IAS 33 ‘Earnings per Share’ requires basic and diluted earnings per share (EPS) to be adjusted for the impact of adjustments resulting from changes in accounting policies accounted for retrospectively, and IAS 8 requires the disclosure of the amount of such adjustments. Where there are new accounting policies, the impact on the interim financial statements needs also to be assessed. IAS 34 ‘Interim financial reporting’ requires disclosure of the nature and effect of any change in accounting policies.

A company itself should prepare an impact assessment relating to the introduction of any new IFRS. There may be significant changes to processes, systems and controls, and management should communicate the impact to investors and other stakeholders. This would include plans for disclosing the effects of new accounting standards that are issued but not yet effective, as required by IAS 8. Audit committees have an important role in overseeing implementation of any new standard in their organisations. For example, a company will have to assess the impact of IFRS 15 ‘Revenue from Contracts with Customers’ on the recognition, measurement and disclosure of revenue. From our experience, the implementation journey is a marathon involving extensive preparation and training — not a quick sprint. Because revenue permeates all areas of any company (and its subsidiaries), this journey requires the collaborative efforts of multiple departments within a company (IT, Sales, Tax, Investor Relations, Human Resources, and others), in addition to the financial reporting infrastructure. A successful implementation requires early and collective discussions between the company’s departments, its auditor, and its advisers.

Where a new standard requires significantly more disclosures than current IFRS, a company may want to understand whether it has sufficient information to satisfy the new disclosure requirements or whether new systems, processes and controls must be implemented to gather such information and ensure its accuracy. A company should develop a roadmap for implementation and establish responsibilities and deadlines. This may help to determine the accountability of the implementation team and allow management to identify gaps in resources. For example, a company should not only assess the impact of IFRS 16 ‘Leases’ on the financial statements, but should also consider the wider business considerations of the new lease accounting model for lessees.
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