Deloitte.

New and revised IFRS

Highlighting the changes

January 2019

Contacts

Ralph ter Hoeven
Partner | Professional Practice Department
+31 (0) 8 8288 1080
+31 (0) 6 2127 2327
rterhoeven@deloitte.nl

Dingeman Manschot
Director | Professional Practice Department
+31 (0) 8 8288 2913
+31 (0) 6 1258 0245
dmanschot@deloitte.nl

Foreword

Welcome to the 2018 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 2018. This publication 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 publication 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 in this publication reflects developments up and until 31 December 2018. For any subsequent developments relevant for financial reporting periods ending on 31 December 2018, 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 or revised standards

		Effective date
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 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 Endorsed for use in the EU.

		Effective date
IFRS 17 Insurance Contracts	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 will supersede IFRS 4 'Insurance Contracts'.	1 January 2021 The IASB tentatively decided to defer the effective date to annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU.

New interpretations		
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: • The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	1 January 2018 Endorsed for use in the EU.
IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • whether tax treatments should be considered collectively; • assumptions for taxation authorities' examinations; • the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; • the effect of changes in facts and circumstances.	1 January 2019 Endorsed for use in the EU.

Amendments		Effective date
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	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.	1 January 2018 Endorsed for use in the EU.
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	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.	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. Endorsed for use in the EU.
Transfers of Investment Property (Amendments to IAS 40)	The amendments to IAS 40 'Investment Property': Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.	1 January 2018 Endorsed for use in the EU.
Annual Improvements to IFRS Standards 2014–2016 Cycle	Makes amendments to the following standards: IFRS 1 – Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose. IAS 28 – Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. Endorsed for use in the EU.

		Effective date
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Amends IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: • require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations); and • require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.	Effective date deferred indefinitely until the research project on the equity method has been concluded. Earlier application of the amendments continues to be permitted. EU endorsement currently halted. Therefore, formal adoption (early application) not possible within the EU.
Annual Improvements to IFRS Standards 2015–2017 Cycle	Makes amendments to the following standards: • IFRS 3 *Business Combinations and IFRS 11 Joint Arrangements* — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IAS 12 *Income Taxes* — The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. • IAS 23 *Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings	1 January 2019 Not yet endorsed for use in the EU.
Definition of a Business (Amendments to IFRS 3)	The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They: • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.	Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Not yet endorsed for use in the EU.

		Effective date
Prepayment features with negative compensation (Amendments to IFRS 9)	*Prepayment Features with Negative Compensation* amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Furthermore, the IASB clarifies that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortised cost amount.	The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019; early application is permitted. Endorsed for use in the EU.
The definition of materiality (Amendments to IAS 1 and IAS 8)	Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.	Effective for annual periods beginning on or after 1 January 2020. Not yet endorsed for use in the EU.
Plan amendments, curtailments or settlements (Amendments to IAS 19)	The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.	Effective for annual periods beginning on or after 1 January 2019. Not yet endorsed for use in the EU.
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	The amendments in *Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28) are: • Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. • Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.	Effective for annual periods beginning on or after 1 January 2019. Not yet endorsed for use in the EU.
Amendments to IFRS 7 as a result of the application of IFRS 9	IFRS 7 is amended as a consequence of IFRS 9. Several new disclosure requirements are included in IFRS 7.	Applies when IFRS 9 is applied (a finalised version of IFRS 9 is effective from 1 January 2018). Endorsed for use in the EU.

Closing remarks on the impact of new and revised IFRS

First-time application

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.

Impact assessment

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 16 'Leases' on the recognition, measurement and disclosure of leases. From our experience, the implementation journey is a marathon involving extensive preparation and training — not a quick sprint. 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[1] 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.

---

[1] We also refer to the public statement of the European Securities and Market Authority: European common enforcement priorities for 2018 annual financial reports. Specific issues related to the first-time application of IFRS 9, IFRS 15 and the expected impact of implementation of IFRS 16 form the major part of this statement.


JOHN:
SAM:
LISA:
10.8%
7.0%
2.7%
GLOBAL SHARE
Growth

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.nl/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 286,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2019 Deloitte The Netherlands