IFRS Core Tools

IFRS Update of standards and interpretations in issue at 30 June 2017
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Companies reporting under International Financial Reporting Standards (IFRS) continue to face a steady flow of new standards and interpretations. The resulting changes range from significant amendments of fundamental principles to some minor changes from the annual improvements process (AIP). They will affect different areas of accounting, such as recognition, measurement, presentation and disclosure.

Some of the changes have implications that go beyond matters of accounting, potentially also impacting the information systems of many entities. Furthermore, the changes may impact business decisions, such as the creation of joint arrangements or the structuring of particular transactions.

The challenge for preparers is to gain an understanding of what lies ahead.

**Purpose of this publication**

This publication provides an overview of the upcoming changes in standards and interpretations (pronouncements). It also provides an update on selected active projects. It does not attempt to provide an in-depth analysis or discussion of the topics. Rather, the objective is to highlight key aspects of these changes. Reference should be made to the text of the pronouncements before taking any decisions or actions.

This publication consists of three sections:

- **Section 1** provides a high-level overview of the key requirements of each pronouncement issued by the International Accounting Standards Board (IASB or the Board) and the IFRS Interpretations Committee (IFRS IC) as at 30 June 2017 that will be effective for the first-time for reporting periods ended at that date or thereafter. This overview provides a summary of the transitional requirements and a brief discussion of the potential impact that the changes may have on an entity’s financial statements.

- **Section 2** provides a summary of the agenda decisions (rejection notices) published in the *IFRIC Update* since 1 April 2017. For rejection notices published before 1 April 2017, please refer to previous editions of *IFRS Update*. In some rejection notices, the IFRS IC refers to the existing pronouncements that provide adequate guidance. These rejection notices provide a view on the application of the pronouncements and fall within ‘other accounting literature and accepted industry practices’ in paragraph 12 of IAS 8.

- **Section 3** summarises the key features of selected active projects of the IASB. The ‘Key projects’ addressed are those initiated with the objective of issuing new standards and those involving overarching considerations across a number of standards. ‘Other projects’ include proposed amendments with narrower applicability. Generally, only those projects that have reached the exposure draft stage are included, but, in selected cases, significant projects that have not yet reached the exposure draft stage are also highlighted.

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1 The IFRIC Update is available on the IASB’s website at http://www.ifrs.org/news-and-events/updates/ifric-updates/
IFRS Core Tools

EY’s IFRS Core Tools² provide the starting point for assessing the impact of changes to IFRS. Our IFRS Core Tools include a number of practical building blocks that can help the user to navigate the changing landscape of IFRS. In addition to IFRS Update, EY’s IFRS Core Tools include the publications described below.

International GAAP® Disclosure Checklist

Our 2017 edition of International GAAP® Disclosure Checklist captures disclosure requirements applicable to periods ended 30 June 2017 or thereafter, and disclosures that are permitted to be adopted early. These disclosure requirements are for all pronouncements issued as at 28 February 2017. This tool assists preparers to comply with the presentation and disclosure requirements of IFRS in their interim and year-end IFRS financial statements. Previous editions of this tool for earlier period-ends are available on EY’s IFRS Core Tools webpage.

Good Group (International) Limited

Good Group (International) Limited is a set of illustrative financial statements, incorporating presentation and disclosure requirements that are in issue as at 31 August 2016 and effective for the year ended 31 December 2016. Good Group (International) Limited – Illustrative interim condensed financial statements for the period ended 30 June 2017, based on IFRS in issue as 28 February 2017, supplements Good Group (International) Limited – Illustrative financial statements. Among other things, these illustrative financial statements can assist in understanding the impact accounting changes may have on the financial statements.

Also available from EY:

Other EY publications

References to other EY publications that contain further details and discussion on these topics are included throughout the IFRS Update, all of which can be downloaded from our website.³

International GAAP® 2017²

Our International GAAP® 2017 is a comprehensive guide to interpreting and implementing IFRS.⁵ It includes pronouncements mentioned in this publication that were issued prior to September 2016, and it provides examples that illustrate how the requirements of those pronouncements are applied.

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³ These publications are available on http://www.ey.com/IFRS.
⁴ International GAAP® is a registered trademark of Ernst & Young LLP (UK).
⁵ http://www.igaap.info.
## Section 1: New pronouncements issued as at 30 June 2017

### Table of mandatory application

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AIP: Annual IFRS Improvements Process. *Effective for annual periods beginning on or after this date. ** Assuming that an entity has not early adopted the pronouncement according to specific provisions in the standard.

Note 1: In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.
**IFRS 9 Financial Instruments**

Effective for annual periods beginning on or after 1 January 2018.

**Key requirements**

**Classification and measurement of financial assets**

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

**Classification and measurement of financial liabilities**

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability’s credit risk would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

**Impairment**

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases.

Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

**Hedge accounting**

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative.

A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.

The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging.

More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

**Transition**

Early application is permitted for reporting periods beginning after the issue of IFRS 9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

**Impact**

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. It will be important for entities to monitor the discussions of the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG).
IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018.

Key requirements

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, 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) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 Leases, once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.
**Clarifications to IFRS 15**

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. As such, the amendments:

- Clarify when a promised good or service is distinct within the context of the contract
- Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators
- Clarify when an entity’s activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time
- Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
- Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

**Transition**

Entities can choose to apply the standard using either a full retrospective approach or a modified retrospective approach, with some limited relief provided under either approach. Early application is permitted and must be disclosed.

**Impact**

IFRS 15 is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to their current accounting, systems and processes. Therefore, a successful implementation will require an assessment of and a plan for managing the change.

In addition, it is important that entities monitor the discussions of the IASB, the US Financial Accounting Standards Board (FASB) and the TRG (including separate discussions of the US GAAP constituents of the TRG).  

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6 In January 2016, the IASB indicated it did not plan to schedule further meetings of the IFRS constituents of the TRG. The FASB TRG had its last scheduled meeting in November 2016. However, further FASB TRG meetings could be scheduled if the FASB receives enough broadly applicable questions.

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**Other EY publications**

- Applying IFRS: Presentation and disclosure requirements of IFRS 15 (July 2017) EYG No. 04117-173Gbl.
- Applying IFRS: Joint Transition Resource Group for Revenue Recognition items of general agreement (Updated December 2016) EYG No. 04453-163Gbl
- Applying IFRS: A closer look at the new revenue recognition standard (Updated September 2016) EYG no. 03083-163Gbl
- Applying IFRS: The new revenue standard affects more than just revenue (February 2015) EYG no. AU2881
- IFRS Developments Issue 126: Are you ready to quantify the effect of adopting IFRS 15? (May 2017) EYG no. 03036-173Gbl
- IFRS Developments Issue 119: IASB issues clarifications to IFRS 15 (April 2016) EYG No. 00479-163Gbl

Sector publications are also available on ey.com/ifrs covering the following:

- Asset management
- Automotive
- Engineering and construction
- Insurance
- Life sciences
- Mining and metals
- Oil and gas
- Power and utilities
- Real estate
- Retail and consumer products
- Technology
- Software and cloud services
- Telecommunications
IFRS 16 Leases
Effective for annual periods beginning on or after 1 January 2019.

Key requirements
The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today’s accounting under IAS 17. Lessor will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Transition
A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.

Impact
The lease expense recognition pattern for lessees will generally be accelerated as compared to today. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted. Also, the cash flow statement for lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities. Lessor accounting will result in little change compared to today’s lessor accounting.

The standard requires lessees and lessors to make more extensive disclosures than under IAS 17.

Given the significant accounting implications, lessees will have to carefully consider the contracts they enter into to identify any that are, or contain, leases. This evaluation will also be important for lessors to determine which contracts (or portions of contracts) are subject to the new revenue recognition standard.

Other EY publications
Applying IFRS: A closer look at the new leases standard (August 2016) EYG No. 02173-163Gbl
IFRS Developments Issue 117: IASB issues new leases standard (January 2016) EYG No. AU3676
IFRS Practical Matters: Leases make their way onto the balance sheet - Navigating the journey for a smooth landing (February 2016) EYG No. AU3725

Sector publications are also available on ey.com/ifrs covering the following:
- Consumer products and retail (updated June 2017)
- Telecommunications
- Financial services
- Real estate
- Mining and metals
- Engineering and construction
- Oilfield services
- Oil and gas
- Tank terminals
IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021.

Background

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. The Board intends to establish a Transition Resource Group (TRG) for IFRS 17 that will be tasked with analysing implementation-related questions on IFRS 17.

Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice

- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- Modified retrospective approach • based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application
- Fair value approach • the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date)

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

Impact

IFRS 17, together with IFRS 9, will result in a profound change to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today’s models. Key performance indicators will also likely be affected.

Other EY publications

Insurance Accounting Alert (May 2017) EYG no. 3253-1736b1
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Effective for annual periods beginning on or after 1 January 2018.

Key requirements
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Transition
Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:
(i) The beginning of the reporting period in which the entity first applies the interpretation
Or
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Early application of interpretation is permitted and must be disclosed.

First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

Impact
The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in a foreign currency.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
Effective for annual periods beginning on or after 1 January 2019.

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (the Interpretation) which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

Scope
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Key requirements
The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Effective date and transition
The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Impact
Applying the Interpretation could be challenging for entities, particularly those that operate in more complex multinational tax environments. Entities may also need to evaluate whether they have established appropriate processes and procedures to obtain information on a timely basis that is necessary to apply the requirements in the Interpretation and make the required disclosures.

Other EY publications
IFRS Developments Issue 127: IFRIC 23 – Uncertainty over Income Tax Treatments (June 2017) EYG no. 03656-173Gbl
**IAS 7 Disclosure Initiative - Amendments to IAS 7**
Effective for annual periods beginning on or after 1 January 2017.

**Key requirements**
The amendments to IAS 7 Statement of Cash Flows are part of the IASB’s Disclosure Initiative and help users of financial statements better understand changes in an entity’s debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

**Transition**
On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

**Impact**
The amendments are intended to provide information to help investors better understand changes in an entity’s debt.

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**IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12**
Effective for annual periods beginning on or after 1 January 2017.

**Key requirements**
The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

**Transition**
Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

Early application is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact.

**Impact**
The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses.
**IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2**

Effective for annual periods beginning on or after 1 January 2018.

**Key requirements**

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- **The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.** The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

- **The classification of a share-based payment transaction with net settlement features for withholding tax obligations.** This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.

- **The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.** The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

**Transition**

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted.

**Impact**

The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement.

**Other EY publications**

*IFRS Developments Issue 121: IASB issues amendments to IFRS 2* (June 2016) EYG no. 01519-163Gbl
Applying IFRS 9 Financial Instruments with IFRS 4
Insurance Contracts - Amendments to IFRS 4

Effective for annual periods beginning on or after 1 January 2018.

Key requirements
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

Temporary exemption from IFRS 9
The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest.

Predominance must be initially assessed at the annual reporting date that immediately precedes 1 April 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases. Entities applying the temporary exemption will be required to make additional disclosures.

The overlay approach
The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income for designated financial assets. An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in other comprehensive income.

Transition
The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

Impact
The overlay approach requires an entity to remove from profit or loss additional volatility that may arise if IFRS 9 is applied with IFRS 4.

When applying the temporary exemption, entities must still provide extensive disclosure required in other aspects of IFRS 9.

Other EY publications
Insurance Accounting Alert (September 2016) EYG no. 02745-163G6
Transfers of Investment Property (Amendments to IAS 40)

Effective for annual periods beginning on or after 1 January 2018.

Key requirements
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use.

Transition
Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight.

Early application of the amendments is permitted and must be disclosed.

Impact
The amendments will eliminate diversity in practice.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

Key requirements
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture.

Transition
The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact
The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.
Improvements to International Financial Reporting Standards

Key requirements
The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

2014-2016 cycle (issued in December 2016)
Following is a summary of the amendments from the 2014-2016 annual improvements cycle.

<table>
<thead>
<tr>
<th>IFRS 1 First-time Adoption of International Financial Reporting Standards</th>
<th>Deletion of short-term exemptions for first-time adopters</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>▶ Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose.</td>
</tr>
<tr>
<td></td>
<td>▶ The amendment is effective from 1 January 2018.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IAS 28 Investments in Associates and Joint Ventures</th>
<th>Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>▶ The amendments clarify that:</td>
</tr>
<tr>
<td></td>
<td>▶ An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.</td>
</tr>
<tr>
<td></td>
<td>▶ If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.</td>
</tr>
<tr>
<td></td>
<td>▶ The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IFRS 12 Disclosure of Interests in Other Entities</th>
<th>Clarification of the scope of the disclosure requirements in IFRS 12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>▶ The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.</td>
</tr>
<tr>
<td></td>
<td>▶ The amendments are effective from 1 January 2017 and must be applied retrospectively.</td>
</tr>
</tbody>
</table>
Section 2: Items not taken onto the IFRS Interpretations Committee’s agenda in Q2 2017

Certain items deliberated by the IFRS IC are published within the ‘Interpretations Committee agenda decisions’ section of the IASB’s IFRIC Update. Agenda decisions (also referred to as rejection notices) are issues that the IFRS IC decides not to add to its agenda and include the reasons for not doing so. For some of these items, the IFRS IC includes further information about how the standards should be applied. This guidance does not constitute an interpretation, but rather, provides additional information on the issues raised and the IFRS IC’s views on how the standards and current interpretations are to be applied.

The table below summarises topics that the IFRS IC decided not to take onto its agenda for the period from 1 April 2017 (since our previous edition of IFRS Update) to 30 June 2017 and contains highlights from the agenda decisions. For agenda decisions published before 1 April 2017, please refer to previous editions of IFRS Update. All items considered by the IFRS IC during its meetings, as well as the full text of its conclusions, can be found in the IFRIC Update on the IASB’s website. 

<table>
<thead>
<tr>
<th>Final date considered</th>
<th>Issue</th>
<th>Summary of reasons given for not adding the issue to the IFRS IC’s agenda</th>
</tr>
</thead>
</table>
| June 2017             | IAS 19 Employee Benefits—Discount rate in a country that has adopted another country’s currency | The IFRS IC received a request to clarify how an entity determines the rate used to discount post-employment benefit obligations (discount rate) in a country (Ecuador) that has adopted another currency as its official or legal currency (the US dollar). The entity’s post-employment benefit obligation is denominated in US dollars. The submitter says there is no deep market for high quality corporate bonds denominated in US dollars in the country in which the entity operates. The submitter asked whether, in that situation, the entity considers the depth of the market in high quality corporate bonds denominated in US dollars in other markets or countries in which those bonds are issued (for example, the United States). If there is no deep market in high quality corporate bonds denominated in US dollars, IAS 19 requires the entity to use the market yield on government bonds denominated in US dollars when determining the discount rate. The submitter asked whether the entity can use market yields on bonds denominated in US dollars issued by the Ecuadorian government, or whether, instead, the entity is required to use market yields on bonds denominated in US dollars issued by a government in another market or country. The Committee observed, applying paragraph 83 of IAS 19, that:  
  ▶ An entity with post-employment benefit obligations denominated in a particular currency assesses the depth of the market in high quality corporate bonds denominated in that currency. This means that the entity does not limit this assessment to the market or country in which it operates, but also considers other markets or countries in which high quality corporate bonds denominated in that currency are issued.  
  ▶ If there is a deep market in high-quality corporate bonds denominated in that currency, the entity determines the discount rate by reference to market yields on high quality corporate bonds at the end of the reporting period. It does so even if there is no deep market in such bonds in the market or country in which the entity operates. In this situation, the entity does not use market yields on government bonds to determine the discount rate.  
  ▶ If there is no deep market in high quality corporate bonds denominated in that currency, the entity determines the discount rate using market yields on government bonds denominated in that currency.  
  ▶ The entity applies judgement to determine the appropriate population of high quality corporate bonds or government bonds to reference when determining the discount rate. The currency and term of the bonds should be consistent with the currency and estimated term of the post-employment benefit obligations. |

1 The IFRIC Update is available at: http://www.ifrs.org/news-and-events/updates/ifric-updates/.
The IFRS IC noted that the discount rate does not reflect the expected return on plan assets. Paragraph BC130 of IAS 19 states that the measurement of the obligation should be independent of the measurement of any plan assets actually held by a plan.

In addition, the IFRS IC considered the interaction between the requirements in paragraphs 75 and 83 of IAS 19. Paragraph 75 of IAS 19 requires actuarial assumptions to be mutually compatible. The IFRS IC concluded that it is not possible to assess whether, and to what extent, a discount rate derived by applying the requirements in paragraph 83 of IAS 19 is compatible with other actuarial assumptions. Accordingly, the entity applies the requirements in paragraph 83 of IAS 19 when it determines the discount rate.

The IFRS IC concluded that the requirements in IAS 19 provide an adequate basis for an entity to determine the discount rate when the entity operates in a country that has adopted another currency as its official or legal currency.

June 2017

IAS 32 Financial Instruments: Presentation—Centrally cleared client derivatives

Some jurisdictions mandate the clearing of particular derivative products through a central clearing counterparty (CCP). To clear through a CCP, an entity must be a clearing member (sometimes referred to as a ‘clearing broker’). The types of products required to be cleared, and the surrounding legal framework, vary across jurisdictions.

The IFRS IC received a request to clarify the accounting for centrally cleared client derivative contracts from the perspective of the clearing member.

The IFRS IC concluded that the clearing member first applies the requirements for financial instruments. More specifically, the IFRS IC observed that:

- If the transaction(s) results in contracts that are within the scope of IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement), then the clearing member applies the recognition requirements in paragraph 3.1.1 of IFRS 9 (paragraph 14 of IAS 39) to those contracts. The clearing member presents assets and liabilities separately applying IFRS 9 (or IAS 39) in the statement of financial position, unless net presentation is required pursuant to the offsetting requirements in paragraph 42 of IAS 32.

- If the transaction(s) is not within the scope of IFRS 9 (IAS 39) and another IFRS standard does not specifically apply, only then would the clearing member apply the hierarchy in paragraphs 10-12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to determine an appropriate accounting policy for the transaction(s).

The IFRS IC concluded that the principles and requirements in IFRS standards provide an adequate basis for a clearing member to account for centrally cleared client derivative contracts.
<table>
<thead>
<tr>
<th>Final date considered</th>
<th>Issue</th>
<th>Summary of reasons given for not adding the issue to the IFRS IC’s agenda</th>
</tr>
</thead>
</table>
| June 2017             | IAS 33 Earnings per Share—Tax arising from payments on participating equity instruments | The IFRS IC received a request to clarify how an entity determines profit attributable to ordinary shareholders when calculating basic earnings per share (EPS). In the fact pattern described in the submission:  
  ▶ The entity has two classes of equity instruments – ordinary shares and participating equity instruments. Participating equity holders participate in dividends together with ordinary shareholders according to a predetermined formula.  
  ▶ Applying IAS 32 Financial Instruments: Presentation, the entity classifies the participating equity instruments as equity. Dividends are paid to participating equity holders only when they are paid to ordinary shareholders.  
  ▶ The dividends on participating equity instruments are deductible for tax purposes. Accordingly, such payments reduce taxable income and thus reduce income taxes payable to the taxation authorities (tax benefit).  
  The submitter asked whether, in determining profits attributable to ordinary shareholders (i.e., the numerator) in the basic EPS calculation, the entity reflects the tax benefit that would arise from the hypothetical distribution of profit to participating equity holders.  
  The IFRS IC concluded that, when calculating basic EPS in the fact pattern described in the submission, the entity adjusts profit or loss attributable to ordinary shareholders for the portion of any tax benefit attributable to those ordinary shareholders. This is because the tax benefit is a direct consequence of the hypothetical distribution of profit to the participating equity holders required by paragraph A14 of IAS 33. The entity applies this accounting treatment regardless of whether it recognises the tax benefit in equity or in profit or loss.  
  The IFRS IC concluded that the principles and requirements in IAS 33 provide an adequate basis for an entity to calculate basic EPS in the fact pattern described in the submission. The IFRS IC also decided to publish an illustrative example as educational material to accompany the agenda decision. |
The IFRS IC received a request about the fair value measurement of produce growing on bearer plants. More specifically, the submitter asked whether the IFRS IC considers fruit growing on oil palms to be an example of a biological asset for which an entity might rebut the fair value presumption applying paragraph 30 of IAS 41.

The IFRS IC observed that:

- Paragraph 5C of IAS 41 says that produce growing on bearer plants is a biological asset. Accordingly, an entity accounts for fruit growing on oil palms by applying IAS 41.

- The recognition requirements in paragraph 10 of IAS 41 specify when an entity recognises the fruit growing on oil palms separately from the oil palms themselves. The entity accounts for the oil palms by applying IAS 16 Property, Plant and Equipment. An entity recognises a biological asset when: it controls the asset as a result of past events, it is probable that future economic benefits associated with the asset will flow to the entity, and the fair value or cost of the asset can be measured reliably.

- Applying paragraph 12 of IAS 41, an entity measures a biological asset on initial recognition and at the end of each reporting period at its fair value less costs to sell, except as described in paragraph 30 of IAS 41.

- Paragraph 30 of IAS 41 contains a presumption that fair value can be measured reliably for a biological asset. However, that presumption can be rebutted only on initial recognition for a biological asset for which quoted market prices are not available and for which alternative fair value measurements are determined to be clearly unreliable. Paragraph 30 of IAS 41 states that once the fair value of such a biological asset becomes reliably measurable, an entity measures it at its fair value less costs to sell.

The IFRS IC concluded that the reference to ‘clearly unreliable’ in paragraph 30 of IAS 41 indicates that, to rebut the presumption, an entity must demonstrate that any fair value measurement is clearly unreliable. Paragraph BC4C of IAS 41 suggests that, when developing the amendments to IAS 41 on bearer plants, the Board’s expectation was that fair value measurements of produce growing on bearer plants might be clearly unreliable when an entity encounters significant practical difficulties. However, the IFRS IC observed that the converse is not necessarily true, i.e., if an entity encounters significant practical difficulties, this does not necessarily mean that any fair value measurement of produce is clearly unreliable. In paragraph BC4C, the Board observed that, in this situation, an entity should consider whether the measurement is clearly unreliable.

The IFRS IC also observed that the submission appears to ask whether possible differences in supportable assumptions (which might result in significantly different valuations) constitute ‘significant practical difficulties’ as referred to in paragraph BC4C of IAS 41. The IFRS IC concluded that this is not evidence of significant practical difficulties, and that it would not, in and of itself, result in fair value measurements that are clearly unreliable.

The IFRS IC noted that paragraph 125 of IAS 1 Presentation of Financial Statements requires an entity to disclose information about assumptions and estimates that have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In addition, paragraph 91 of IFRS 13 Fair Value Measurement requires an entity to disclose information that helps users of its financial statements understand the valuation techniques and inputs used to develop fair value measurements, and the effect
Summary of reasons given for not adding the issue to the IFRS IC’s agenda

of measurements that use Level 3 inputs.
The IFRS IC observed that the submission asks the committee to conclude whether fair value measurements for a particular type of produce growing on bearer plants are clearly unreliable. The IFRS IC determined that its role is not to conclude upon specific application questions, particularly when they relate to the application of the judgements required in applying IFRS standards.

Feedback received on the tentative agenda decision regarding the fair value of biological assets growing on bearer plants published earlier will be reported to the Board for consideration as part of its Post-implementation Review (PIR) of IFRS 13.
The ability to stay current on the IASB’s standard-setting activities is critical in a sea of change. The following pages summarise key features of selected active projects of the IASB, along with potential implications of the proposed standards. The ‘Key projects’ are those initiated with the objective of issuing new standards or that involve overarching considerations across a number of standards. ‘Other projects’ include proposed amendments with narrower applicability. Generally, only those projects that have reached the exposure draft stage are included, but in selected cases, projects that have not yet reached the exposure draft stage are also commented on.

Key projects

Conceptual Framework

Key developments to date

Background

The objective of the Conceptual Framework project is to improve financial reporting by providing a more complete, clear and updated set of concepts.

To achieve this, the IASB is building on the existing Conceptual Framework, while updating it, improving it and filling in the gaps, instead of fundamentally reconsidering all aspects of the Conceptual Framework.

Scope and key features

The Exposure Draft (ED) that was issued in May 2015 proposes to:

- Revise the definitions of elements in the financial statements
- Include new guidance on the recognition criteria and derecognition principles
- Describe the various measurement bases and factors to consider when selecting an appropriate measurement basis
- Include the principles for when items of income and expense are reported in OCI or profit or loss
- Describe high-level concepts for presentation and disclosure of information

The comment period for the ED ended on 25 November 2015.

The Board is currently deliberating the comments received on the ED. In November 2016, the IASB issued a staff paper, Effect of Board Redeliberations on the Exposure Draft Conceptual Framework for Financial Reporting, that compares the proposals in the ED with the results of the Board’s deliberations up to 15 November 2016. The final version of the Conceptual Framework is expected to be issued in the second half of 2017.

Impact

The proposed changes to the Conceptual Framework may impact the application of IFRS in situations in which no standard applies to a particular transaction or event, or when a standard allows a choice of accounting policies.
Disclosure Initiative

Key developments to date

Background
The IASB is undertaking a broad-based initiative to explore how disclosures in IFRS financial reporting can be improved. The Disclosure Initiative is made up of a number of implementation and research projects. In December 2014 and January 2016, amendments to IAS 1 and IAS 7 were issued respectively.

The amendments to IAS 7 are summarised in Section 1 of this publication. The other projects forming part of the Disclosure Initiative are described below.

Materiality
The objective of this project is to consider ways to improve the application of the materiality concept. The IASB plans to:

- Provide guidance on making materiality judgements when preparing general purpose financial statements, which will take the form of a non-mandatory Practice Statement (PS)
- Publish refinements to the definition of materiality in a separate exposure draft

The ED of a proposed Practice Statement (PS) was issued in October 2015. The PS is expected to include guidance in the following areas:

- General characteristics of materiality
- How to make materiality judgements when preparing the financial statements
- Specific topics such as interim reporting, errors, covenants, and prior period information

The IASB is considering the comments received. Both the final Practice Statement and the exposure draft clarifying the definition of materiality are expected to be published in Q3 2017.

Principles of disclosure
The objective of this project is to identify and better understand disclosure issues and either develop a set of new disclosure principles, or clarify the existing principles.

The IASB published a Discussion Paper (DP) in March 2017 which focuses on the general disclosure requirements in IAS 1 and concepts being developed in the project to revise the existing Conceptual Framework.

Some specific suggestions in the Discussion Paper include:

- Seven principles of effective communication, which could be included in a general disclosure standard or described in non-mandatory guidance
- Possible approaches to improve disclosure objectives and requirements in IFRS standards
- Principles of fair presentation and disclosure of performance measures and non(IFRS) information in financial statements, to ensure that such information is not misleading.

The comment period for the DP ends on 2 October 2017.

Standards-level review of disclosures
The IASB is planning to carry out a review of existing standards to identify and eliminate redundancies, conflicts, and duplications.

Impact
At this stage of the Disclosure Initiative, the impact of the different projects is unknown. However, the objective is to improve disclosure effectiveness by providing guidance on how to enhance the structure of financial statements, make disclosures entity-specific, and apply the materiality concept.

The amendments to IAS 1 issued in December 2014 generally only clarify existing requirements. However, these clarifications can be effective in steering practice away from making disclosures that contribute to the observed disclosure ineffectiveness. The amendments to IAS 7 issued in January 2016 came as a response to requests from investors for information that helps them better understand changes in an entity’s debt. Similarly, the other projects have the potential to contribute to more tailored and effective disclosures.

Other EY publications
Applying IFRS: Enhancing communication effectiveness (February 2017) EYG no. 000662-173Gbl

IFRS Developments Issue 115: Disclosure Initiative – proposed guidance on materiality (October 2015) EYG no. AU3581

Other projects

The IASB has a number of projects on its work plan to amend existing standards and interpretations for specific matters. Following is a brief summary of selected projects. Refer to the IASB’s website for its work plan, which includes the current status of all projects.

<table>
<thead>
<tr>
<th>Other projects</th>
<th>Status/next steps</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial Instruments – Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging</strong></td>
<td>⊢ DP issued in April 2014; re-deliberations are ongoing; second discussion paper is expected in the second half of 2018</td>
</tr>
<tr>
<td>‣ The objective of this project is to address the specific accounting for risk management strategies relating to open portfolios rather than individual contracts. The hedge accounting requirements in IAS 39 and IFRS 9 do not provide specific solutions to the issues associated with macro hedging.</td>
<td></td>
</tr>
<tr>
<td>‣ The IASB is focusing initially on the information constituents believe should be required to better reflect entities’ dynamic risk management activities.</td>
<td></td>
</tr>
<tr>
<td>‣ The IASB is expected to consider how constituents’ information needs could be addressed through disclosures before considering the areas that need to be addressed through recognition and measurement. The objective is not to be a disclosure only project.</td>
<td></td>
</tr>
<tr>
<td><strong>Classification of Liabilities (Proposed amendments to IAS 1)</strong></td>
<td>⊢ ED issued in Q1 2015; amendments are expected in the first half of 2018</td>
</tr>
<tr>
<td>‣ The proposed amendments to IAS 1 aim to improve presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current. The ED proposes to:</td>
<td>⊢ The Board will continue its discussion in parallel with the final stages of revising the Conceptual Framework for Financial Reporting. This is expected to be towards the end of 2017</td>
</tr>
<tr>
<td>‣ Clarify that the classification of a liability as either current or non-current is based on the entity’s rights at the end of the reporting period.</td>
<td></td>
</tr>
<tr>
<td>‣ Clarify the link between the settlement of the liability and the outflow of resources from the entity.</td>
<td></td>
</tr>
<tr>
<td><strong>Plan Amendment, Curtailment or Settlement/Availability of a Refund (Amendments to IAS 19 and IFRIC 14)</strong></td>
<td>⊢ ED issued in Q2 2015; amendments are expected in Q4 2017</td>
</tr>
<tr>
<td>‣ The proposed amendments to IAS 19 specify that, in the event of a plan amendment, curtailment or settlement during a reporting period, an entity is required to use updated information to determine current service cost and net interest for the period following such an event.</td>
<td></td>
</tr>
<tr>
<td>‣ The proposed amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction address whether the powers of other parties affect an entity’s right to a refund of a surplus from the plan.</td>
<td></td>
</tr>
</tbody>
</table>
### Other projects

#### Definition of a Business (Proposed amendments to IFRS 3)

- The proposed amendments aim to address issues related to the application of the definition of a business. In summary, the ED proposes the following clarifications to the definition of a business:
  - To clarify that to be considered a business, an acquired set of activities and assets (a set) must include, at a minimum, an input and a substantive process that together have the ability to contribute to the creation of outputs.
  - To remove the statement that a set of activities and assets is a business if market participants can replace the missing elements and continue to produce outputs.
  - To revise the definition of outputs to focus on goods and services provided to customers and to remove the reference to the ability to reduce costs.
  - To consider a set of activities and assets not to be a business if, at the transaction date, substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.
  - To add guidance to help determine whether a substantive process has been acquired.
- ED issued in Q2 2016; comments were due by 31 October 2016.
- The Board expects to complete its discussions about the feedback on its proposals in the second half of 2017; amendments are expected in the first half of 2018.

#### Previously Held Interests in a Joint Operation (Proposed amendments to IFRS 3 and IFRS 11)

- The proposed amendments aim to eliminate diversity in practice in the accounting for previously held interests in the assets and liabilities of a joint operation (JO) in transactions in which an entity obtains control, or joint control, of a JO that meets the definition of a business.
- The ED proposes to clarify that, when an entity obtains control of a business that is a JO, the entity applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the JO to fair value. However, if an entity obtains joint control of a business that is a JO, or if it increases its interest in a JO over which it already has joint control, then previously held interests in the assets and liabilities of the JO are not remeasured.
- ED issued in Q2 2016; comments were due by 31 October 2016.
- The Board tentatively decided to finalise the amendments to IFRS 3 and IFRS 11 with no substantive changes. The Board tentatively decided to clarify in the amendments to IFRS 3 that when an entity obtains control of a business that is a joint operation, it remeasures its overall previously held interest in that business.
- Amendments are expected in Q4 2017.

#### Improvements to IFRS 8 Operating Segments (Amendments to IFRS 8 and IAS 34)

- The proposed amendments, which follow on from a Post-implementation Review (PIR) of IFRS 8, include amendments to:
  - Clarify and emphasise the criteria that must be met before two operating segments may be aggregated.
  - Require entities to disclose the title and role of the person or group that performs the function of the chief operating decision maker.
- ED was issued in March 2017; comments are due by 31 July 2017. Exposure Draft Feedback is expected in Q4 2017.
**Other projects**

- Require entities to provide information in the notes to the financial statements if segments in the financial statements differ from segments reported elsewhere in the annual report and in accompanying materials.
- The Board has also proposed to amend IAS 34 *Interim Financial Reporting* to require entities that change their segments to provide restated segment information for prior interim periods earlier than they currently do.

**Annual Improvements to IFRS Standards 2015-2017 Cycle**
- The Board issued an exposure draft that contains proposed amendments to IAS 12 *Income Taxes*, IAS 23 *Borrowing Costs* and IAS 28 *Investments in Associates and Joint Ventures*.
  - The proposed amendments to IAS 12 clarify that the requirements of paragraph 52B apply not just to the circumstances described in paragraph 52A, but to all income tax consequences of dividends.
  - The proposed amendments to IAS 23 clarify which borrowing costs are eligible for capitalisation as part of the cost of an asset in particular circumstances.
  - The proposed amendments to IAS 28 clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which it does not apply the equity method.

**Property, Plant and Equipment—Proceeds before Intended Use (Proposed amendments to IAS 16)**
- The proposed amendments aim to prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity would recognise the proceeds from selling such items, and the costs of producing those items, in profit or loss.

**Post-implementation Review IFRS 13 Fair Value Measurement**
- The Board is conducting a Post-implementation Review (PIR) of IFRS 13 *Fair Value Measurement* to assess the effect of the standard on financial reporting. The purpose of a PIR is to evaluate whether the standard is working as the Board intended.
- The Board has issued a Request for Information (RFI) that focuses on disclosures about fair value measurements; prioritising Level 1 inputs or the unit of account; application of the concept of the highest and best use when measuring the fair value of non-financial assets; and application of judgement in specific areas. In addition, this RFI also explores whether there is a need for further guidance, such as education material, on measuring the fair value of biological assets and unquoted equity instruments.

**Status/next steps**

- ED was issued in January 2017; comments were due by 12 April 2017.
- The Board will consider stakeholders’ feedback on its proposals to IAS 12 and IAS 23 in Q3 2017.
- The Board plans to finalise the proposed amendments to IAS 28 *Investments in Associates and Joint Ventures* later in Q3 2017.
- ED was issued in June 2017; comments are due by 19 October 2017.
- RFI was issued in June 2017; submissions are due by 22 September 2017.
The table below sets out the estimated timeline for the remaining projects on the IASB's active agenda as at the end of June 2017.

<table>
<thead>
<tr>
<th>IASB projects</th>
<th>Next milestone</th>
<th>Expected date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research projects</strong></td>
<td></td>
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<tr>
<td>Primary Financial Statements</td>
<td>Discussion paper or exposure draft</td>
<td>H1 2018</td>
</tr>
<tr>
<td>Business Combinations under Common Control</td>
<td>Discussion paper</td>
<td>H1 2018</td>
</tr>
<tr>
<td>Financial Instruments with Characteristics of Equity</td>
<td>Discussion paper</td>
<td>Q4 2017</td>
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<tr>
<td>Goodwill and Impairment</td>
<td>Discussion paper</td>
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<tr>
<td>Discount Rates</td>
<td>Research summary</td>
<td>September 2017</td>
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<tr>
<td>Share-based Payment</td>
<td>Research summary</td>
<td>September 2017</td>
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<tr>
<td><strong>Standard-setting and related projects</strong></td>
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<td>Rate-regulated Activities</td>
<td>Discussion paper or exposure draft</td>
<td>H1 2018</td>
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<tr>
<td><strong>Maintenance projects</strong></td>
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<tr>
<td>Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)</td>
<td>Exposure draft</td>
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<tr>
<td>Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)</td>
<td>IFRS Amendment</td>
<td>Q4 2017</td>
</tr>
<tr>
<td>Fees in the ‘10 Per Cent’ Test for Derecognition (Amendments to IFRS 9)</td>
<td>Exposure Draft</td>
<td>-*</td>
</tr>
</tbody>
</table>

*The timing of publication of the proposed amendments depends on the identification of other matters for inclusion in the annual improvements process.
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