IFRS Core Tools

IFRS Update of standards and interpretations in issue at 30 September 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 September 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.

A table comparing mandatory application for different year ends is presented at the beginning of Section 1. In the table, the pronouncements are presented in order of their effective dates. Note that many pronouncements contain provisions that would allow entities to adopt in earlier periods.

Following the table, the discussion of the pronouncements follows the order in which the related standards are presented in the IFRS bound volume (Red Book), except for the AIP which is discussed at the end of Section 1.

When a standard or interpretation has been issued, but has yet to be applied by an entity, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires the entity to disclose any known (or reasonably estimable) information relevant to understanding the possible impact that the new pronouncement will have on the financial statements, or indicate the reason for not doing so. The table at the beginning of Section 1 is helpful in identifying the pronouncements that fall within the scope of this disclosure requirement.

Section 2 provides a summary of the agenda decisions (rejection notices) published in the IFRIC Update1 since 1 July 2017. For rejection notices published before 1 July 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 Tools\(^2\) 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 31 December 2017 or thereafter, and disclosures that are permitted to be adopted early. These disclosure requirements are for all pronouncements issued as at 31 August 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 2017 and effective for the year ended 31 December 2017. Good Group (International) Limited – Illustrative interim condensed financial statements for the period ended 30 June 2017, based on IFRS in issue at 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.

Good Group (International) Limited is supplemented by illustrative financial statements that are aimed at specific sectors, industries and circumstances. These include:

- Good Group (International) Limited – Alternative Format
- Good First-time Adopter (International) Limited
- Good Investment Fund Limited (Equity)
- Good Investment Fund Limited (Liability)
- Good Real Estate Group (International) Limited
- Good Mining (International) Limited
- Good Petroleum (International) Limited
- Good Insurance (International) Limited
- Good Bank (International) Limited

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\(^®\) 2017\(^4\)

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.


\(^{3}\) 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 September 2017

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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 (FVTPL), 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.

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 measureable.

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).  

Other EY publications

Applying IFRS: A closer look at the new revenue recognition standard (Updated July 2017) EYG no. 04291-173Gbl
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: 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

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.
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. Lessors 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 lessee 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
- 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. In September 2017, the Board established 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. 3253-173Gbl
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 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 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures 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.
IFRS Practice Statement 2: Making Materiality Judgments

Companies are permitted to apply the guidance in the Practice Statement (PS) to financial statements prepared any time after 14 September 2017.

Purpose
The PS contains non-mandatory guidance to help entities making materiality judgements when preparing general purpose IFRS financial statements. The PS may also help users of financial statements to understand how an entity makes materiality judgements in preparing such financial statements.

Key provisions
The PS comprises guidance in three main areas:

- General characteristics of materiality
- A four-step process that may be applied in making materiality judgements when preparing financial statements. This process describes how an entity could assess whether information is material for the purposes of recognition, measurement, presentation and disclosure.
- Guidance on how to make materiality judgements in specific circumstances, namely, prior period information, errors and covenants and in the context of interim reporting.

Furthermore, the PS discusses the interaction between the materiality judgements an entity is required to make and local laws and regulations.

The PS includes examples illustrating how an entity might apply the guidance.

Impact
Since the PS is a non-mandatory document, it does not change or introduce any requirements in IFRS. However, the PS provides helpful guidance for entities making materiality judgements and thus may improve the communication effectiveness of financial statements.

Other EY publications
IFRS Developments Issue 129: Disclosure Initiative - updates on the Materiality Project (September 2017) EYG no. 05342-173Gbl
# 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 Q3 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 July 2017 (since our previous edition of IFRS Update) to 30 September 2017 and contains highlights from the agenda decisions. For agenda decisions published before 1 July 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.7

<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>
<tbody>
<tr>
<td>September 2017</td>
<td>IFRS 1 First-time Adoption of International Financial Reporting Standards—Subsidiary as a first-time adopter</td>
<td>The IFRS IC received a request regarding the accounting applied by a subsidiary that becomes a first-time adopter of IFRS standards later than its parent. The subsidiary has foreign operations, on which it accumulates translation differences as part of a separate component of equity. The submitter asked whether, applying paragraph D16 of IFRS 1, the subsidiary is permitted to recognise cumulative translation differences at an amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRSs. Paragraph D16 of IFRS 1 provides a subsidiary that becomes a first-time adopter of IFRSs later than its parent with an exemption in respect of the measurement of its assets and liabilities. Translation differences that the subsidiary accumulates as part of a separate component of equity are neither assets nor liabilities. Accordingly, the IFRS IC concluded that paragraph D16 of IFRS 1 does not permit the subsidiary to recognise cumulative translation differences at the amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRSs. The IFRS IC also concluded that the subsidiary cannot apply the exemption in paragraph D16 of IFRS 1 to cumulative translation differences by analogy — paragraph 18 of IFRS 1 explicitly prohibits an entity from applying the exemptions in IFRS 1 by analogy to other items. Accordingly, when the subsidiary becomes a first-time adopter of IFRS, the subsidiary accounts for cumulative translation differences applying paragraphs D12–D13 of IFRS 1. These paragraphs require the subsidiary to recognise cumulative translation differences either at zero or on a retrospective basis at its date of transition to IFRS. The IFRS IC decided to research possible narrow-scope standard-setting for components of equity when a subsidiary becomes a first-time adopter of IFRS later than its parent. The IFRS IC will consider this research at a future meeting.</td>
</tr>
<tr>
<td>September 2017</td>
<td>IFRS 9 Financial Instruments—Financial assets eligible for the election to present changes in fair value in other comprehensive income</td>
<td>The IFRS IC received a request asking whether particular financial instruments are eligible for the presentation election in paragraph 4.1.4 of IFRS 9. That election permits the holder of particular investments in equity instruments to present subsequent changes in fair value in other comprehensive income, rather than in profit or loss. The submitter asked whether financial instruments are eligible for that presentation election if the issuer would classify them as equity applying paragraphs 16A–16D of IAS 32 Financial Instruments: Presentation. The IFRS IC observed that the presentation election in paragraph 4.1.4 of IFRS 9 refers to particular investments in equity instruments. ‘Equity instrument’ is a</td>
</tr>
</tbody>
</table>

<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>
<tbody>
<tr>
<td>September 2017</td>
<td>IAS 12 Income Taxes—Interest and penalties related to income taxes</td>
<td>IFRSs do not specifically address the accounting for interest and penalties related to income taxes (interest and penalties). In the light of the feedback received on the then draft IFRIC Interpretation Uncertainty over Income Tax Treatments (refer to page 10 of this publication for the final interpretation issued), the IFRS IC decided not to add a project on interest and penalties to its standard-setting agenda. Nonetheless, the IFRS IC observed that entities do not have an accounting policy choice between applying IAS 12 and applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets to interest and penalties. Instead, if an entity considers a particular amount payable or receivable for interest and penalties to be an income tax, then the entity applies IAS 12 to that amount. If an entity does not apply IAS 12 to a particular amount payable or receivable for interest and penalties, it applies IAS 37 to that amount. An entity discloses its judgement in this respect applying paragraph 122 of IAS 1 Presentation of Financial Statements if it is part of the entity’s judgements that had the most significant effect on the amounts recognised in the financial statements. Paragraph 79 of IAS 12 requires an entity to disclose the major components of tax expense (income); for each class of provision, paragraphs 84–85 of IAS 37 require a reconciliation of the carrying amount at the beginning and end of the reporting period as well as other information. Accordingly, regardless of whether an entity applies IAS 12 or IAS 37 when accounting for interest and penalties, the entity discloses information about those interest and penalties if it is material. The IFRS IC also observed it had previously published agenda decisions discussing the scope of IAS 12 in March 2006 and May 2009.</td>
</tr>
</tbody>
</table>

defined term, and Appendix A of IFRS 9 specifies that it is defined in paragraph 11 of IAS 32. IAS 32 defines an equity instrument as ‘any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities’. Consequently, a financial instrument that meets the definition of a financial liability cannot meet the definition of an equity instrument. The IFRS IC also observed that paragraph 11 of IAS 32 specifies that, as an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument by the issuer if it has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of IAS 32. Accordingly, the IFRS IC concluded that a financial instrument that has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of IAS 32 is not eligible for the presentation election in paragraph 4.1.4 of IFRS 9. This is because such an instrument does not meet the definition of an equity instrument in IAS 32. This conclusion, based on the requirements in IFRS 9 and IAS 32, is supported by the Board’s explanation in paragraph BC5.21 of IFRS 9 of its decision in this respect.
The IFRS IC received a request about how an entity accounts for goods it distributes as part of its promotional activities. In the fact pattern described in the request, a pharmaceutical entity acquires goods (such as refrigerators, air conditioners and watches) to distribute to doctors as part of its promotional activities. The entity and the doctors do not enter into agreements that create enforceable rights and obligations in relation to those goods. The request asked how the entity accounts for any such goods that remain undistributed at its reporting date.

Paragraph 5 of IAS 38 states that IAS 38 applies to expenditure on advertising activities. Accordingly, the IFRS IC concluded that if an entity acquires goods solely to be used to undertake advertising or promotional activities, it applies the requirements in paragraph 69 of IAS 38. Paragraph 69 requires an entity to recognise expenditure on such goods as an expense when the entity has a right to access those goods. Paragraph 69A of IAS 38 states that an entity has a right to access goods when it owns them. The entity, therefore, recognises expenditure on those goods as an expense when it owns the goods, or otherwise has a right to access them regardless of when it distributes the goods.

In explaining the Board’s rationale for the requirements in paragraph 69, paragraph BC46B of IAS 38 states that goods acquired to be used to undertake advertising and promotional activities have no other purpose than to undertake those activities. In other words, the only benefit of those goods for the entity is to develop or create brands or customer relationships, which in turn generate revenues. However, applying IAS 38, the entity does not recognise internally generated brands or customer relationships as assets.
Section 3: Active IASB projects

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 Q1 2018.

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 issued the IFRS Practice Statement 2: Making Materiality Judgements (PS) and the ED Definition of Material in September 2017.

For further details regarding the PS, please refer to page 15 in Section 1: New pronouncements issued as at 30 September 2017.

In the ED Definition of Material, the IASB proposes minor amendments to IAS 1 and IAS 8 to clarify their application and align the definition of material. The proposed amendments are intended to improve the understanding of the existing requirements rather than to significantly impact an entity’s materiality judgements on financial statements.

Any changes made to the definition of material in IAS 1 and IAS 8 as a result of the proposals in the ED will result in consequential amendments to the PS and the forthcoming revised Conceptual Framework. Comments are due by 15 January 2018. Exposure Draft Feedback is expected in the first half of 2018.

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:

- 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. Discussion Paper Feedback is expected in the first half of 2018.

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 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>
</table>
| Financial Instruments – Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging | • 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  
• The IASB is focusing initially on the information constituents believe should be required to better reflect entities’ dynamic risk management activities  
• 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. |
| Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) and Availability of a Refund (Amendments to IFRIC 14) | • 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  
• 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  
• The ED was issued in June 2015  
• At the September 2017 meeting, the Board tentatively decided to finalise the amendments to IAS 19 separately from the amendments to IFRIC 14  
• The amendments to IAS 19 are expected in December 2017 and the Board tentatively decided to require entities to apply these amendments to annual periods beginning on or after 1 January 2019, with earlier application permitted  
• In respect of the amendments to IFRIC 14 the Board tentatively decided to perform further work to assess whether it can establish a more principles-based approach for an entity to assess the availability of a refund of a surplus. |
<table>
<thead>
<tr>
<th>Other projects</th>
<th>Status/next steps</th>
</tr>
</thead>
</table>
| Classification of Liabilities (Proposed amendments to IAS 1) | • The ED was issued in Q1 2015  
• Amendments are expected in H2 2018 |
| - 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:  
  - 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  
  - Clarify the link between the settlement of the liability and the outflow of resources from the entity | |
| Definition of a Business (Proposed amendments to IFRS 3) | • The ED was issued in Q2 2016; comments were due by 31 October 2016  
• Amendments are expected in the first half of 2018 |
| - 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 | |
| Previously Held Interests in a Joint Operation (Proposed amendments to IFRS 3 and IFRS 11) | • The ED was 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 December 2017, and will be issued as part of the Annual Improvements 2015-2017 cycle amendment |
| - 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. |
### Other projects

#### 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
  - 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.
- ED was issued in January 2017; comments were due by 12 April 2017.
- In July 2017, the Board tentatively decided to:
  - Finalise the proposed amendments to IAS 23 with no substantive changes and to clarify that an entity also includes funds borrowed specifically to obtain an asset other than a qualifying asset as part of its general borrowings
  - Finalise the proposed amendments with no substantive changes and to require an entity to apply the amendments to income tax consequences of dividends recognised on or after the beginning of the earliest reporting period presented
- Amendments to IAS 12 and IAS 23 are expected in December 2017.
- Amendments to IAS 28 are expected in October 2017 as a separate narrow scope amendment.

#### 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.
- ED was issued in June 2017; comments are due by 19 October 2017.
- Exposure Draft Feedback is expected in December 2017.
<table>
<thead>
<tr>
<th>Other projects</th>
<th>Status/next steps</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Post-implementation Review IFRS 13 Fair Value Measurement</strong></td>
<td>• RFI was issued in June 2017; submissions were due by 22 September 2017</td>
</tr>
<tr>
<td>• 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.</td>
<td>• RFI Feedback is expected in December 2017</td>
</tr>
<tr>
<td>• 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.</td>
<td></td>
</tr>
<tr>
<td><strong>Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)</strong></td>
<td>• The ED was issued in September 2017; comments are due by 15 January 2018</td>
</tr>
<tr>
<td>• The IASB issued an exposure draft proposing narrow-scope amendments to IAS 8 that are intended to help companies distinguish accounting policies from accounting estimates.</td>
<td>• ED Feedback is expected in Q1 2018</td>
</tr>
<tr>
<td>• This distinction is relevant because IAS 8 contains different requirements for changes in accounting policies and for changes in accounting estimates.</td>
<td></td>
</tr>
<tr>
<td>• The proposed amendments explain that an accounting policy is the overall objective and the accounting estimates are inputs used in achieving that objective. Furthermore, the proposed amendments include a definition of accounting estimate and clarify that selecting an estimation technique or valuation technique when an item in the financial statements cannot be measured with precision, constitutes selecting an accounting estimate whereas selecting a cost formula (i.e., first-in, first-out (FIFO) or weighted average cost) in applying IAS 2 Inventories constitutes selecting an accounting policy.</td>
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</tbody>
</table>
The table below sets out the estimated timeline for the remaining projects on the IASB’s agenda as at the end of September 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>
<td></td>
</tr>
<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>H2 2018</td>
</tr>
<tr>
<td>Financial Instruments with Characteristics of Equity</td>
<td>Discussion paper</td>
<td>H1 2018</td>
</tr>
<tr>
<td>Goodwill and Impairment</td>
<td>Discussion paper</td>
<td>H1 2018</td>
</tr>
<tr>
<td>Discount Rates</td>
<td>Research summary</td>
<td>H1 2018</td>
</tr>
<tr>
<td>Share-based Payment</td>
<td>Research summary</td>
<td>H1 2018</td>
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<tr>
<td><strong>Standard-setting and related projects</strong></td>
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<tr>
<td>Rate-regulated Activities</td>
<td>Discussion paper or exposure draft</td>
<td>H1 2018</td>
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<td><strong>Maintenance projects</strong></td>
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<td>Accounting Policy Changes (Amendments to IAS 8)</td>
<td>Exposure draft</td>
<td>H1 2018</td>
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<tr>
<td>Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)</td>
<td>IFRS Amendment</td>
<td>October 2017</td>
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<tr>
<td>Fees in the ‘10 Per Cent’ Test for Derecognition (Amendments to IFRS 9)</td>
<td>Exposure Draft</td>
<td>*</td>
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</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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