IFRS Update of standards and interpretations in issue at 30 June 2015
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## Section 2: Items not taken onto the IFRS Interpretations Committee’s agenda in Q2 2015

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Companies reporting under International Financial Reporting Standards (IFRS) continue to face a steady flow of new standards and interpretations. The nature of the resulting changes ranges 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 2015 that is applicable for the first time for annual periods ended June 2015 and 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.

This section is presented in the numerical order of the pronouncements, except for the AIP. All AIP amendments are presented at the end of Section 1.

In addition, 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. However, many pronouncements contain provisions that would allow entities to adopt in earlier periods.

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 rejection notices published in the IFRIC Update1 since 1 April 2015. For agenda rejection notices published before 1 April 2015, 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/Updates/IFRIC+Updates/IFRIC+Updates.htm
IFRS Core Tools
This publication provides an overview of new pronouncements issued as at 30 June 2015. Frequent changes to IFRS add to the complexity entities face when approaching the financial reporting cycle.

EY’s IFRS Core Tools provide the starting point for assessing the impact of these 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 this publication, EY’s IFRS Core Tools include the publications described below.

International GAAP® Disclosure Checklist
Our 2015 edition of International GAAP® Disclosure Checklist captures disclosure requirements applicable to periods ended 30 June 2015 or thereafter, and disclosures that are permitted to be adopted early. These disclosure requirements are for all pronouncements issued as at 28 February 2015. 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 our EY’s IFRS Core Tools webpage.

Good Group (International) Limited
Good Group (International) Limited for the year ended 31 December 2014 is a set of illustrative financial statements, incorporating presentation and disclosure requirements that are in issue as at 31 August 2014 and effective for the year ended 31 December 2014. Good Group (International) Limited – Illustrative interim condensed financial statements for the period ended 30 June 2015, based on IFRS in issue at 28 February 2015, 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 - An Alternative Format
- Good Investment Fund Limited (Equity)
- Good Investment Fund Limited (Liabilities)
- Good Mining (International) Limited
- Good Petroleum (International) Limited
- Good Real Estate Group (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.

International GAAP® 2015
Our International GAAP® 2015 is a comprehensive guide to interpreting and implementing IFRS. It includes pronouncements mentioned in this publication that were issued prior to September 2014, and it provides examples that illustrate how the requirements are applied.

References:
2. International GAAP® Disclosure Checklist
3. International GAAP® Disclosure Checklist is a registered trademark of Ernst & Young LLP (UK).
Section 1: New pronouncements issued as at 30 June 2015

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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.

Standards already effective for entities with these year-ends.

IFRS Update of standards and interpretations in issue at 30 June 2015
IFRS 9 Financial Instruments
Effective for annual periods beginning on or after 1 January 2018.

Key requirements
Classification and measurement of financial assets
All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL).

Debt instruments are subsequently measured at 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 of the fair value change in respect of the liability’s credit risk in OCI 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; and lease receivables under IAS 17 Leases.

Entities are generally required to recognise either 12-months’ or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses 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, can 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 designation as the hedging instrument and 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 24 July 2014. The transition to IFRS 9 differs by requirements and is partly retrospective and partly prospective. Despite the requirement to apply IFRS 9 in its entirety, 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 Developments Issue 109: Next steps for the accounting for dynamic risk management project (May 2015) EYG no. AU3187

IFRS Developments Issue 105: The ITG discusses IFRS 9 impairment implementation issues (April 2015) EYG no. AU3106

IFRS Developments Issue 100: Basel Committee proposes guidance on accounting for expected credit losses (February 2015) EYG no. AU2891

IFRS Developments Issue 87: IASB issues IFRS 9 Financial Instruments – expected credit losses (July 2014) EYG no. AU2537

IFRS Developments Issue 86: IASB issues IFRS 9 Financial Instruments – classification and measurement (July 2014) EYG no. AU2536

IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

Effective for annual periods beginning on or after 1 January 2014.

Key requirements

The investment entities amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity.

The key amendments include:

- 'Investment entity' is defined in IFRS 10 Consolidated Financial Statements
- An entity must meet all three elements of the definition and consider whether it has four typical characteristics, in order to qualify as an investment entity
- An entity must consider all facts and circumstances, including its purpose and design, in making its assessment
- An investment entity accounts for its investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries that provide services that relate to the investment entity’s investment activities, which must be consolidated
- An investment entity must measure its investment in another controlled investment entity at fair value
- A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees
- For venture capital organisations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28 Investments in Associates and Joint Ventures, to measure investments in associates and joint ventures at fair value through profit or loss, is retained

Transition

The amendments must be applied retrospectively, subject to certain transition reliefs.

Impact

The concept of an investment entity is new in IFRS. The amendments represent a significant change for investment entities, which were required to consolidate investees that they control. Significant judgement of facts and circumstances may be required to assess whether an entity meets the definition of investment entity.

Other EY publications

IFRS Developments Issue 44: Investment entities final amendment – exception to consolidation (October 2012) EYG no. AU1330.
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.

The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

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

Impact
The amendments to IFRS 10 and IAS 28 provide helpful clarifications that will assist preparers in applying the standards more consistently. However, it may still be difficult to identify investment entities in practice when they are part of a multi-layered group structure.

Other EY publications
IFRS Developments Issue 97: IASB issues amendments to the investment entities consolidation exception (December 2014) EYG no. AU2833.

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
Effective for annual periods beginning on or after 1 January 2016.

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 the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. 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 will effectively 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 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation.

Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

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

Impact
The amendments to IFRS 11 increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or an asset, which would be highly judgemental. Entities need to consider the definition carefully and select the appropriate accounting method based on the specific facts and circumstances of the transaction.

Other EY publications
Applying IFRS in the Oil & Gas Sector: Potential implications of the amendments to IFRS 11 Joint Arrangements (November 2014) EYG no. AU2749.
Applying IFRS: Challenges in adopting and applying IFRS 11 (June 2014) EYG no. AU2512.

IFRS 14 Regulatory Deferral Accounts
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income.

The standard requires disclosure of the nature of, and risks associated with, the entity’s rate regulation and the effects of that rate regulation on its financial statements.

Transition
Early application is permitted and must be disclosed.

Impact
IFRS 14 provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The comprehensive rate-regulated activities project is on the IASB’s active agenda.

Other EY publications
Applying IFRS for IFRS 14 Regulatory Deferral Accounts (November 2014) EYG no. AU2640.
IFRS Developments Issue 72: The IASB issues IFRS 14 – interim standard on regulatory deferral accounts (February 2014) EYG no. AU2146.
IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2017.6

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. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, 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 will 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.

Transition

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

Impact

IFRS 15 is more prescriptive than current IFRS 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, it is important for entities to start assessing the impact early. In addition, as the IASB and FASB and the Joint Transition Resource Group for Revenue Recognition (TRG) continue to discuss implementation issues, it will be important for entities to monitor their discussions. See Section 3 Active IASB projects for more details.

Other EY publications

Applying IFRS: Joint Transition Resource Group discusses additional revenue implementation issues (July 2015) EYG no. AU3355.
Applying IFRS: Joint Transition Resource Group for Revenue Recognition items of general agreement (May 2015) EYG no. AU3116.
Applying IFRS: Joint Transition Resource Group for Revenue Recognition discusses more implementation issues (April 2015) EYG no. AU3075.
Applying IFRS: The new revenue standard affects more than just revenue (February 2015) EYG no. AU2881.
Applying IFRS: A closer look at the new revenue recognition standard (June 2014) EYG no. AU2516.
IFRS Developments Issue 107: IASB issues an exposure draft proposing a one-year deferral of its new revenue standard (May 2015) EYG no. AU3184.
IFRS Developments Issue 104: IASB and FASB decide to make more changes to their new revenue standards (March 2015) EYG no. AU3019.
IFRS Developments Issue 102: Boards reach different decisions on some of the proposed changes to the new revenue standards (February 2015) EYG no. AU2918.

6 The IASB issued an exposure draft in May 2015 proposing a one-year deferral in the effective date to 1 January 2018.
IAS 1 Disclosure Initiative – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016.

**Key requirements**

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

**Transition**

Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity’s accounting policies or accounting estimates.

**Impact**

These amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement. Although these amendments clarify existing requirements of IAS 1, the clarifications may facilitate enhanced disclosure effectiveness.

**Other EY publications**

IFRS Developments Issue 98: IASB makes progress on the Disclosure Initiative (December 2014) EYG no. AU2836
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

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

Impact
Entities currently using revenue-based amortisation methods for property, plant and equipment will need to change their current amortisation approach to an acceptable method, such as the diminishing balance method, which would recognise increased amortisation in the early part of the asset’s useful life. Revenue generated may be used to amortise an intangible asset only in very limited circumstances.

Other EY publications
IFRS Developments Issue 78: IASB prohibits revenue-based depreciation (May 2014) EYG no. AU2353.

IAS 16 and IAS 41 Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41
Effective for annual periods beginning on or after 1 January 2016.

Key requirements
The amendments to IAS 16 and IAS 41 Agriculture change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41. As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in IAS 16 including the choice between the cost model and revaluation model for subsequent measurement.

In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of IAS 41.

Transition
Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may choose to measure a bearer plant at its fair value at the beginning of the earliest period presented. Earlier application is permitted and must be disclosed.

Impact
The requirements will not entirely eliminate the volatility in profit or loss as produce growing on bearer plants will still be measured at fair value. Furthermore, entities will need to determine appropriate methodologies to measure the fair value of these assets separately from the bearer plants on which they are growing, which may increase the complexity and subjectivity of the measurement.

Other EY publications
IFRS Developments Issue 84: Bearer plants – the new requirements (July 2014) EYG no. AU2518.
IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19
Effective for annual periods beginning on or after 1 July 2014.

**Key requirements**
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee’s salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee’s age.

**Transition**
The amendments must be applied retrospectively.

**Impact**
These changes provide a practical expedient for simplifying the accounting for contributions from employees or third parties in certain situations.

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27
Effective for annual periods beginning on or after 1 January 2016.

**Key requirements**
The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:
- At cost
- In accordance with IFRS 9 (or IAS 39)
  - Or
- Using the equity method

The entity must apply the same accounting for each category of investment.

A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

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

**Impact**
The amendments eliminate a GAAP difference for countries where regulations require entities to present separate financial statements using the equity method to account for investments in subsidiaries, associates and joint ventures.
IAS 32 Offsetting Financial Assets and Financial Liabilities —Amendments to IAS 32
Effective for annual periods beginning on or after 1 January 2014.

Key requirements
The amendments to IAS 32 Financial Instruments: Presentation clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous.

The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event.

The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion.

Transition
The amendments must be applied retrospectively.

Impact
Entities will need to review legal documentation and settlement procedures, including those applied by the central clearing houses they deal with to ensure that offsetting of financial instruments is still possible under the new criteria. Changes in offsetting may have a significant impact on financial statement presentation. The effect on leverage ratios, regulatory capital requirements, etc., will need to be considered.

Other EY publications
Applying IFRS: Offsetting financial instruments: clarifying the amendments (May 2012) EYG no. AU1182.

IFRS Developments Issue 22: Offsetting of financial instruments (December 2011) EYG no. AU1053.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets —Amendments to IAS 36
Effective for annual periods beginning on or after 1 January 2014.

Key requirements
The amendments to IAS 36 Impairment of Assets clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

Transition
The amendments must be applied retrospectively.

Impact
As a result of the amendments, entities are no longer required to disclose information that was regarded as commercially sensitive by preparers. Nevertheless, additional information needs to be provided. In general, it is likely that the information required to be disclosed will be readily available.
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39
Effective for annual periods beginning on or after 1 January 2014.

Key requirements
The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- In which the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing

All of the above criteria must be met to continue hedge accounting under this exception.

The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries.

For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

Transition
The amendments must be applied retrospectively. However, entities that discontinued hedge accounting in the past, because of a novation that would be in the scope of the amendments, may not reinstate that previous hedging relationship.

Impact
The amendments are, in effect, a relief from the hedge accounting requirements, and will allow entities to better reflect hedge relationships in the circumstances in which the novation exception applies.

Other EY publications

IFRIC 21 Levies
Effective for annual periods beginning on or after 1 January 2014.

Key requirements
IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached.

The interpretation does not address the accounting for the debit side of the transaction that arises from recognising a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards.

Transition
The interpretation must be applied retrospectively.

Impact
The interpretation is intended to eliminate diversity in practice on the treatment of the obligation to pay levies. The scope of this interpretation is very broad and captures various obligations, which are imposed by governments in accordance with legislation and may not always be described as ‘levies’. Therefore, entities need to carefully consider the nature of payments to governments when determining if they are in the scope of IFRIC 21.

Other EY publications
Applying IFRS: Accounting for Levies (June 2014) EYG no. AU2514.

IFRS Developments Issue 59: IASB issues IFRIC Interpretation 21 Levies (May 2013) EYG no. AU1581.
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.

2010-2012 cycle (issued in December 2013)
Following is a summary of the amendments (other than those affecting only the standards’ Basis for Conclusions) from the 2010 – 2012 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on 1 July 2014. Earlier application is permitted and must be disclosed.

<table>
<thead>
<tr>
<th>IFRS 2 Share-based Payment</th>
<th>Definitions of vesting conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The amendment defines ‘performance condition’ and ‘service condition’ to clarify various issues, including the following:</td>
</tr>
<tr>
<td></td>
<td>• A performance condition must contain a service condition</td>
</tr>
<tr>
<td></td>
<td>• A performance target must be met while the counterparty is rendering service</td>
</tr>
<tr>
<td></td>
<td>• A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group</td>
</tr>
<tr>
<td></td>
<td>• A performance condition may be a market or non-market condition</td>
</tr>
<tr>
<td></td>
<td>• If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied</td>
</tr>
<tr>
<td></td>
<td>• The amendment must be applied prospectively.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IFRS 3 Business Combinations</th>
<th>Accounting for contingent consideration in a business combination</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination must be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).</td>
</tr>
<tr>
<td></td>
<td>• The amendment must be applied prospectively.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IFRS 8 Operating Segments</th>
<th>Aggregation of operating segments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8.12, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are similar.</td>
</tr>
<tr>
<td></td>
<td>• The amendment must be applied retrospectively.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Reconciliation of the total of the reportable segments’ assets to the entity’s assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The amendment clarifies that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.</td>
</tr>
<tr>
<td></td>
<td>• The amendment must be applied retrospectively.</td>
</tr>
</tbody>
</table>
| IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets | Revaluation method - proportionate restatement of accumulated depreciation/amortisation

- The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed, as follows:
  - Adjust the gross carrying amount of the asset to market value
  OR
  - Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value
- The amendments also clarify that accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the asset.
- The amendments must be applied retrospectively. |
| IAS 24 Related Party Disclosures | Key management personnel

- The amendment clarifies that a management entity - an entity that provides key management personnel services - is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
- The amendment must be applied retrospectively. |

**2011-2013 cycle (issued in December 2013)**

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2011-2013 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on 1 July 2014. Earlier application is permitted and must be disclosed.

| IFRS 3 Business Combinations | Scope exceptions for joint ventures

- The amendment clarifies that:
  - Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
  - The scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- The amendment must be applied prospectively. |
| IFRS 13 Fair Value Measurement | Scope of paragraph 52 (portfolio exception)

- The amendment clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).
- The amendment must be applied prospectively. |
| IAS 40 Investment Property | Interrelationship between IFRS 3 and IAS 40 (ancillary services)

- The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine whether the transaction is the purchase of an asset or business combination.
- The amendment must be applied prospectively. |
2012-2014 cycle (issued in September 2014)

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2012-2014 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on 1 January 2016. Earlier application is permitted and must be disclosed.

<table>
<thead>
<tr>
<th>IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations</th>
<th>Changes in methods of disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.</td>
</tr>
<tr>
<td></td>
<td>• The amendment must be applied prospectively.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IFRS 7 Financial Instruments: Disclosures</th>
<th>Servicing contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.</td>
</tr>
<tr>
<td></td>
<td>• The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.</td>
</tr>
<tr>
<td>Applicability of the offsetting disclosures to condensed interim financial statements</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.</td>
</tr>
<tr>
<td></td>
<td>• The amendment must be applied prospectively.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IAS 19 Employee Benefits</th>
<th>Discount rate: regional market issue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.</td>
</tr>
<tr>
<td></td>
<td>• The amendment must be applied prospectively.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IAS 34 Interim Financial Reporting</th>
<th>Disclosure of information ‘elsewhere in the interim financial report’</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).</td>
</tr>
<tr>
<td></td>
<td>• The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.</td>
</tr>
<tr>
<td></td>
<td>• The amendment must be applied retrospectively.</td>
</tr>
</tbody>
</table>

Other EY publications

IFRS Developments Issue 71: The IASB issues two cycles of annual improvements to IFRS (December 2013) EYG no. AU2068.

IFRS Developments Issue 91: IASB concludes the 2012-2014 Annual Improvements Cycle (September 2014) EYG no. AU2645.
Section 2: Items not taken onto the IFRS Interpretations Committee’s agenda in Q2 2015

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 at its May 2015 meeting and contains highlights from the agenda decisions. For agenda decisions published before 1 April 2015, 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>May 2015</td>
<td>IFRS 10 Consolidated Financial Statements and IAS 17 Leases – Single-asset, single-lessee lease vehicles</td>
<td>The IFRS IC received two requests to clarify the treatment of a structured entity that is created to lease a single asset to a single lessee. The IFRS IC was of the view that the lessee’s right to use the leased asset for a period of time would not, in isolation, typically give the lessee decision-making rights over the relevant activities of the structured entity (SE) and, therefore, would not typically be a relevant activity of the SE. However, the IFRS IC noted that this conclusion does not mean that a lessee can never control the lessor. It also noted that, in assessing control, an entity would consider all of the rights that it has in relation to the investee to determine whether it has power over the investee.</td>
</tr>
<tr>
<td>May 2015</td>
<td>IAS 24 Related Party Disclosures – Definition of close members of the family of a person</td>
<td>The IFRS IC received a request to clarify the definition of close members of the family of a person. The IFRS IC observed that the definition of close members of the family of a person in IAS 24.9 is expressed in a principle-based manner, includes a list of family members that are always considered close members of the family of a person, and the list in the paragraph is not exhaustive.</td>
</tr>
</tbody>
</table>

7 The IFRIC Update is available at [http://www.ifrs.org/Updates/IFRIC+Updates/IFRIC+Updates.htm](http://www.ifrs.org/Updates/IFRIC+Updates/IFRIC+Updates.htm)
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 summarises 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

**Leases**

**Key developments to date**

**Background**

The IASB has substantially completed redeliberations on its 2013 exposure draft (ED) on leases. The redeliberations focused on ways to simplify and reduce the cost of applying a revised lease accounting standard in a number of areas, including: definition and scope; lessee and lessor accounting models; measurement provisions; and disclosure requirements. We expect the Board to issue the new standard in Q4 of 2015.

**Scope**

The scope of the new standard would include leases of all assets, with certain exemptions. A lease would be defined as a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

**Key features**

- The new standard would require lessees to account for all leases (subject to certain exemptions) under a single on-balance sheet model (i.e., in a manner comparable to finance leases under IAS 17).
- Lessees would recognise a liability to pay rentals with a corresponding asset. The lease accounting model would result in an accelerated expense recognition pattern as compared to today’s operating leases.
- The standard would include two recognition and measurement exemptions for lessees – leases of ‘small assets’ (e.g., small printer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee would be required upon certain events.
- Lessor accounting would be essentially the same as today’s lessor accounting, using IAS 17’s dual classification approach.

**Transition and effective date**

The effective date has not been determined, but is not expected to be before 2018 for calendar-year companies.

The standard would permit a lessee to choose either a full retrospective or a modified retrospective transition approach, to be applied consistently across its entire portfolio of former operating leases. Lessees would not change their accounting for finance leases existing at the date of initial application of the new standard. Lessors would continue to apply their existing accounting for any leases that are ongoing at the date of initial application, except for intermediate lessors in a sublease. The standard’s transition provisions would permit certain reliefs.

**Impact**

For today’s operating leases, the lease expense recognition pattern for lessees would 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 EBITDA, could be impacted. Also the cash flow statement for lessees would be affected as payments for the principal portion of most of today’s operating leases would be presented within financing activities.

Lessor accounting would result in few, if any, changes compared to today’s lessor accounting.

The new standard would require lessees and lessors to make more extensive disclosures than under IAS 17.

Given the significant accounting implications, lessees will have to pay more attention to their contracts to identify any that are, or contain, leases. Such 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: New standard on leases is taking shape (April 2015) EYG no. AU3072.

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8 The latest IASB work plan and further information on the projects is available at [http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx](http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx)
Insurance Contracts

Key developments to date

Background
The IASB is redeliberating its second ED on a comprehensive method of accounting for insurance contracts, which was issued in June 2013.

The FASB published its proposals in June 2013; subsequently, the FASB decided not to issue a new insurance contract standard, but to make enhancements to its current accounting for insurance companies instead.

Scope
The standard would apply to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity that issued them, as well as certain guarantee and financial instrument contracts with discretionary participation features. A few scope exceptions would apply.

Key features
The proposed approach for the measurement of the insurance contract liability is based on the following building blocks approach (also called the general measurement model):

- Expected present value of future cash flows
- A risk adjustment related to the expected present value of cash flows
- A contractual service margin (CSM) that would eliminate any gain at inception of the contract; the CSM would be adjusted subsequently for changes in estimates of future cash flows and the risk adjustment to the extent these changes relate to future coverage or other future services
- A discount rate that would be updated at the end of each reporting period (i.e., the liability discount rate would not be 'locked-in' at inception of the contract)

Rather than prescribing a rate for discounting insurance contracts, the proposed approach would be based on the principle that the rate must reflect the characteristics of the liability.

The objective of the insurance contracts standard would be to provide principles on the accounting for individual contracts, but contracts could be aggregated as long as this objective is met.

An accounting policy choice would be permitted at a portfolio level to recognise the effect of changes in discount rates in either OCI or profit or loss.

Entities with contracts with participating features that meet certain criteria would be required to follow the variable fee approach. The variable fee approach is a modification of the proposed general measurement model (i.e., the building block model that applies to all other insurance contracts).

Under this variable fee approach, changes in the estimate of the variable fee, which includes the entity’s share in the investment performance of specified items, are adjusted to the contractual service margin. The IASB will hold further discussions on participating contracts including discussion of the critical issue of level of aggregation.

Revenue would be reported in the income statement through earned premiums representing the insurer’s performance under the contracts in the period for all types of insurance contracts.

An entity would recognise the contractual service margin in profit or loss on the basis of the passage of time.

A simplified approach based on a premium allocation could be applied to the liability for remaining coverage if contracts meet certain eligibility criteria (e.g., contracts with a coverage period of one year or less).

Transition and effective date
The IASB has not yet concluded on the effective date, but it is expected to be approximately three years from the issuance of the standard. During redeliberations, the Board decided on a retrospective approach to transition for non-participating contracts, subject to certain practical reliefs, if applicable. The Board will make decisions on the transition approach for participating contracts at a future meeting.

Impact
The Board’s tentative decision to make the use of OCI optional is a compromise necessary to complete the insurance contracts project. Having an option allows entities to reflect the differences that exist in how they run their businesses to fulfil their obligations under their insurance contracts.

Even though the IASB made OCI optional and introduced a variable fee model, the proposed model is expected to have a significant impact on key performance indicators and may still result in increased volatility in equity and profit or loss compared to today’s accounting model.

Other EY publications
Our Insurance Accounting Alerts provide timely updates on the IASB’s discussion of the project.8

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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, amendments to IAS 1 Presentation of Financial Statements were issued. The amendments are summarised in Section 1 of this publication. The other projects forming part of the Disclosure Initiative are described below.

Reconciliation of components of financing activities
The objective of this project is to identify the information requirements of users regarding the reporting of debt. An ED proposing amendments to IAS 7 was issued in December 2014.

The IASB proposed to require a reconciliation of the amounts in the opening and closing statements of financial position for each item classified as financing in the statement of cash flows.

The ED also includes a proposal to require extended disclosures about the restrictions on cash and cash equivalent balances to provide the users with additional information about the entity’s liquidity.

The IASB has started discussions based on feedback received on the ED and will continue with its deliberations through the second half of 2015.

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

- Change the current definition of materiality within IFRS to align it across different standards and the Conceptual Framework for Financial Reporting, and to add a paragraph to IAS 1 clarifying the key characteristics of materiality
- Provide guidance on the application of materiality, which will take the form of a Practice Statement
- Wait until further work has been performed on the general disclosure review of other standards before considering possible changes to address the use of inconsistent or excessively prescriptive language in standards

An ED is expected in the third quarter of 2015.

Principles of disclosure
The objective of this project is to identify and develop a possible set of principles for disclosure in IFRS that could form the basis of a standard-level project. The research phase will focus on a review of the general requirements in IAS 1, IAS 7 and IAS 8, and consider how they might be replaced with a single standard, in essence, creating a disclosure framework. The main focus will be on recommendations for improvements expressed by constituents in the Financial Reporting Disclosure Discussion Forum. In addition, the Board plans to consider feedback received in the Conceptual Framework project.

The IASB plans to research the following:

- Principles of disclosure for the notes, including disclosure of alternative performance measures and non-IFRS information
- Information in a complete set of IFRS financial statements, including:
  - Differential disclosures and proportionality
  - Cash flow reporting
  - Disclosure of interim financial information

A Discussion Paper (DP) is expected in the fourth quarter of 2015.

General disclosure review
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. Similarly, the other projects have the potential to contribute to more tailored and effective disclosures.

Other EY publications
Applying IFRS: Improving disclosure effectiveness (July 2014)
EYG no. AU2513.
Conceptual Framework

Key developments to date

Background
The IASB issued an ED, Conceptual Framework for Financial Reporting, in May 2015. 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 ED includes proposals 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 of the ED closes on 26 October 2015.

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 policy.

Other EY publications
Applying IFRS: IASB issues the Conceptual Framework exposure draft (June 2015) EYG no. AU3242.
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>
| Clarifications to IFRS 15 Revenue from Contracts with Customers (issues emerging from TRG discussions) | • ED on clarifying amendments expected in Q3 2015  
• ED on effective date published in May 2015 |
| • The objective of this project is to clarify the requirements in IFRS 15 in respect of the implementation issues arising from the discussions of the TRG.  
• The IASB issued an ED proposing to defer the effective date of IFRS 15 from 1 January 2017 to 1 January 2018. |
| Financial Instruments – Accounting for Dynamic Risk Management: A Portfolio Revaluation Approach to Macro Hedging | • DP published in April 2014; redeliberations continuing in Q3 2015 |
| • 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 expected to focus initially on the information constituents believe should be required to better reflect entities’ dynamic risk management activities.  
• The IASB then 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. |
## Other projects

<table>
<thead>
<tr>
<th>Other projects</th>
<th>Status/next steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarification of Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)</td>
<td>ED issued in Q4 2014; redeliberations continuing in Q3 2015</td>
</tr>
<tr>
<td>- The IASB proposed amendments to IFRS 2 to address:</td>
<td></td>
</tr>
<tr>
<td>- The effects of vesting conditions on a cash-settled share-based payment</td>
<td></td>
</tr>
<tr>
<td>- A share-based payment transaction in which the entity has an obligation under tax laws or regulations to settle the arrangement net by withholding a specified portion of equity instruments to meet its minimum statutory withholding tax obligations</td>
<td></td>
</tr>
<tr>
<td>- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</td>
<td></td>
</tr>
<tr>
<td>Classification of Liabilities (Proposed amendments to IAS 1)</td>
<td>ED issued in Q1 2015; redeliberations expected in Q3 2015</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>
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<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>
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<tr>
<td>- Clarify the link between the settlement of the liability and the outflow of resources from the entity</td>
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<tr>
<td>Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)</td>
<td>ED issued in Q3 2014; redeliberations continuing in Q3 2015</td>
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<td>- The IASB proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36, which would provide the following clarifications:</td>
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<td>- The unit of account for investments in subsidiaries, joint ventures and associates is the investment as a whole</td>
<td></td>
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<tr>
<td>- When a quoted price in an active market is available for the individual financial instruments that comprise the entire investment, the fair value measurement is the product of the quoted price of the financial instrument (P) multiplied by the quantity (Q) of instruments held (i.e., P × Q)</td>
<td></td>
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<tr>
<td>- When testing cash generating units for impairment, if they correspond to an entity whose financial instruments are quoted in an active market, the fair value (when determining fair value less costs of disposal) is the product of P × Q</td>
<td></td>
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</tbody>
</table>
### Other projects

<table>
<thead>
<tr>
<th>Status/next steps</th>
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<tbody>
<tr>
<td><strong>Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)</strong></td>
</tr>
<tr>
<td>The IASB proposed amendments to IAS 12 to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.</td>
</tr>
<tr>
<td>In redeliberations, the IASB decided to amend IAS 12, as follows:</td>
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<tr>
<td>▶ To revise the requirements relating to recovery of an asset for more than its carrying amount in a way that enhances understanding and reduces the risk of an arbitrary estimate of probable future taxable profit</td>
</tr>
<tr>
<td>▶ To clarify that taxable profit excluding tax deductions used for assessing the utilisation of deductible temporary differences is different from taxable profit on which income taxes are payable</td>
</tr>
<tr>
<td>ED issued in Q3 2014; redeliberations continuing in Q3 2015</td>
</tr>
</tbody>
</table>

| **Remeasurement at a plan amendment, curtailment or settlement/Availability of a refund of a surplus from a defined benefit plan (Proposed amendments to IAS 19 and 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. |
| ED issued in Q2 2015; comment period ends 19 October 2015 |
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ED None

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