

Navigating the changes to International Financial Reporting Standards

A briefing for Chief Financial Officers

2020 Edition



Contents

Introduction	1	IFRIC 23 Uncertainty over Income Tax Treatments	32
Effective dates of new Standards (based on Standards issued at 30 November 2019)	2	Annual Improvements to IFRS 2015–2017 Cycle (Amendments to IAS 12, IAS 23, IFRS 3 and IFRS 11)	34
Effective from 1 January 2018	3	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	36
Annual Improvements to IFRS 2014–2016 Cycle (Amendments to IFRS 1, IFRS 12 and IAS 28)	4	Effective from 1 January 2020	37
IFRS 15 Revenue from Contracts with Customers	6	Conceptual Framework for Financial Reporting	38
IFRS 9 Financial Instruments	11	Definition of a Business (Amendments to IFRS 3)	40
Transfers of Investment Property (Amendments to IAS 40)	17	Definition of Material (Amendments to IAS 1 and IAS 8)	42
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	18	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	44
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	20	Effective from 1 January 2021	46
IFRIC 22 Foreign Currency Transactions and Advance Consideration	22	IFRS 17 Insurance Contracts	47
Effective from 1 January 2019	23	Non-mandatory guidance	51
IFRS 16 Leases	24	IFRS Practice Statement 2: Making Materiality Judgements	52
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	28	Grant Thornton's IFRS publications	56
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	31		

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This document has been developed as an information resource. It is intended as a guide only and the application of its contents to specific situations will depend on the particular circumstances involved. While every care has been taken in its presentation, personnel who use this document to assist in evaluating compliance with International Financial Reporting Standards should have sufficient training and experience to do so. No person should act specifically on the basis of the material contained herein without considering and taking professional advice. Neither Grant Thornton International Ltd, nor any of its personnel nor any of its member firms or their partners or employees, accept any responsibility for any errors it might contain, whether caused by negligence or otherwise, or any loss, howsoever caused, incurred by any person as a result of utilising or otherwise placing any reliance upon this document.

Introduction

This publication is designed to give Chief Financial Officers a high-level awareness of recent changes to International Financial Reporting Standards that will affect companies' future financial reporting. It covers both new Standards and Interpretations that have been issued and amendments made to existing ones.

What's new in the 2020 edition

The 2020 edition of the publication has been updated for changes to International Financial Reporting Standards that have been published between 1 January 2019 to 31 December 2019.

For completeness the publication specifically covers 31 March 2019, 30 June 2019, 30 September 2019, 31 December 2019 and 31 March 2020 financial year ends.

Contents

The effective dates table on the next page lists all the changes covered in the publication, their effective dates, and the page in the publication on which the appropriate summary can be found.

How to use the publication

Identifying the changes that will affect you

The effective dates table has been colour coded to help entities planning for a specific financial reporting year end, and identifies:

- changes mandatorily effective for the first time
- changes not yet effective
- changes already in effect.

Where a change is not yet mandatorily effective for a particular year end, it may still be possible for an entity to adopt it early (depending on local legislation and the requirements of the particular change in concern).

Where a change has been made but an entity is yet to apply it, certain disclosures are required to be made under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Disclosures required include the fact that the new or amended Standard or Interpretation is in issue but has not yet been applied, and known or reasonably estimable information relevant to assessing its possible impact on the financial statements in the period of initial application.

Identifying the commercial significance of the changes in the publication

For each change covered in the publication, we have included a box on its commercial implications. These sections focus on two questions:

- how many entities will be affected?
- what will be the impact on affected entities?

A traffic light system indicates our assessment of the answers to these questions.

Other Grant Thornton International publications

Where appropriate, references have been made to other Grant Thornton International publications that provide more detailed information on the changes discussed in this publication. A list of other recent guides is provided at the back of the publication. These publications can be obtained from your local IFRS contact.

**'The publication specifically covers
31 March 2019, 30 June 2019,
30 September 2019, 31 December
2019 and 31 March 2020
financial year ends.'**

Effective dates of new Standards

Based on Standards issued at 31 December 2019

Standard	Title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early Application?	31 Mar 2019 year end	30 Jun 2019 year end	30 Sep 2019 year end	31 Dec 2019 year end	31 Mar 2020 year end
IFRS 1	Annual Improvements to IFRS 2014–2016 Cycle	1 January 2018	no					
IAS 28	Annual Improvements to IFRS 2014–2016 Cycle	1 January 2018	✓	Effective for the first time	Effective for the first time	Effective for the first time	Already in mandatory effect	Already in mandatory effect
IFRS 15	Revenue from Contracts with Customers ¹	1 January 2018	✓					
IFRS 9	Financial Instruments	1 January 2018	✓ ²					
IAS 40	Transfers of Investment Property (Amendments to IAS 40)	1 January 2018	✓					
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	1 January 2018	3					
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018	✓					
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018	✓					
IFRS 16	Leases	1 January 2019	✓ ⁴	Not yet effective	Not yet effective	Not yet effective	Effective for the first time	Effective for the first time
IFRS 9	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019	✓					
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019	✓					
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	✓					
IAS 12, IAS 23, IFRS 3 and IFRS 11	Annual Improvements to IFRS 2015-2017 Cycle	1 January 2019	✓					
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019	✓					
CF	Conceptual Framework for Financial Reporting	1 January 2020	✓					
IFRS 3	Definition of a Business (Amendments to IFRS 3)	1 January 2020	✓					
IAS 1 and IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020	✓					
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020	✓				Not yet effective	Not yet effective
IFRS 17	Insurance Contracts	1 January 2021 ⁶	✓ ⁵					
Practice Statement 2	Making Materiality Judgements	No effective date as non-mandatory guidance						

The colour coding gives an indication of when the changes covered in the publication become effective in relation to the specific financial reporting year ends set out in the table.

Key: ■ Change already in mandatory effect ■ Change effective for the first time ■ Change not yet effective

Notes

- The article on IFRS 15 includes 'Clarifications to IFRS 15', amendments made to IFRS 15 that are also effective 1 January 2018.
- Extensive transition rules apply.
- Temporary exemption from IFRS 9 is applied for accounting periods on or after 1 January 2018. Overlay approach is applied when entities first apply IFRS 9.
- Entities that early adopt IFRS 16 must apply IFRS 15 before or on the same date.
- Entities that early adopt IFRS 17 must apply IFRS 9 and IFRS 15 before or on the same date.
- At the time of writing the IASB has proposed to defer the effective date of IFRS 17 by one year to 1 January 2022.

Effective from 1 January 2018

The Standards discussed on pages 4 to 22 are effective for accounting periods beginning on or after 1 January 2018.

The Standards are:

- Annual improvements to IFRS 2014-2016 cycle¹
- IFRS 15 Revenue from Contracts with Customers²
- IFRS 9 Financial Instruments
- Transfers of Investment Property (Amendments to IAS 40)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

¹ Includes amendments to IFRS 12 that were effective from 1 January 2017

² Includes 'Clarifications to IFRS 15' issued in April 2016

Annual Improvements to IFRS 2014-2016 Cycle (Amendments to IFRS 1, IFRS 12 and IAS 28)

Issued in December 2016, this publication is a collection of amendments to IFRS resulting from issues that were discussed by the IASB during the project cycle for making annual improvements that began in 2014 and which were included in an Exposure Draft published in November 2015. The IASB uses the Annual Improvements process to make necessary, but

non-urgent, amendments to IFRS that will not be included as part of any other project. By presenting the amendments in a single document rather than as a series of piecemeal changes, the IASB aims to ease the burden of change for all concerned. A summary of the issues addressed is set out below:

Matters addressed by the amendments

Standard affected	Subject	Summary of amendment
IFRS 1 'First-time Adoption of International Financial Reporting Standards'	Deletion of short-term exemptions for first-time adopters	A number of short-term exemptions have been deleted because the reliefs provided are no longer available or because they were relevant for reporting periods that have now passed.
IFRS 12 'Disclosure of Interests in Other Entities'	Clarification of the scope of the Standard	Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12.B17) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.
IAS 28 'Investments in Associates and Joint Ventures'	Measuring an associate or a joint venture at fair value	<p>Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture.</p> <p>Similar clarifications have been made for a reporting entity that is not an investment entity and that has an associate or a joint venture that is an investment entity. IAS 28 permits such a reporting entity the choice to retain the fair value measurements used by that investment entity associate or joint venture when applying the equity method. The amendments clarify that this choice is also made separately for each investment in an associate or joint venture that is an investment entity, at the later of the date on which:</p> <ol style="list-style-type: none"> the investment entity associate or joint venture is initially recognised the associate or joint venture becomes an investment entity, and the investment entity associate or joint venture first becomes a parent.

The amendments are effective as follows:

- IFRS 1 'First-time Adoption of International Financial Reporting Standards' – for annual periods beginning on or after 1 January 2018
- IFRS 12 'Disclosures of Interests in Other Entities' – retrospectively in accordance with IAS 8 for annual periods beginning on or after 1 January 2017
- IAS 28 'Investments in Associates and Joint Ventures' – retrospectively in accordance with IAS 8 for annual periods beginning on or after 1 January 2018.

Commercial significance



Number of entities affected

The amendments make changes to relatively narrow areas within IFRS.



Impact on affected entities

The IASB's Annual Improvements process addresses non-urgent, but necessary minor amendments to IFRS. By their nature then, their commercial significance can be expected to be low. Overall the changes are uncontroversial.

'The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRS that will not be included as part of any other project.'

IFRS 15 Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' is the product of a major joint project between the IASB and the US Financial Accounting Standards Board. The previous requirements of IFRS and US GAAP were not harmonised and often resulted in different accounting treatments for economically similar transactions. In response, the Boards have developed new, fully converged requirements for the recognition of revenue under both IFRS and US GAAP. IFRS 15:

- replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and some revenue-related Interpretations
- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is recognised at a point in time or over time
- provides new and more detailed guidance on specific topics
- expands and improves disclosures about revenue.

IFRS 15 at a glance

Features

Who is affected?

Key points

- all entities that enter into contracts with customers with few exceptions

What is the impact?

- entities affected will need to reassess their revenue recognition policies and may need to revise them
- the timing and amount of revenue recognised may not change for simple contracts for a single deliverable but most complex arrangements will be affected to some extent
- IFRS 15 requires more and different disclosures

When are the changes effective?

- annual periods beginning on or after 1 January 2018.



IFRS 15 is based on a core principle that requires an entity to recognise revenue:

- in a manner that depicts the transfer of goods or services to customers
- at an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

A "customer" is defined as "a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities."

Applying this core principle involves following a five step model depicted above. The following table expands on the factors to consider in applying this new model.

The 'five step model'

Step	Principal considerations	Other factors to consider
1 Identify the contract(s) with a customer	<p>The first step in IFRS 15 is to identify the “contract,” which IFRS 15 defines as “an agreement between two or more parties that creates enforceable rights and obligations.”</p> <p>A contract can be written, oral, or implied by an entity’s customary business practices.</p> <p>In addition the general IFRS 15 model applies only when or if:</p> <ul style="list-style-type: none"> the contract has commercial substance the parties have approved the contract the entity can identify <ul style="list-style-type: none"> each party’s rights the payment terms for the goods and services to be transferred it is probable the entity will collect the consideration. <p>If a customer contract does not meet these criteria, revenue is recognised only when either:</p> <ul style="list-style-type: none"> the entity’s performance is complete and substantially all of the consideration in the arrangement has been collected and is non-refundable the contract has been terminated and the consideration received is non-refundable. <p>For purposes of IFRS 15, a contract does not exist if each party has an enforceable right to terminate a wholly unperformed contract without compensating the other party.</p>	<p>Guidance is also given on:</p> <ul style="list-style-type: none"> combining contracts contract modifications.
2 Identify the separate performance obligations in the contract	<p>Having identified a contract, the entity next identifies the performance obligations within that contract. A performance obligation is a promise in a contract with a customer to transfer either (1) a good or service, or a bundle of goods or services, that is ‘distinct’; or (2) a series of distinct goods or services that are substantially the same and meet certain criteria.</p> <p>Performance obligations are normally specified in the contract but could also include promises implied by an entity’s customary business practices, published policies or specific statements that create a valid customer expectation that goods or services will be transferred under the contract.</p>	<p>Guidance is given on the criteria that need to be met in order to determine whether a promised good or service is distinct.</p>
3 Determine the transaction price	<p>Under IFRS 15, the “transaction price” is defined as the amount of consideration an entity expects to be entitled to in exchange for the goods or services promised under a contract, excluding any amounts collected on behalf of third parties (for example, sales taxes).</p> <p>The transaction price is not adjusted for effects of the customer’s credit risk, but is adjusted if the entity (eg based on its customary business practices) has created a valid expectation that it will enforce its rights for only a portion of the contract price.</p>	<p>An entity must consider the effects of all the following factors when determining the transaction price:</p> <ul style="list-style-type: none"> variable consideration the constraint on variable consideration time value of money non-cash consideration consideration payable to the customer.
4 Allocate the transaction price to the performance obligations	<p>Under IFRS 15, an entity allocates a contract’s transaction price to each separate performance obligation within that contract on a relative stand-alone selling price basis at contract inception. IFRS 15 defines a stand-alone selling price as “the price at which an entity would sell a promised good or service separately to a customer.”</p>	<p>IFRS 15 suggests, but does not require, the following three methods as suitable for estimating the stand-alone selling price:</p> <ul style="list-style-type: none"> adjusted market assessment approach expected cost plus margin approach residual approach.
5 Recognise revenue when or as an entity satisfies performance obligations	<p>Under IFRS 15, an entity recognises revenue when or as it transfers promised goods or services to a customer. A “transfer” occurs when the customer obtains control of the good or service.</p> <p>A customer obtains control of an asset (good or service) when it can direct the use of and obtain substantially all the remaining benefits from it. Control includes the ability to prevent other entities from directing the use of and obtaining the benefits from an asset. The benefits of an asset are the potential cash flows that can be obtained directly or indirectly from the asset in many ways.</p>	<p>A key part of the model is the concept that for some performance obligations control is transferred over time while for others control transfers at a point in time. Guidance is given in the Standard to help entities decide which is appropriate.</p>

Other matters

In addition to the items discussed above in relation to the five step model, IFRS 15 contains guidance on a number of other matters including:

- contract costs
- warranties
- licensing
- rights of return and repurchase obligations.



For more information, please refer to our special edition of IFRS News on IFRS 15 'Revenue from Contracts with Customers'. The special edition takes readers through the key features of the new Standard and gives practical insights into how it may affect entities. This edition has been updated to incorporate the changes made to

IFRS 15 when the IASB issued 'Clarifications to IFRS 15' in April 2016. To obtain a copy of the special edition, please get in touch with the IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/insights/articles/ifrs-news-special-edition-on-ifrs-15/.

Effective date and transition

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

Entities are required to apply the new revenue Standard either:

- retrospectively to each prior period presented, subject to some practical expedients or
- retrospectively, with the cumulative effect of initial application recognised in the current period.

An entity that chooses to restate only the current period is required to provide the following additional disclosures in the initial year of adoption:

- the current year impact of applying the new revenue Standard by financial statement line item
- an explanation of the reasons behind the significant impacts.

'The previous requirements of IFRS and US GAAP were not harmonised and often resulted in different accounting treatments for economically significant transactions. In response, the Boards have developed new, fully converged requirements for the recognition of revenue under both IFRS and US GAAP.'

‘In April 2016, the IASB published ‘Clarifications to IFRS 15 Revenue from Contracts with Customers’ making several targeted changes to IFRS 15.’

Clarifications to IFRS 15

Following discussions with the Revenue Transition Resource Group (‘TRG’), in April 2016 the IASB published ‘Clarifications to IFRS 15 Revenue from Contracts with Customers’ (‘the Amendments’) making several targeted changes to IFRS 15. The TRG was formed by both the FASB and the IASB Boards after issuing the new Standard in 2014 and is tasked with supporting the implementation of IFRS 15. While a total of five topics discussed by the TRG indicated the possible need for clarification, the IASB has elected to address just three of these, striking a balance between being responsive to issues raised while minimising disruption to the implementation process. The Amendments also introduce two practical expedients available for use by entities implementing the new Standard.

The Amendments clarify the application of IFRS 15 in three specific areas to reduce the amount of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies:

- identify performance obligations (by clarifying how to apply the concept of ‘distinct’)
- determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle)
- determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company’s activities significantly affect the intellectual property to which the customer has rights).

The Amendments also create two additional practical expedients available for use when implementing IFRS 15:

- for contracts that have been modified before the beginning of the earliest period presented, the Amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations
- companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.

The Amendments are effective for annual periods beginning on or after 1 January 2018 (the effective date of the new Standard).



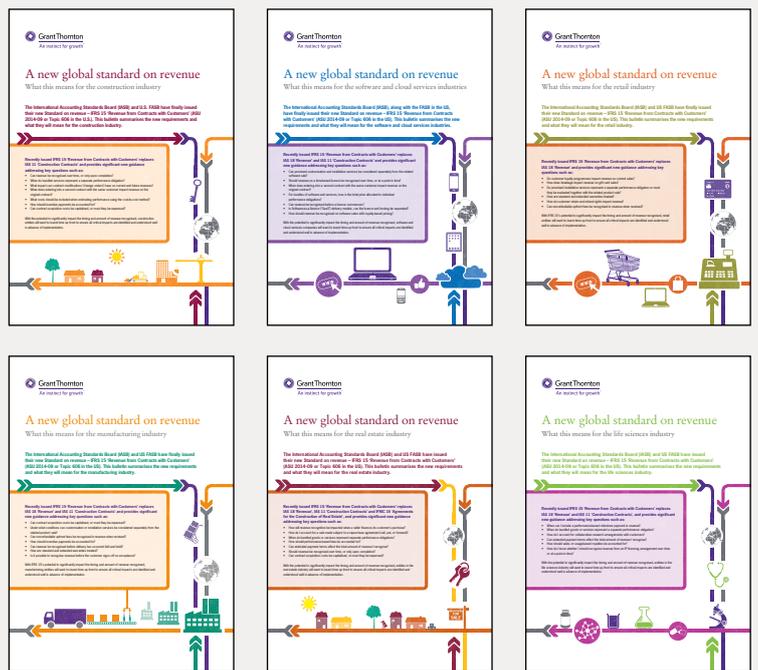
‘Get ready for IFRS 15 – Recognising revenue in the real estate and construction industries’ is our more detailed look at the issues facing companies in this sector as they prepare themselves for IFRS 15. To obtain your copy, please get in touch with the IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/insights/articles/get-ready-for-ifs-15-rec/.

We have released six publications in a series of 'industry insights' on IFRS 15 'Revenue from Contracts with Customers'.

The industry insights publications look at what the new Standard means for the following industries:

- construction
- software & cloud services
- retail
- manufacturing
- real estate
- life sciences.

To obtain a copy of any of the industry insights publications, please get in touch with the IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/service/Assurance/ifrs/accounting-for-revenue-under-ifs-15/.



Commercial significance

Most Number of entities affected

IFRS 15 impacts all entities that enter into contracts with customers with few exceptions.

High Impact on affected entities

The impact on the top line will very much depend on each entity's specific customer contracts and how the much less detailed existing Standards have been applied. For some it will be a significant shift while others may see only minor changes.

IFRS 9 Financial Instruments

The IASB began its overhaul of the accounting for financial instruments in the summer of 2009 in response to the widespread criticism of IAS 39 and its alleged role in contributing to the financial crisis of 2007/8. Due to the complexity of the issues involved, the project was completed in a number of stages as follows:

- November 2009: the classification and measurement of financial assets
- October 2010: requirements for classifying and measuring financial liabilities and derecognising financial assets and financial liabilities were added
- November 2013: requirements on hedge accounting were introduced
- July 2014: the IASB issued IFRS 9 (2014) adding requirements on impairment and amending the Standard's classification and measurement requirements.

Following the publication of IFRS 9 (2014) (from now on referred to as IFRS 9) the Standard as a whole is now complete. The different parts of the Standard are discussed in greater detail below.

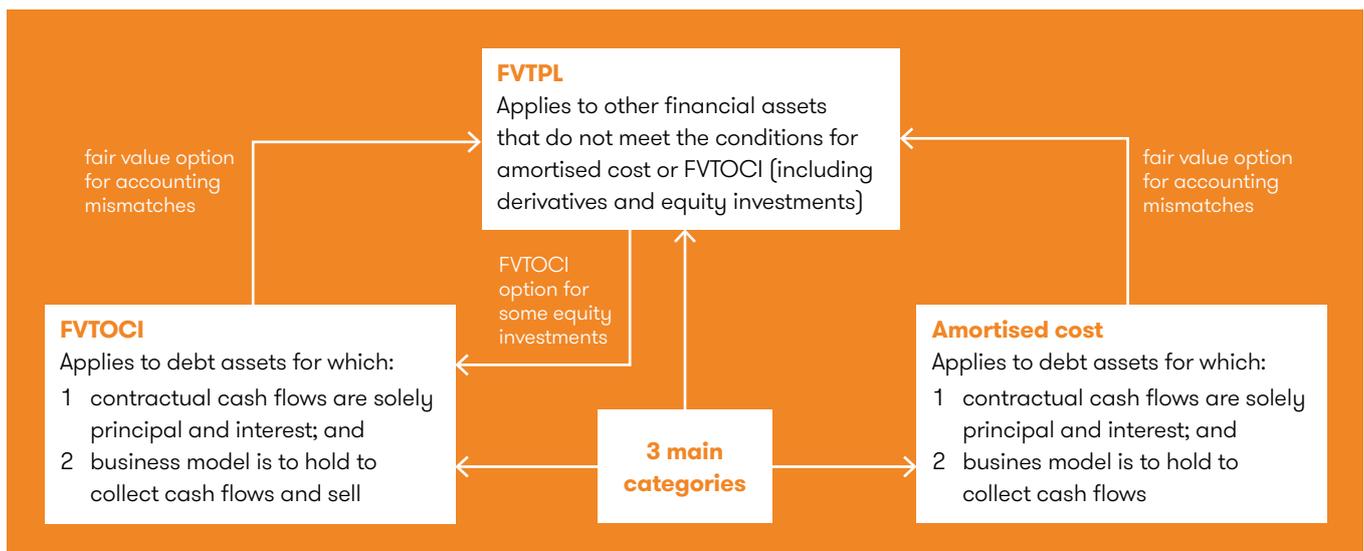
Classification and measurement of financial assets

The classification and measurement of financial assets was one of the areas of IAS 39 that received the most criticism during the financial crisis. In publishing the original version of IFRS 9, the IASB therefore made a conscious effort to reduce the complexity in accounting for financial assets by just having two categories (fair value and amortised cost). However following comments that having just two categories created too sharp a dividing line and failed to reflect the way many businesses manage their financial assets, an additional category was added in July 2014 when the final part of IFRS 9 was published.

Classification

Under IFRS 9 each financial asset is classified into one of three main classification categories:

- amortised cost
- fair value through other comprehensive income (FVTOCI)
- fair value through profit or loss (FVTPL).



IFRS 9 introduces:

- a new approach for financial asset classification
- a more forward-looking expected loss impairment model
- major new requirements on hedge accounting.

The classification is determined by both:

- 1 the entity's business model for managing the financial asset ('business model test'); and
- 2 the contractual cash flow characteristics of the financial asset ('cash flow characteristics test').

The diagramme on the previous page summarises the three main categories and how the business model and cash flow characteristics determine the applicable category.

In addition, IFRS 9 contains an option which allows an entity to designate a financial asset at FVTPL and an additional option to classify investments in equity instruments in a special 'equity - FVTOCI' category.



'Get ready for IFRS 9: Classifying and measuring financial Instruments' is the first in a series of publications designed to get you ready for IFRS 9. In this issue we bring you up to speed on the Standard's new classification and measurement requirements. To obtain your copy, please get in touch with the IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/insights/articles/get-ready-for-ifs-9/.

The business model test

IFRS 9 uses the term 'business model' in terms of how financial assets are managed and the extent to which it involves collecting contractual cash flows, selling financial assets or both. The Standard positively defines two such 'business models':

- a business model whose objective is to hold the financial asset in order to collect contractual cash flows ('hold to collect'); and
- a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets ('hold to collect and sell').

Business models other than the two above result in classification of financial assets at FVTPL.

The cash flow characteristics test

The second condition for classification in the amortised cost classification or FVTOCI category can be labelled the 'solely payments of principal and interest' (SPPI) test. The requirement is that the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

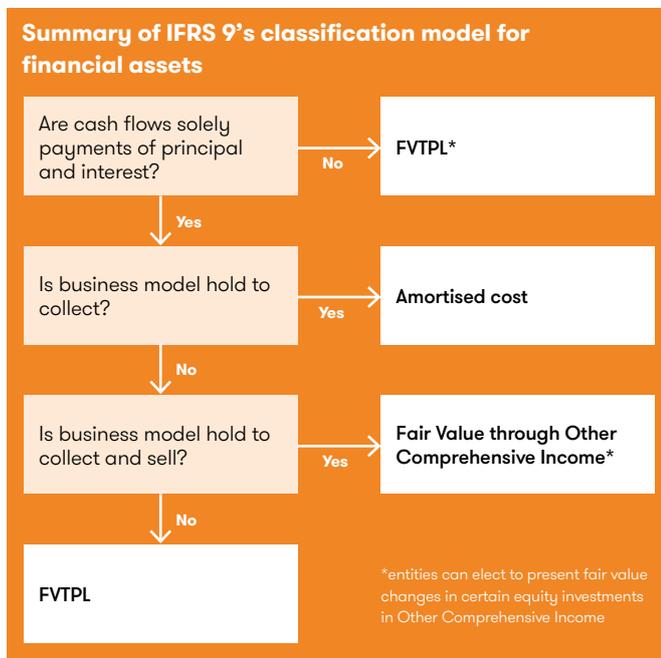
For the purpose of applying this test, 'principal' is the fair value of the financial asset at initial recognition. 'Interest' consists of consideration for:

- the time value of money
- the credit risk associated with the principal amount outstanding during a particular period of time
- other basic lending risks and costs
- a profit margin.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposures to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement however, such as exposure to changes in equity prices or commodity prices, fail the SPPI test. Similarly contracts that increase leverage fail the test as they increase the variability of the contractual cash flows with the result that they do not have the economic characteristics of interest.

Summary of classification model

The diagramme shows how IFRS 9's business model test and cash flow characteristics test interact in determining the classification of financial assets.



Classification and measurement of financial liabilities

In October 2010, the IASB amended IFRS 9 to incorporate requirements on the classification and measurement of financial liabilities. Most of IAS 39's requirements have been carried forward unchanged to IFRS 9. Changes were however made to address issues related to own credit risk where an entity takes the option to measure financial liabilities at fair value.

Majority of requirements retained

Under IAS 39 most liabilities are measured at amortised cost or bifurcated into a host instrument measured at amortised cost, and an embedded derivative, measured at fair value.

Liabilities that are held for trading (including all derivative liabilities) are measured at fair value. These requirements have been retained.

Own credit risk

The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income. This change addresses the counterintuitive way in which a company in financial trouble was previously able to recognise a gain based on its theoretical ability to buy back its own debt at a reduced cost.

The only exception to the new requirement is where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss.

In November 2013, the IASB amended IFRS 9 to allow these changes to be adopted early in isolation without the need to change any other accounting for financial instruments.

Elimination of the exception from fair value measurement for certain derivative liabilities

IFRS 9 also eliminates the exception from fair value measurement for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument. Under IAS 39, if those derivatives were not reliably measurable, they were required to be measured at cost. IFRS 9 requires them to be measured at fair value.

Simplifications compared to IAS 39

Features	Key points
Objective of the Standard	<ul style="list-style-type: none"> to better align hedging from an accounting point of view with entities' underlying risk management activities
Similarities with IAS 39	<ul style="list-style-type: none"> hedge accounting remains an optional choice <ul style="list-style-type: none"> the three types of hedge accounting (fair value hedges, cash flow hedges and hedges of a net investment) remain formal designation and documentation of hedge accounting relationships is required ineffectiveness needs to be measured and included in profit or loss hedge accounting cannot be applied retrospectively
The major changes	<ul style="list-style-type: none"> increased eligibility of hedged items increased eligibility of hedging instruments and reduced volatility revised criteria for hedge accounting qualification and for measuring hedge ineffectiveness a new concept of rebalancing hedging relationships new requirements restricting the discontinuance of hedge accounting.

Derecognition of financial assets and financial liabilities

In October 2010, the requirements in IAS 39 related to the derecognition of financial assets and financial liabilities were incorporated unchanged into IFRS 9. The IASB concluded that IAS 39's requirements in this area had performed reasonably during the financial crisis. Instead, new disclosure requirements were issued in October 2010 as an amendment to IFRS 7 'Financial Instruments: Disclosures'.

Hedge accounting

In November 2013, the IASB published Chapter 6 of IFRS 9 'Hedge Accounting'.

IAS 39's hedge accounting requirements had been heavily criticised for containing complex rules which either made it impossible for entities to use hedge accounting or, in some cases, simply put them off doing so. As an example, hedge effectiveness was judged on both a prospective and a retrospective basis, with a 'bright-line' quantitative range of 80-125% being used to assess retrospective effectiveness on a quantitative basis. Anything outside this range resulted in the discontinuance of hedge accounting, leading to a sharp increase in profit and loss volatility.

In part this complexity was a reflection of the fact that the hedge accounting requirements were an exception to IAS 39's normal requirements. There was however also a perception that hedge accounting did not properly reflect entities' actual risk management activities, thereby reducing the usefulness of their financial statements. IFRS 9's new requirements look to rectify some of these problems, aligning hedge accounting more closely with entities' risk management activities by:

- increasing the eligibility of both hedged items and hedging instruments
- introducing a more principles-based approach to assessing hedge effectiveness.

As a result, the new requirements should serve to reduce profit or loss volatility. The increased flexibility of the new requirements are however partly offset by entities being prohibited from voluntarily discontinuing hedge accounting and also by enhanced disclosure requirements. The table above gives a highly summarised view of the new requirements.



For more information on IFRS 9's hedge accounting requirements, please refer to our Special Edition of IFRS News 'IFRS 9 Hedge accounting' which can be obtained from your IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/insights/articles/ifrs9-hedge-accounting/.

‘Extensive transition provisions have been included due to the complexity of the material and the phased way in which the project has been completed.’

Impairment

IFRS 9 contains the Standard’s requirements on impairment, including the recognition of expected credit losses. IAS 39’s impairment requirements had been criticised for being overly complicated and resulting in impairment being recognised at too late a stage. IFRS 9 addresses these criticisms by applying the same impairment model to all financial instruments that are subject to impairment accounting and by using more forward-looking information. In applying this more forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

‘12-month expected credit losses’ are recognised for the first category while ‘lifetime expected credit losses’ are recognised for the second category. There is also a third step to the model in the sense that for assets which actually become credit-impaired after initial recognition, interest is calculated on the asset’s amortised cost (i.e. the amount net of the loss allowance) as opposed to its gross carrying amount.



‘Get ready for IFRS 9: Impairment’ is the second in a series of publications designed to get you ready for IFRS 9. In this issue we bring you up to speed on the Standard’s new impairment requirements. To obtain your copy, please get in touch with the IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/insights/articles/get-ready-for-ifs-9-issue-2/.



Effective date and transition disclosures

IFRS 9 has a mandatory effective date of accounting periods beginning on or after 1 January 2018.

Extensive transition provisions have been included due to the complexity of the material and the phased way in which the project has been completed.



For more information on this Standard, please refer to our Special Edition of IFRS News 'IFRS 9 [2014]', which can be obtained from your IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/insights/articles/ifrs-news-special-edition-on-ifrs-9/.

Commercial significance



Number of entities affected

Because the definition of a financial instrument is so wide, most companies can expect to be affected. Even companies with relatively simple debtors and creditors should consider the changes. In addition, the greater alignment of IFRS 9's hedge accounting requirements with entities risk management practices may encourage entities who engage in economic hedging to also apply hedge accounting.



Impact on affected entities

The new Standard, with its reduced number of measurement categories, should help to reduce the complexity in accounting for financial instruments. In the short-term however, it may lead to far reaching changes, with companies needing to re-evaluate the classification of all instruments within the scope of IAS 39.

In addition to the impact on companies' financial position and reported results, many businesses will need to collect and analyse additional data and implement changes to systems in order to implement the new requirements on impairment.

Transfers of Investment Property (Amendments to IAS 40)

In December 2016 the IASB published ‘Transfers of Investment Property (Amendments to IAS 40)’ which clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence.

In addition to clarifying the principle above, the amendments also re-characterise the list of circumstances previously contained in IAS 40 ‘Investment Property’. This list was previously characterised as a definitive list of circumstances where it would be considered that there has been a change in use of a property. The amendments reposition the list as a non-exhaustive list of examples of evidence that a change in use has occurred. The IASB has also clarified that a change in management’s intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Transition

The amendments contain transitional provisions, the default being prospective application, however retrospective application is permitted, provided that it is possible without the use of hindsight.

Commercial significance



Number of entities affected

The amendments will impact entities that hold investment properties.



Impact on affected entities

These amendments could have a fairly significant impact if they result in a change in presentation of an entity’s property.

‘The amendments reposition the list of circumstances where a change in use is deemed to have occurred as a non-exhaustive list of examples of evidence that a change in use has occurred.’

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

In September 2016, the IASB published 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' which makes narrow scope amendments to IFRS 4 'Insurance Contracts'. The IASB issued the amendments to address the temporary accounting consequences of the different effective dates of IFRS 9 and the new insurance contracts Standard which was subsequently finalised as IFRS 17 'Insurance Contracts' and will have an effective date of 1 January 2021. This means the mandatory effective date of the new insurance contracts Standard is after the 2018 effective date of IFRS 9. Refer to page 47 for details on IFRS 17.

As entities that issue insurance contracts will be affected by both IFRS 9 and the new insurance contracts Standard, there was considerable concern over the practical challenges of implementing these two significant accounting changes on different dates. Further concerns were raised over the potential for increased volatility in profit or loss if IFRS 9's new requirements for financial instruments come into force before the new insurance accounting rules.

To address these concerns while still fulfilling the needs of users of financial statements, the IASB has responded by amending IFRS 4 and introducing the:

- overlay approach – an option for all entities that issue insurance contracts to adjust profit or loss for eligible financial assets by removing any additional accounting volatility that may arise as a result of IFRS 9
- temporary exemption – an optional temporary exemption from applying IFRS 9 for entities whose activities are predominantly connected with insurance. These entities will be permitted to continue to apply the existing financial instrument requirements of IAS 39.

Overlay approach

The overlay approach aims to remove from profit or loss any additional volatility that may arise if IFRS 9 is applied together with IFRS 4. All entities would be permitted to apply it but only to certain assets (see note below regarding proposed deferral of this date). Furthermore, the approach must be chosen on the initial adoption of IFRS 9.

Entities applying the overlay approach are required to apply IFRS 9 from its 1 January 2018 effective date. However they are permitted to reclassify from profit or loss to other comprehensive income an amount equal to the difference between:

- the amount reported in profit or loss when IFRS 9 is applied to the qualifying financial assets (see below); and
- the amount that would have been reported in profit or loss if IAS 39 were applied to those assets.

The amendments require the reclassification to be shown as a separate line item on the face of the statement of both profit or loss and other comprehensive income, with additional disclosures being given in order to enable users to understand it.

Only financial assets that meet both of the following criteria would qualify for the overlay approach:

- the financial assets are measured at FVTPL when applying IFRS 9 but would not have been so measured in their entirety when applying IAS 39
- the financial assets are designated by the entity as relating to insurance activities for the purposes of the overlay approach.

Temporary exemption

The temporary exemption is an option for entities whose activities are predominantly connected with insurance to defer the application of IFRS 9 until the earlier of:

- the application of the new insurance contracts Standard
- 1 January 2021.

(NB The effective date of the new insurance contracts Standard, IFRS 17, was subsequently finalised as 1 January 2021. However see note below regarding proposed deferral of this date.)

If an entity elects to use this temporary exemption, it will continue to apply IAS 39 during this period and will be required to provide some key disclosures to assist users of financial statements to make comparisons with entities applying IFRS 9.

Entities are eligible for this deferral approach only if they have activities that are predominantly connected with insurance when considering their activities as a whole. This should be considered at the reporting entity level and they must not have previously applied IFRS 9.

As eligibility is assessed at a reporting entity level, a separate assessment should be made for separate financial statements and consolidated groups. It is therefore possible for a group still to be eligible for the exemption even if there is a non-qualifying subsidiary (for its individual financial statements) within the group, or vice versa.

Predominance should be assessed by comparing the amount of an entity's insurance contract liabilities with the total amount of its liabilities.

Unlike the overlay approach, the temporary exemption will be applied to all, rather than some, financial assets of the limited population of entities that qualify for and elect to apply this approach.

Effective date

The amendments are effective as follows:

- the overlay approach is applied when entities first apply IFRS 9
- a temporary exemption from IFRS 9 is applied for accounting periods on or after 1 January 2018.

At the time of writing, the IASB is considering deferring the effective date of these amendments to be consistent with the deferral of IFRS 17. Subject to public consultation, they are proposing to defer them by one year to 1 January 2022.

Commercial significance



Number of entities affected

The amendments will only impact entities that issue insurance contracts, and are affected by both IFRS 9 and the new insurance contracts Standard.



Impact on affected entities

These amendments will provide relief to considerable concern raised over the practical challenges of adopting two significant Standards on different dates.

‘The IASB issued the amendments to address the temporary accounting consequences of the different effective dates of IFRS 9 ‘Financial Instruments’ and the new insurance contracts Standard, IFRS 17.’

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

In April 2016 the IASB published 'Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)'. We describe the three changes made by the amendments in more detail below.

Effects of vesting conditions on the measurement of a cash-settled share-based payment

Prior to the publication of the amendments, IFRS did not specifically address the impact of vesting and non-vesting conditions on the measurement of the fair value of the liability incurred in a cash-settled share-based payment transaction. The amendments address this lack of guidance by clarifying that these conditions should be accounted for consistently with equity-settled share-based payments in IFRS 2.

This means that the fair value of cash-settled awards is measured ignoring service and non-market performance conditions, but taking into account market and non-vesting conditions. This applies when estimating the fair value of the cash-settled share-based payment granted and when re-measuring the fair value at the end of each reporting period and at the date of settlement. The cumulative expense recognised is adjusted based on the number of awards that is ultimately expected to vest (the so-called 'true-up' mechanism).

Classification of share-based payment transactions with a net settlement feature for withholding tax obligations

The second amendment addresses the accounting for a particular type of share-based payment scheme. Many jurisdictions require entities to withhold an amount for an employee's tax obligation associated with share-based payments and transfer the amount (normally in cash) to the taxation authorities. As a result the terms of some schemes require the entity to deduct the number of equity instruments needed to equal the monetary value of the employee's tax obligation from the number of equity instruments that would otherwise be issued to the employee (referred to as a 'net settlement' feature).

The amendment stems from a request for guidance on whether the portion of the share-based payment that is withheld should be classified as cash-settled or equity-settled, where the entire share-based payment would otherwise have been classified as an equity-settled share-based payment transaction.

The amendment adds guidance to IFRS 2 to the effect that a scheme with this type of compulsory net-settlement feature would be classified as equity-settled in its entirety (assuming it would be so classified without the net settlement feature). Where necessary, an entity shall disclose an estimate of the amount that it expects to transfer to the tax authority to settle the employee's tax obligation.

Accounting for 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

The third amendment addresses the accounting for 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. Such situations were not previously addressed by IFRS 2, so the IASB has amended the Standard so that:

- the share-based payment transaction is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification
- the liability recognised in respect of the original cash-settled share-based payment is derecognised upon the modification, and the equity-settled share-based payment is recognised (in equity) to the extent that the services have been rendered up to the modification date
- the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.

This guidance also applies to a situation in which the modification changes the vesting period of the share-based payment transaction. The amendments also provide guidance for a grant of equity instruments that has been identified as a replacement for a cancelled cash-settled share-based payment.

Commercial significance



Number of entities affected

The amendments will only impact entities with share based payments transactions.



Impact on affected entities

Some of the changes could have a fairly significant impact depending on the type of shared based payment transaction the entity has entered into.

The IASB issued changes to IFRS 2 covering the following matters:

- the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment
- the classification of share-based payment transactions with a net settlement feature for withholding tax obligations
- the accounting for 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.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

In December 2016, the IFRS Interpretations Committee (IFRIC) issued 'IFRIC 22 Foreign Currency Transactions and Advance Consideration'. It looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income.

Background

Although IAS 21 'The Effects of Changes in Foreign Exchange Rates' sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency, IFRIC had observed diversity in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognised.

In carrying out their analysis of the issue, IFRIC noted that the issue was not restricted to just revenue transactions. For example, the same issue arises for transactions such as a sale of property, plant and equipment or the purchase of services when consideration is denominated in a foreign currency and is paid or received in advance.

Matters addressed

IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Illustrative examples in the Interpretation demonstrate the application of this consensus.

Transition

On initial application, entities have the choice of applying the Interpretation either retrospectively or, alternatively, prospectively to all assets, expenses and income in the scope of the Interpretation 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.

Commercial significance



Number of entities affected

The Interpretation has a narrow scope. It will only impact transactions that have been settled in advance and in foreign currency.



Impact on affected entities

The impact of this Interpretation could be significant depending on how the exchange rate has fluctuated in the period between the advance and receipt of the related asset.

Effective from 1 January 2019

The Standards discussed on pages 24 to 36 are effective for accounting periods beginning on or after 1 January 2019.

The Standards are:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS 2015-2017 Cycle
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

IFRS 16 Leases

IFRS 16 is the result of the IASB's long-running project to overhaul lease accounting, representing the first major change to lease accounting in over 30 years. The new Standard replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

IFRS 16 will require lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability. For many businesses, however, exemptions for short-term leases and leases of low value assets will greatly reduce the impact.

IFRS 16 also:

- changes the definition of a lease
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods
- changes the accounting for sale and leaseback arrangements
- largely retains IAS 17's approach to lessor accounting
- introduces new disclosure requirements.

The table summarises the main changes at a glance:

IFRS 16 Leases at a glance

Issue	Other factors to consider
Who is affected?	<ul style="list-style-type: none">• entities that lease assets as a lessee or a lessor
What's the impact on lessees?	<ul style="list-style-type: none">• all leases will be accounted for 'on-balance sheet', other than short-term and low value asset leases• lease expense will typically be 'front-loaded'• lease liability will exclude:<ul style="list-style-type: none">– option periods unless exercise is reasonably certain– contingent payments that are linked to sales/usage and future changes in an index/rate
What's the impact on lessors?	<ul style="list-style-type: none">• only minor changes from the current Standard – IAS 17
Are there other changes?	<ul style="list-style-type: none">• a new definition of a lease will result in some arrangements previously classified as leases ceasing to be so, and vice versa• new guidance on sale and leaseback accounting• new and different disclosures
When are the changes effective?	<ul style="list-style-type: none">• annual periods beginning on or after 1 January 2019• various transition reliefs• early application is permitted if IFRS 15 'Revenue from Contracts with Customers' is applied.

Scope

IFRS 16 applies to all leases for both the lessee and lessor, except for a few scope exclusions. These exclusions, some of which are similar to IAS 17's, are summarised in the table:

Scope exclusions from IFRS 16

Scope exclusion	Standard to apply
Leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources	None specified. Depending on the circumstances IFRS 6 'Exploration for and Evaluation of Mineral Resources' or IAS 38 'Intangible Assets' might apply
Leases of biological assets in scope of IAS 41 held by a lessee	IAS 41 'Agriculture'
Service concession arrangements in scope of IFRIC 12	IFRIC 12 'Service Concession Arrangements'
Licences of intellectual property granted by a lessor in scope of IFRS 15	IFRS 15 'Revenue from Contracts with Customers'
Rights held under licensing agreements in scope of IAS 38 for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights*	IAS 38 'Intangible Assets'

* for leases of other types of intangible asset a lessee is permitted to apply IFRS 16 but not required to do so

Definition of a lease

Because the new lease accounting model brings many more leases 'on-balance sheet', the evaluation of whether a contract is (or contains) a lease becomes even more important than it is today.

Under IFRS 16 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'. A contract is, or contains, a lease if:

- fulfilment of the contract depends on the use of an identified asset; and
- the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

In practice, the main impact of IFRS 16's new definition and supporting guidance is likely to be on contracts that are not in the legal form of a lease but involve the use of a specific asset and may therefore contain a lease.

Lessee accounting

Subject to the optional accounting simplifications discussed below, a lessee will be required to recognise its leases on the balance sheet. This involves recognising:

- a 'right-of-use' asset; and
- a lease liability.

The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is 'reasonably certain'.

In subsequent periods, the right-of-use asset is accounted for similarly to a purchased asset and depreciated or amortised. The lease liability is accounted for similarly to a financial liability using the effective interest method.

‘IFRS 16 will require lessees to account for leases ‘on-balance sheet’ by recognising a ‘right-of-use-asset’ and a lease liability.’

Optional accounting simplifications

IFRS 16 provides important reliefs or exemptions for:

- short-term leases (a lease is short-term if it has a lease term of 12 months or less at the commencement date)
- low-value asset leases (the assessment of value is based on the absolute value of the leased asset when new and therefore requires judgement. In the Basis for Conclusions which accompanies the Standard, however, the IASB notes that they had in mind leases of assets with a value when new of around US \$5,000 or less).

If these exemptions are used, the accounting is similar to operating lease accounting under the current Standard IAS 17 ‘Leases’. Lease payments are recognised as an expense on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

Lessor accounting

IFRS 16’s requirements for lessor accounting are similar to IAS 17’s. In particular:

- the distinction between finance and operating leases is retained
- the definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as IAS 17’s
- the basic accounting mechanics are also similar, but with some different or more explicit guidance in a few areas. These include variable payments; sub-leases; lease modifications; the treatment of initial direct costs; and lessor disclosures.

Sale and leaseback accounting

IFRS 16 makes significant changes to sale and leaseback accounting.

If an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, both the seller-lessee and the buyer-lessor determine whether the transfer qualifies as a sale. This determination is based on the requirements for satisfying a performance obligation in IFRS 15.



For more information, please refer to our special edition of IFRS News on IFRS 16 ‘Leases’. The special edition explains the key features of the new Standard and provides practical insights into its application and impact. To obtain your copy, please get in touch with the IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/insights/articles/ifrs-news-special-edition-on-ifrs-16/.

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‘The new Standard replaces IAS 17 ‘Leases’ along with three Interpretations (IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases-Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’).’

Effective date and transition

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for entities that apply IFRS 15 'Revenue from Contracts with Customers' at or before the date of initial application of this standard.

In terms of transition, IFRS 16 provides lessees with a choice between two broad methods:

- full retrospective application – with restatement of comparative information in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- partial retrospective application – without restating comparatives. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. If a lessee chooses this method, a number of more specific transition requirements and optional reliefs also apply.



The series looks at key areas of the new Standard and aims to provide assistance in preparing for IFRS 16. The key areas covered in the series are:

- Understanding the discount rate
- Interim periods
- Definition of a lease
- Lease term
- Transition choices
- Sale and leaseback accounting
- Lease payments
- Presentation and disclosure

To obtain your copy, please get in touch with your local IFRS contact or go to www.grantthornton.global/en/insights/ifrs-16/

Commercial significance



Number of entities affected

IFRS 16 will affect most companies that report under IFRS and are involved in leasing.



Impact on affected entities

IFRS 16 will have a substantial impact on the financial statements of lessees of property and high value equipment.

Bringing all leases on-balance sheet is controversial. The IASB has therefore made compromises to reduce the controversy, in particular exemptions for short-term and low value asset leases. As a result businesses that lease only assets such as printers and laptops will face only a limited impact. For businesses that lease 'big-ticket' assets, such as property and high-value equipment, this will however be a major change. Whatever your views on the new Standard, businesses would be well-advised to start an impact analysis sooner rather than later.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB published 'Prepayment Features with Negative Compensation (Amendments to IFRS 9)'.

The amendments allow companies to measure particular prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income – instead of measuring those assets at fair value through profit or loss (FVTPL).

The amendments also include clarifications to the modification or exchange of a financial liability that does not result in derecognition.

After IFRS 9 was issued, the IFRS Interpretations Committee received a request on how to apply the IFRS 9 requirements for recognising and measuring financial instruments to certain debt instruments where the borrower is permitted to prepay the instrument at an amount that could be less than the unpaid principal and interest owed. Such a prepayment feature is often referred to as including potential 'negative compensation'.

Under the then existing requirements of IFRS 9, a company would have measured a financial asset with negative compensation at FVTPL as the 'negative compensation' feature would have been viewed as introducing potential cash flows that were not solely payments of principal and interest.

However, to improve the usefulness of the information provided, in particular on the instrument's effective interest rate and expected credit losses, the IASB issued the amendments so that entities will now be able to measure some prepayable financial assets with negative compensation at amortised cost.

'The change to the accounting for a modification or exchange of a financial liability that does not result in derecognition is effective from 2018 as this text merely clarifies the existing Standard as opposed to amending it.'

Another issue – Modification or exchange of a financial liability that does not result in derecognition

Concurrent with the amendment to IFRS 9 for prepayment features with negative compensation, the IASB discussed the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of the financial liability. Specifically, the IASB considered whether, when applying IFRS 9, an entity should recognise any adjustment to the amortised cost of the financial liability arising from such a modification or exchange in profit or loss at the date of the modification or exchange.

The IASB concluded that no change needed to be made to the Standard itself but has clarified the existing position by adding text to the Basis for Conclusions on IFRS 9 in these amendments.

The change to the accounting for a modification or exchange of a financial liability that does not result in derecognition is effective from 2018 as this text merely clarifies the existing Standard as opposed to amending it.

To summarise, the IASB believes that IFRS 9 provides an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition. The text which has been added in the amendments highlights that the requirements in IFRS 9 for adjusting the amortised cost of a financial liability when a modification (or exchange) does not result in the derecognition of the financial liability are consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset. Those requirements state that when contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.

‘To summarise, the IASB believes that IFRS 9 provides an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition.’

Ironically, the ‘other issue’ clarifying the accounting for a modification or exchange of a financial liability that does not result in derecognition may well result in the most significant change in accounting as modification gains and losses will now be recognised immediately in profit or loss in such situations.

‘Prepayment Features with Negative Compensation – Amendments to IFRS 9’ is effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. However the text which has been added to clarify the accounting for a modification or exchange of a financial liability that does not result in derecognition is effective for annual periods beginning on or after 1 January 2018 (ie the effective date of IFRS 9 itself) as this text merely clarifies the existing Standard rather than amending it.

Commercial significance



Number of entities affected

The amendments will have most relevance to financial institutions who hold these types of financial instruments, although it is possible that some other entities will be affected.



Impact on affected entities

These amendments are important to financial institutions, as without them they would have had to account for what are essentially debt-type financial assets at fair value as opposed to amortised cost, which may not have provided the most useful information to users.

The ‘other issue’ included in these amendments could have an even more significant impact and must be applied at the same time IFRS 9 is applied.

‘Ironically, the ‘other issue’ clarifying the accounting for a modification or exchange of a financial liability that does not result in derecognition may well result in the most significant change in accounting as modification gains and losses will now be recognised immediately in profit or loss in such situations.’

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

In October 2017 the IASB published 'Investments in Associates and Joint Ventures (Amendments to IAS 28)' clarifying that companies account for long-term interests in an associate or joint venture – to which the equity method is not applied – using IFRS 9 'Financial Instruments'. This includes long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

IFRS 9 excludes interests in associates and joint ventures accounted for in accordance with IAS 28. However, some stakeholders expressed an opinion that it was not clear whether that exclusion applies only to interests in associates and joint ventures to which the equity method is applied or whether it applies to all interests in associates and joint ventures.

In the amendments, the IASB clarifies that the exclusion in IFRS 9 applies only to interests accounted for using the equity method. Therefore, a company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and which, in substance, form part of the net investment in those associates and joint ventures.

The IASB has also published an example that illustrates how entities apply the requirements in IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

Commercial significance



Number of entities affected

The amendments will impact entities that have interests in associates and joint ventures to which the equity method is applied.



Impact on affected entities

The amendment is significant as it means holdings in debt-type instruments issued by an associate or joint venture will be subject to IFRS 9's impairment requirements.

'IFRS 9 excludes interests in associates and joint ventures accounted for in accordance with IAS 28.'

IFRIC 23 Uncertainty over Income Tax Treatments

The IFRS Interpretations Committee (IFRIC) has published a new Interpretation IFRIC 23 ‘Uncertainty over Income Tax Treatments’, specifying how entities should reflect uncertainty in accounting for income taxes.

IAS 12 ‘Income Taxes’ specifies how to account for current and deferred tax but not how to reflect the effects of uncertainty. IFRIC 23 addresses this previous lack of guidance.

IFRIC 23 addresses uncertainty over how tax treatments should affect the accounting for income taxes. IFRIC had observed that there was diversity in practice for various issues on the recognition and measurement of a tax liability or asset in circumstances where there is uncertainty in the application of the tax law in concern. The table illustrates the main issues that are addressed by the Interpretation.

Main issues addressed by IFRIC 23

Issue	Proposal
When and how the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates	<ul style="list-style-type: none"> • an entity is required to consider whether it is probable that a taxation authority will accept an uncertain tax treatment • if it is, the entity would determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings • if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it uses either the most likely amount or the expected value in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates (depending on which method is expected to better predict the resolution of the uncertainty).
The assumptions that an entity should make about the examination of tax treatments by taxation authorities	<ul style="list-style-type: none"> • an entity is required to assume that a tax authority will examine amounts it has a right to examine and will have full knowledge of all relevant information when making those examinations.
Changes in facts and circumstances	<ul style="list-style-type: none"> • entities are also required to reassess their judgements and estimates if facts and circumstances change (eg upon reaching a time limit where the taxation authority is no longer able to challenge an entity’s tax treatments) or as a result of new information that affects the judgement or estimate becoming available.
Whether uncertain tax treatments should be considered separately	<ul style="list-style-type: none"> • entities would be required to use judgement to determine whether each uncertain tax treatment should be considered separately, or whether some uncertain tax treatments should be considered together. In determining the approach to be followed, entities shall consider which approach better predicts the resolution of the uncertainty.

Main issues addressed by IFRIC 23

Issue	Proposal
Disclosure	<ul style="list-style-type: none"> when addressing uncertainty over income tax treatments, entities are required to disclose judgements, assumptions and estimates made in accordance with the normal requirements of IAS 1 'Presentation of Financial Statements' in addition, if an entity concludes it is probable that a taxation authority will accept an uncertain tax treatment, it should consider whether to disclose the potential effect of the uncertainty as a tax-related contingency under IAS 12.88.
Transition	<ul style="list-style-type: none"> entities shall apply IFRIC 23: <ul style="list-style-type: none"> retrospectively by applying IAS 8, if that is possible without the use of hindsight; or retrospectively with the cumulative effect of initially applying the effect of the changes being recognised in the opening balance of retained earnings (or another component of equity) in the period of first application, without adjusting comparative information.

Commercial significance



This Interpretation is applicable to any entity where there is uncertainty over whether a tax treatment will be accepted or disputed by the tax authorities. It includes all tax items (taxable profits and losses, tax bases, unused tax bases, unused tax credits and tax rates), and therefore could have a widespread impact.



If an entity concludes there is uncertainty over the tax treatment of an item, it must account for the uncertain treatment accordingly. It could therefore have a significant impact on some entities depending on the item.

'IFRIC had observed that there was diversity in practice for various issues on the recognition and measurement of a tax liability or asset in circumstances where there is uncertainty in the application of the tax law in concern.'

Annual Improvements to IFRS 2015–2017 Cycle (Amendments to IAS 12, IAS 23, IFRS 3 and IFRS 11)

This publication is a collection of amendments to IFRS Standards discussed by the IASB during the project cycle for making annual improvements which were included in an Exposure Draft published in January 2017. The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRS that will not be included as part of any other project. Amendments made as part of this process

either clarify the wording in a Standard or correct relatively minor oversights or conflicts between existing requirements of IFRS. By presenting the amendments in a single document rather than as a series of piecemeal changes, the IASB aims to ease the burden of change for all concerned. A summary of the issues addressed is set out below:

Matters addressed by the amendments

Standard affected	Subject	Summary of amendment
IAS 12 'Income Taxes'	Income tax consequences of payments on instruments classified as equity	The amendments to IAS 12 clarify that the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
IAS 23 'Borrowing Costs'	Borrowing costs eligible for capitalisation	<p>IAS 23.14 specifies how to determine the amount of borrowing costs eligible for capitalisation when an entity borrows funds generally and uses them to obtain a qualifying asset.</p> <p>IAS 23 requires an entity, when determining the funds that it borrows generally, to exclude 'borrowings made specifically for the purpose of obtaining a qualifying asset'. The IASB observed that an entity might misinterpret those words to mean that funds borrowed generally would exclude funds outstanding that were originally borrowed specifically to obtain a qualifying asset that is now ready for its intended use or sale.</p> <p>The amendments therefore clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.</p> <p>The amendments are to be applied prospectively (ie only to borrowing costs incurred on or after the beginning of the annual reporting period in which the amendments are first applied) as the costs of gathering the information required to capitalise borrowing costs retrospectively may exceed the potential benefits.</p>
IFRS 3 'Business Combinations'	Previously held interests in a joint operation	<p>The amendment clarifies that when an entity obtains control of a joint operation, it accounts for this transaction as a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at its acquisition-date fair value.</p> <p>The logic behind the amendment is that obtaining control results in a significant change in the nature of, and economic circumstances surrounding, the interest held.</p>
IFRS 11 'Joint Arrangements'	Previously held interests in a joint operation	In contrast to the clarifications to IFRS 3, an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation.

The amendments are effective for annual periods beginning on or after 1 January 2019, with earlier application permitted. The amendments are to be applied retrospectively, except for the amendments to IAS 23 as explained above.

Commercial significance



Number of entities affected

The amendments make changes to relatively narrow areas within IFRS.



Impact on affected entities

The IASB's Annual Improvements process addresses non-urgent, but necessary minor amendments to IFRS. By their nature then, their commercial significance can be expected to be low. Overall the changes are uncontroversial. We note however that the amendments to IAS 12 do not include requirements on how to determine whether payments on financial instruments classified as equity are distributions of profits. This means that it is likely that challenges will remain when determining whether to recognise the income tax effects on a payment in profit or loss or in equity.

‘The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRS that will not be included as part of any other project. Amendments made as part of this process either clarify the wording in a Standard or correct relatively minor oversights or conflicts between existing requirements of IFRS.’

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

In February 2018, the IASB published 'Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)'. The amendments require companies to use updated actuarial assumptions to determine pension expenses following changes to a defined benefit pension plan.

IAS 19 'Employee Benefits' requires a company to remeasure its net defined benefit liability or asset when an amendment to, or a curtailment or settlement of a defined benefit plan takes place. However, IAS 19 was not explicit on how to determine the expenses incurred after the change to the defined benefit plan has taken place.

The amendments to IAS 19, published in February 2018, now require a company, when a defined benefit plan is amended, curtailed or settled during a period and the net defined benefit liability or asset is remeasured as a result of one of these transactions, to:

- determine the current service costs and the net interest for the period after the remeasurement using the assumptions used for the remeasurement; and
- determine the net interest for the remaining period based on the remeasured net defined benefit liability or asset.

These amendments could change whether and when an entity remeasures its net defined benefit liability or asset. When assessing whether remeasuring the net defined benefit liability or asset will have a material impact, an entity will not only consider the effect on past service cost, or a gain or loss on settlement, but also the effects of using the updated assumptions for determining current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement.

Effective date and transition

These amendments are effective for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

The amendments are only to be applied prospectively as the IASB concluded that the benefits of applying the amendments retrospectively would not exceed the cost of doing so as entities might need to revisit plan amendments, curtailments and settlements that occurred several years previously and remeasure the net defined benefit liability or asset as of those dates. Also, the IASB concluded that requiring a retrospective application would not provide useful trend information.

Grant Thornton view

We believe using updated assumptions to determine current service cost and net interest for the remainder of an annual reporting period following a change will provide more useful information to users of the financial statements.

Commercial significance



Number of entities affected

The amendments will impact entities with defined benefit plans.



Impact on affected entities

The amendments could change whether an entity remeasures its net defined benefit liability and the timing of this remeasurement.

Effective from 1 January 2020

The Standards discussed on pages 38 to 45 are effective for accounting periods beginning on or after 1 January 2020.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Standards are:

- Conceptual Framework for Financial Reporting¹
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

¹ Includes 'Amendments to References to the Conceptual Framework in IFRS Standards'

Conceptual Framework for Financial Reporting

In March 2018, the IASB published a revised ‘Conceptual Framework for Financial Reporting’ (Conceptual Framework) concluding its long-running project in this area. Although it is not a Standard and will not immediately change or override any existing Standards, it may affect entities that develop or select accounting policies in accordance with the previous version of the Conceptual Framework that was issued in 2010.

Background

The Conceptual Framework describes the objective of, and the concepts for, general purpose financial reporting. It is mainly a tool for the IASB to develop and revise Standards that are based on consistent concepts, but entities might also use it when they have to develop accounting policies when no Standard applies or when a Standard allows a choice of accounting policy.

The original Conceptual Framework was issued in 1989 and was updated on several occasions, the last being in 2010. The 2010 version included two revised chapters on the objective of financial reporting and the qualitative characteristics of useful financial information but, for example, did not contain a chapter on the reporting entity or guidance on measurement or reporting financial performance. In addition to lacking guidance in certain areas, some existing guidance was not as clear as desired or was outdated.

A public consultation on the IASB’s workplan in 2012 therefore highlighted the need for a revision of the 2010 Conceptual Framework and in an effort to make the Conceptual Framework a complete and overarching set of concepts, the project was added to the IASB’s agenda. Before issuing a revised Conceptual Framework in 2018, the IASB sought input by publishing a Discussion Paper in 2013 and an Exposure Draft in 2015.

Main issues addressed by the revised Conceptual Framework

The revised Conceptual Framework now sets out a more complete set of concepts in eight chapters:

- 1 The objective of general purpose financial reporting
- 2 The qualitative characteristics of useful financial information
- 3 Financial statements and the reporting entity
- 4 The elements of financial statements
- 5 Recognition and derecognition
- 6 Measurement
- 7 Presentation and disclosure
- 8 Concepts of capital and capital maintenance.

The guidance on measurement, financial performance, derecognition, and the reporting entity is new to the Conceptual Framework. In addition, some of the existing guidance was updated. For example, the IASB has reintroduced the concept of prudence to support a faithful representation and clarified that measurement uncertainty can impact a faithful representation.

The revised Conceptual Framework also updates some existing concepts like the definitions of assets and liabilities. Although both definitions worked well in the past, the revised definitions now focus more on describing an asset as an economic resource and a liability as an obligation to transfer an economic resource rather than describing both in terms of a flow of benefits.

Consequential amendments and effects on preparers

Alongside the revised Conceptual Framework, the IASB has published 'Amendments to References to the Conceptual Framework in IFRS Standards'. This publication updates nearly all of the references to previous versions with references to the 2018 Conceptual Framework. The IASB is confident that the updated references will have no impact on preparers of financial statements and reminds them that the Conceptual Framework is not a Standard and does not change or override requirements of any existing Standards.

However, some references have not been updated or allow preparers to continue applying the 2010 Conceptual Framework. To avoid unintended consequences, preparers are required to apply the definitions of assets and liabilities from the 2010 Conceptual Framework when accounting for business combinations under IFRS 3. The IASB plans to explore in due course how those references can be updated without having any effects on preparers of financial statements.

Also, preparers will continue using the 2010 definitions of assets and liabilities when accounting for regulatory account balances. This means preparers will not have to change their accounting for rate-regulated assets and liabilities twice within a short period of time as the IASB is planning to replace the interim Standard IFRS 14 'Regulatory Deferral Accounts' in the near future.

Effective date and transition

The Conceptual Framework is not a Standard and will not change or override any existing Standards. It is primarily a tool for the IASB to help them develop Standards based on consistent concepts. Over the last few years, the IASB has already started applying some of the new or revised concepts when developing or revising Standards.

However, entities that develop accounting policies using the Conceptual Framework, or that are in any other way affected by the amendments to IFRS Standards, will have to apply the changes from 1 January 2020.

Commercial Significance



Number of entities affected

The Conceptual Framework applies to all entities using IFRS.



Impact on affected entities

As noted above, as the Conceptual Framework is primarily a tool for the IASB in developing Standards, entities will not see a significant direct impact. However, entities that need to develop accounting policies using the Conceptual Framework will see an impact.

'The guidance on measurement, financial performance, derecognition, and the reporting entity is new to the Conceptual Framework.'

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued 'Definition of a Business' making amendments to IFRS 3 'Business Combinations'.

The amendments are a response to feedback received from the post-implementation review of IFRS 3. They clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination.

The amendments:

- clarify the minimum attributes that the acquired assets and activities must have to be considered a business
- remove the assessment of whether market participants can acquire the business and replace missing inputs or processes to enable them to continue to produce outputs
- narrow the definition of a business and the definition of outputs
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

New definition of a business

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

What are the minimum requirements to meet the definition of a business?

The amendments acknowledge that despite most businesses having outputs, outputs are not necessary for an integrated set of assets and activities to qualify as a business. In order to meet the definition of a business the acquired set of activities and assets must have inputs and substantive processes that can collectively significantly contribute to the creation of outputs.

Is the acquired process substantive?

The amendments add guidance and illustrative examples to assist entities in assessing whether a substantive process has been acquired. The guidance explains that those entities that do not have outputs are new entities that have not yet generated revenue. If the acquired set of activities and assets is generating revenue at the acquisition date it is considered to have outputs.

For activities and assets that do not have outputs at the acquisition date, the acquired process is substantive if:

- it is critical to being able to develop or convert an acquired input into an output
- the inputs acquired include both:
 - an organised workforce that has the skills, knowledge or experience to perform the process
 - other inputs that the organised workforce could develop or convert into outputs (eg. Technology, in-process research and development projects, real estate and mineral interests).

For activities and assets that have outputs at the acquisition date, the acquired process is substantive if:

- it is necessary to being able to continue to produce outputs, and the acquired inputs include an organised workforce with the necessary skills, knowledge or experience to perform the process
- it significantly contributes to being able to continue producing outputs and is deemed to be unique or scarce or it cannot be replaced without significant cost, effort or delay in producing outputs.

How have the amendments changed the definition?

The amendments replace the wording in the definition of a business from:

- 'providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants' to
- 'providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.'

This narrows the definition by focussing on goods or services rather than returns.



For more information please refer to our article 'Insights into IFRS 3 – Definition of a Business', where we further explain these changes including the optional concentration test and how it is calculated. We also include some practical examples. To obtain your copy, please get in touch with the IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/en/insights/articles/ifrs-3---definition-of-a-business/.

Accounting topic	Business combination	Asset purchase
Recognition of identifiable assets and liabilities	<ul style="list-style-type: none"> measured at fair value 	<ul style="list-style-type: none"> total cost is allocated to individual items based on relative fair values
Goodwill or gain on bargain purchase	<ul style="list-style-type: none"> recognised as an asset (goodwill) or as income (gain on bargain purchase) 	<ul style="list-style-type: none"> not recognised
Transaction costs	<ul style="list-style-type: none"> expensed when incurred 	<ul style="list-style-type: none"> typically capitalised
Deferred tax on initial temporary differences	<ul style="list-style-type: none"> recognised as assets and liabilities 	<ul style="list-style-type: none"> not recognised unless specific circumstances apply

What is the optional concentration test?

The amendments introduce an optional test (the concentration test) that allows the acquirer to carry out a simple assessment to determine whether the set of activities and assets acquired is not a business. If the test is successful, then the set of activities and assets acquired is not a business and no further assessment is required. If the test is not met or the entity does not carry out the test, then the entity needs to assess whether or not the acquired set of assets and activities meets the definition of a business in the normal way.

The test is met if substantially all of the fair value of the gross assets acquired is concentrated in one or a group of similar identifiable assets. Gross assets exclude cash and cash equivalents, deferred tax assets and goodwill from the effects of deferred tax liabilities. The amendments also provide guidance on what a single identifiable asset or a group of similar identifiable assets would be.

Transition

The changes are to be applied prospectively to business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Companies can apply them earlier if they disclose this fact.

Asset purchase versus business combination

It is important to distinguish business combinations from asset purchases because the IFRS requirements are very different. Some of the key differences are summarised in the table above.

Commercial Significance



Number of entities affected

The amendments could impact all business combinations and purchases where it is unclear whether an asset or a business has been acquired.



Impact on affected entities

The impact could be significant if the outcome as to whether there is a business changes.

'The amendments are a response to feedback received from the post-implementation review of IFRS 3.'

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued 'Definition of Material' making amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The amendments are a response to findings that some companies experienced difficulties using the previous definition when judging whether information was material for inclusion in the financial statements. In fact, up to now, the wording of the definition of material in the Conceptual Framework for Financial Reporting differed from the wording used in IAS 1 and IAS 8. The existence of more than one definition of material was potentially confusing, leading to questions over whether the definitions had different meanings or should be applied differently.

The old definition

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements.

The new definition

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Grant Thornton International Ltd insight - 'obscuring'

Including 'obscuring' in the definition of material addresses concerns that the former definition could be perceived by stakeholders as focusing only on information that cannot be omitted (material information) and not also on why it may be unhelpful to include immaterial information. However, this does not mean that entities are prohibited from disclosing immaterial information.

The amendments give a number of examples of circumstances that may result in material information being obscured.

Grant Thornton International Ltd insight - 'reasonably be'

This wording reflects wording broadly previously used in IAS 1 and helps to address concerns raised by some parties that the threshold 'could influence' in the existing definition of material is too low and might be applied too broadly.

Grant Thornton International Ltd insight – ‘primary users’

The amendments note that many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed.

The amendments are designed to rectify this problem and make it easier for companies to define materiality judgements. They do this by:

- including in the definition guidance that until now has featured elsewhere in IFRS
- improving the explanations that accompany the definition
- ensuring that the definition of material is consistent across all IFRS.

Transition

The changes are effective from 1 January 2020, but companies can decide to apply them earlier.

Commercial Significance



Number of entities affected

The concept of materiality is used by most entities.



Impact on affected entities

The amendments are intended to make the definition easier to understand and are not intended to alter the concept of materiality in IFRS. As such, we do not expect the amendments to change significantly how materiality judgements are made in practice or to significantly affect entities' financial statements. We do however expect that they will improve the understanding of this important area.

‘The amendments note that many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need.’

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

In October 2019, the IASB published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7), in response to the ongoing reform of interest rate benchmarks around the world. The amendments aim to provide relief for hedging relationships.

Many interbank offered rates (IBORs) are expected to be replaced by new benchmark Risk-Free Rates (RFRs) in the

next few years. One of the biggest issues presented by the replacement of IBORs is the potential effect on hedge accounting given the extensive use of interest rate benchmarks in global financial markets, and it's this subject that is addressed by the IASB's amendments.

The amendments

The main amendments can be summarised as follows:

Matters addressed by the amendments

Issue	Proposal
Highly probable requirement and prospective assessments of hedge effectiveness	<p>Where an entity currently designates IBOR cash flows, the replacement of IBORs with new interest rate benchmarks raises questions over whether it will be possible to make the assertion that those cash flows will still occur in a hedge of highly probable future cash flows, and whether the hedging relationship meets the requirements to be viewed as effective on a prospective basis.</p> <p>The IASB therefore has provided exceptions for determining whether a forecast transaction is highly probable or whether it's no longer expected to occur. Specifically, the amendments state that an entity should apply those requirements assuming that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.</p> <p>They also includes exceptions to the hedge accounting requirements in IFRS 9 and IAS 39 so that an entity assumes that the interest rate benchmark on which the hedged cash flows are based, and/or the interest rate benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of interest rate benchmark reform when the entity determines whether:</p> <ul style="list-style-type: none">• there is an economic relationship between the hedged item and the hedging instrument applying IFRS 9• or the hedge is expected to be highly effective in achieving offsetting by applying IAS 39.
Designating a component of an item as the hedged item	<p>The changes amend the hedge accounting requirements in IFRS 9 and IAS 39 for hedges of the benchmark component of interest rate risk that is not contractually specified and that is affected by interest rate benchmark reform.</p> <p>Specifically, they state that an entity applies the requirement (that the designated risk component or designated portion is separately identifiable) only at the inception of the hedging relationship.</p> <p>There is one exception to this, and that is when an entity frequently resets a hedging relationship because both the hedging instruments and the hedged item frequently change, the entity applies the requirement only when it initially designates a hedged item in that hedging relationship.</p>

Without these amendments, the uncertainty surrounding the replacement of IBORs and the form this will take, could result in entities having to discontinue hedge accounting solely because of the reform's effect on their ability to make forward-looking assessments.

Disclosures about the extent to which an entity's hedging relationships are affected by the amendments are also required.

The IASB has stated that the exceptions above are mandatory for all hedging relationships directly affected by the interest rate benchmark reform. It also confirms that the exceptions apply for a limited period. Specifically, an entity prospectively ceases to apply the amendments at the earlier of:

- when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows; and
- when the hedging relationship is discontinued, or when a forecast transaction is no longer expected to occur, the entire amount accumulated in the cash flow hedge reserve with respect to that hedging relationship is reclassified to profit or loss.

The IASB has not provided an end to the application of the proposed exception relating to the separate identification requirement outlined above.

The amendments are not intended to provide relief if a hedging relationship no longer meets the requirements of hedge accounting for any other reasons than those included in the amendments.

Effective date and transition

In acknowledgement of the speed with which interest rate benchmark reform is progressing, the amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. They should be applied retrospectively, with early application permitted.

Commercial significance



Number of entities affected

The amendments affect entities with hedging relationships directly affected by IBORs.



Impact on affected entities

These amendments provide urgent relief from the effects of IBOR on hedge accounting. However, they address only the hedge accounting issues arising when IBORs are replaced with alternative risk free rates (RFR) so are known as the pre-replacement issues.

Effective from 1 January 2021

The Standard discussed on pages 47 to 50 is effective for accounting periods beginning on or after 1 January 2021.

It may be possible to apply the changes early depending on local legislation and the requirements of the particular change in concern. The Standard is:

- IFRS 17 Insurance Contracts¹

¹ At the time of writing the IASB have proposed to defer the effective date of IFRS 17 by one year to 1 January 2022.

IFRS 17 Insurance Contracts

In May 2017, after more than 20 years in development, the IASB published IFRS 17 'Insurance Contracts'. This represents a record in terms of development period, the lengthy completion period reflecting a number of factors including:

- very diverse local practices for insurance accounting
- a huge range of jurisdiction-specific products, tax implications and regulations that had to be captured by a uniform measurement model
- the need for alignment with other Standards that have been recently published by the IASB, such as IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', and to some degree the work of other standard setters.

The new Standard replaces IFRS 4 'Insurance Contracts' which was published in 2004. IFRS 4 was designed to be an interim Standard and therefore allowed entities issuing insurance contracts to carry on accounting for them using policies that had been developed under their previous local accounting standards. This meant that entities continued to use a multitude of different approaches for accounting for insurance contracts, making it difficult to compare and contrast the financial performance of otherwise similar entities.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. We briefly discuss some of the areas covered by the new Standard below:

Scope

IFRS 17 applies to all insurance contracts that an entity issues (including those for reinsurance); reinsurance contracts it holds; and investment contracts with a discretionary participation feature, provided the entity also issues insurance contracts.

IFRS 17 defines an insurance contract as one under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

This definition is similar to that in IFRS 4. In addition, IFRS 17 provides guidance on how to assess the significance of insurance risk based on the possibility of a loss on a present value basis (rather than nominal), and how to evaluate changes in the level of insurance risk.

Measurement

IFRS 17 requires an entity that issues insurance contracts to report them on the balance sheet as the total of:

- a the fulfilment cash flows – the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows and
- b the contractual service margin – the expected profit for providing future insurance coverage (ie unearned profit).

The measurement of the fulfilment cash flows reflects the current value of any interest rate guarantees and financial options included in the insurance contracts.

To better reflect changes in insurance obligations and risks, IFRS 17 requires an entity to update the fulfilment cash flows at each reporting date, using current estimates that are consistent with relevant market information. This means that insurance obligations will be accounted for using current values instead of historical cost, ending the practice of using data from when a policy was taken out.

Current discount rates are also required to be used. These will reflect the characteristics of the cash flows arising from the insurance contract liabilities, a change from the previous situation where many entities used discount rates based on the expected return on assets backing the insurance contract liabilities.

Revenue is no longer equal to written premiums but to the change in the contract liability covered by consideration.

Insurance performance

IFRS 17 requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts:

- a the insurance service result, which depicts the profit earned from providing insurance coverage
- b the financial result, which captures:
 - investment income from managing financial assets
 - insurance finance expenses from insurance obligations – the effects of discount rates and other financial variables on the value of insurance obligations.

When applying IFRS 17, changes in the estimates of the expected premiums and payments that relate to future insurance coverage will adjust the expected profit – ie the contractual service margin for a group of insurance contracts will be increased or decreased by the effect of those changes.

The effect of such changes in estimates will then be recognised in profit or loss over the remaining coverage period as the contractual service margin is earned by providing insurance coverage.

Onerous contracts

To make differences in profitability among insurance contracts visible, IFRS 17 requires an entity to distinguish groups of contracts expected to be loss-making from other contracts.

Companies should first identify portfolios of insurance contracts that are subject to similar risks and managed together. Once an entity has identified portfolios of contracts, it divides each portfolio into groups considering differences in the expected profitability of the contracts.

If the amounts that the insurer expects to pay out on a contract in the form of claims, benefits and expenses exceed the amounts that the insurer expects to collect from premiums, either at the inception of the contracts or subsequently, the contracts are loss making and the difference will be recognised immediately in profit or loss.

Reinsurance contracts

A separate measurement model applies to reinsurance contracts held. Modifications are allowed for qualifying short-term contracts and participating contracts.

Presentation

Statement of financial position

The statement of financial position should present in separate captions the assets and liabilities arising under insurance contracts issued and reinsurance contracts held.

In contrast to practices existing under various local GAAPs, entities should adopt a grossed-up presentation where contracts, which are assets, are not netted off against contracts, which are liabilities and vice versa. IFRS 17 does not mandate a layout for the statement of financial position. The reporting entities should follow the general requirements of IAS 1 ‘Presentation of Financial Statements’ but need to ensure that certain captions are presented as a minimum on the face of the statement.

Statement of financial performance – measurement of revenue and expenses

IFRS 17 does not mandate a layout for the statement of financial performance. Reporting entities should follow the principles and requirements of IAS 1 and the measurement rules of IFRS 17, which require that revenue and incurred expenses presented in profit or loss exclude any investment components.

Measurement of insurance contract revenue

Revenue recognition is an area where IFRS 17 principles represent a significant change from practices previously followed in various local GAAPs. Previously revenue was often reported by reference to premium cash received or receivable.

Under IFRS 17, revenue represents the total change in the liability for remaining coverage that relates to coverage and services during the period for which the entity expects to receive consideration.

Supporting materials issued by the IASB

Following publication of IFRS 17, the IASB has announced various initiatives to support entities with the adoption of the Standard, including a dedicated implementation support page for IFRS 17 and a webinar on the Standard.

The IASB has also established a Transition Resource Group which discusses questions from stakeholders about the new accounting requirements. Grant Thornton is represented on the Group.

Disclosure

The objective of the disclosure requirements of IFRS 17 is to disclose information which allows the users of financial statements to assess the effect that contracts within the scope of the Standard have on the entity's financial position, financial performance and cash flows. Entities should provide quantitative and qualitative information about amounts recognised in the financial statements, significant judgements (and changes thereof), and the nature and extent of risks arising from contracts within the scope of the Standard.

Reporting entities are required to follow IAS 1's requirements on materiality and aggregation when deciding what aggregation bases are appropriate for disclosure. The type of contract, geographical area or reportable segment as defined in IFRS 8 'Operating Segments' are all examples suggested but not mandated by the Standard.

Effective date and transition

IFRS 17 has an effective date of 1 January 2021 but may be applied earlier provided the entity applies IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' at or before the date of initial application of the Standard (and subject to any considerations imposed by local legislation).

In 2016, the IASB made narrow scope amendments to IFRS 4 'Insurance Contracts' to provide temporary accounting solutions for the practical challenges of implementing IFRS 9 before IFRS 17. Refer to page 18 for details of these amendments.

At the time of writing, the IASB has issued an Exposure Draft proposing to defer the effective date of IFRS 17 by one year to 1 January 2022. The Exposure Draft also proposes a number of improvements to the Standard to address certain concerns identified by constituents.

'IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies.'



For more information on this Standard, please refer to our detailed publication entitled 'Get Ready for IFRS 17 – a fundamental change to the reporting for insurance contracts'. This guide is designed to get you ready for this major new Standard. It explains IFRS 17's key features and provides insights into their application and impact. To obtain your

copy, please get in touch with the IFRS contact in your local Grant Thornton office or go to www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2017/get-ready-for-ifs-17---a-fundamental-change-to-the-reporting-for-insurance-contracts.pdf.

Commercial significance



Number of entities affected

IFRS 17 is a Standard about insurance contracts, not a Standard for the insurance industry. While insurance companies will be most affected, its effect will also be felt beyond the entities authorised to carry out regulated (re) insurance activities in a jurisdiction.



Impact on affected entities

IFRS 17 fundamentally changes the accounting for insurance contracts. It will have a substantial impact on the financial statements of those with insurance contracts. Presently there is a huge diversity in the way insurance contracts are accounted for, IFRS 17 is set to harmonise these accounting practices and will transform data, people, technology solutions and investor relations. Implementation costs are likely to be high as entities get to grips with the new Standard.

'To better reflect changes in insurance obligations and risks, IFRS 17 requires an entity to update the fulfilment cash flows at each reporting date, using current estimates that are consistent with relevant market information.'

Non-mandatory guidance

The Practice Statement discussed on pages 52 to 53 can be applied from its date of application, 14 September 2017. The Practice Statement is not a Standard and its application is not mandatory or required in order to state compliance with IFRS. The Practice Statement is:

- IFRS Practice Statement 2: Making Materiality Judgements

IFRS Practice Statement 2: Making Materiality Judgements

In September 2017, the IASB published its second IFRS Practice Statement ‘Making Materiality Judgements’ (the ‘Practice Statement’). The Practice Statement encourages entities to apply judgement so that financial statements focus on the information that is useful to investors rather than trying to comply with an IFRS ‘checklist’. This non-authoritative guidance, which can be applied immediately, is part of the IASB’s ongoing ‘Disclosure Initiative’.

The concept of materiality is important in the preparation of financial statements, because it helps companies determine which information to include in and exclude from their reports. The ‘Conceptual Framework for Financial Reporting’ discusses materiality as follows¹:

- Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity’s financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.

However, management is often faced with uncertainty in applying that concept. Such uncertainty is encountered when making decisions about recognition and measurement but most of all when deciding what information to disclose in the notes and how to present that information.

This uncertainty has led to some entities using the disclosure requirements in IFRS Standards as a checklist rather than judging which information would be most useful to investors and other stakeholders.

In publishing the Practice Statement, the IASB is providing support to companies when making materiality judgements and in doing so hopes to encourage behavioural change.

The Practice Statement gathers all the materiality requirements in IFRS Standards and adds practical guidance and examples entities may find helpful in deciding whether information is material.

The Practice Statement sets out a four-step process to making decisions on materiality:

Four-step process to making decisions on materiality

Steps	Action
Step 1 – Identify	<ul style="list-style-type: none">• Identify information that has the potential to be material.
Step 2 – Assess	<ul style="list-style-type: none">• Assess whether the information identified in Step 1 is, in fact, material.
Step 3 – Organise	<ul style="list-style-type: none">• Organise the information within the draft financial statements in a way that communicates the information clearly and concisely to primary users.
Step 4 – Review	<ul style="list-style-type: none">• Review the draft financial statements to determine whether all material information has been identified and materiality considered from a wide perspective and in aggregate, on the basis of the complete set of financial statements.

¹ IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ provide definitions which are similar in nature to this.

The Practice Statement also gives guidance on specific topics such as:

- prior-period information
- errors
- information about covenants
- materiality judgements for interim reporting.

The Practice Statement is not a Standard and its application is not mandatory or required in order to state compliance with IFRS. It does not change existing requirements or introduce new ones. Instead, it aims to provide guidance to assist management in applying the concept of materiality when preparing their financial statements. The guidance in the Practice Statement can be applied from its date of publication, 14 September 2017.

Commercial significance



Number of entities affected

Many companies face uncertainty in applying the concept of materiality in the preparation of financial statements so this Practice Statement will be useful to the majority of companies.



Impact on affected entities

The Practice Statement provides principle based guidance which, if applied, may or may not impact the materiality decision. The Practice Statement provides non-mandatory guidance, which does not have the same authority as an IFRS.

‘The Practice Statement encourages entities to apply judgement so that financial statements focus on the information that is useful to investors rather than trying to comply with an IFRS ‘checklist’.’

Grant Thornton's IFRS Publications

As well as the publications mentioned within the body of this publication, we also have a number of other publications including:

Example Interim Consolidated Financial Statements 2020



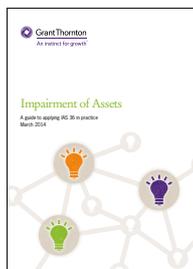
This publication illustrates the interim consolidated financial statements of a company that is an existing preparer of IFRS and produces half-yearly interim reports in accordance with IAS 34 'Interim Financial Reporting' at 30 June 2020. You can access this publication at www.grantthornton.global/en/insights/articles/interim-consolidated-financial-statements-2020/.

Reporting under IFRS – Example consolidated financial statements 2019



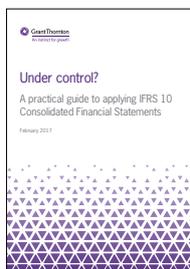
A set of illustrative consolidated financial statements for existing preparers of IFRS. The latest version of this publication has been reviewed and updated to reflect changes in IFRS that are effective for annual periods ending 31 December 2019. You can access this publication at www.grantthornton.global/en/insights/articles/example-financial-statements-2019/.

Impairment of Assets: A guide to applying IAS 36 in practice



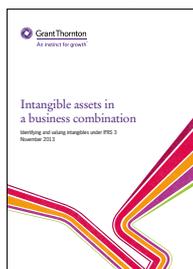
This publication summarises the overall objectives and requirements of IAS 36 'Impairment of Assets', provides a step-by-step guide to performing an impairment assessment and offers insights on best practices to address practical application issues. You can access this publication at www.grantthornton.global/en/insights/articles/Applying-IAS-36-in-practice/.

Under control? A practical guide to applying IFRS 10 consolidated financial statements



This publication aims to assist management in understanding the requirements of IFRS 10 'Consolidated Financial Statements' on control and consolidation as well as identifying and addressing the key practical application issues and judgements. You can access this publication at www.grantthornton.global/en/insights/articles/under-control-applying-ifs-10/.

Intangible assets in a business combination – identifying and valuing intangibles under IFRS 3



This publication provides an overview of IFRS 3 'Business Combinations'. In addition, it includes practical guidance on the detection of intangible assets in a business combination and discusses the common methods used in practice to estimate their fair value. You can access this publication at www.grantthornton.global/en/insights/articles/Valuing-intangibles-under-IFRS3/.

IFRS News: Special edition news on the IFRS for SMEs



The IFRS for SMEs is a self-contained standard, based on full IFRS but simplified to meet the needs of the entities within its scope. In June 2015, the IASB issued amendments to the IFRS for SMEs. This special edition newsletter tells you more about these amendments and the standard in general. You can access this publication at www.grantthornton.global/en/insights/articles/the-ifs-for-smes/.

IFRS Viewpoints



We have released a series of publications providing insights on applying IFRS in challenging situations. Each edition focuses on an area where the Standards have proved difficult to apply or lack guidance.

Issue 1: Related party loans at below-market interest rates – The first IFRS Viewpoint released provides a framework for accounting for loans made by an entity to a related party that are at below-market levels of interest.

Issue 2: Acquisition of investment properties – asset purchase or business combination? – Issue 2 addresses the issue of when to treat the acquisition of investment property as a business combination and when as a simple asset purchase.

Issue 3: Inventory discounts and rebates – Issue 3 addresses how a purchaser accounts for discounts and rebates when buying inventory. Accounting for these discounts and rebates will vary depending on the type of arrangement.

Issue 4: Common control business combinations – Issue 4 addresses how to account for a common control business combination.

Issue 5: Classification of loans with covenants – Issue 5 considers how the existence of covenants can impact the presentation of debt on the balance sheet.

Issue 6: Reverse acquisition by a listed company – Issue 6 considers how to account for a reverse acquisition by a listed company.

Issue 7: Preparing financial statements when the going concern basis is not appropriate – Issue 7 provides guidance on the issues encountered when an entity determines that it is not appropriate to prepare its financial statements on a going concern basis.

Issue 8: Potential accounting consequences of the US tax reform – Issue 8 addresses some of the issues that entities will face when analysing the impact of the new 'Tax Cuts and Jobs Act' which was issued in the US and became law from 22 December 2017.

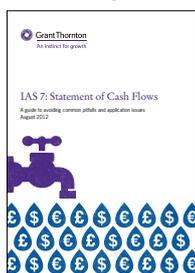
Issue 9: Accounting for cryptocurrencies – the basics – Issue 9 explores the acceptable methods of accounting for holdings in cryptocurrencies while touching upon other issues that may be encountered in this area.

Issue 10: Accounting for crypto assets – mining and validation issues – Issue 10 seeks to explore the accounting issues that arise for miners and validators in mining and maintaining the blockchain in accordance with existing IFRS.

Issue 11: Accounting for client money – Issue 11 provides guidance on client money – arrangements in which a reporting entity holds funds on behalf of clients.

You can access these publications at www.grantthornton.global/en/insights/viewpoint/ifrs-viewpoints-hub/.

IAS 7: Statement of Cash flows – a guide to avoiding common pitfalls and application issues



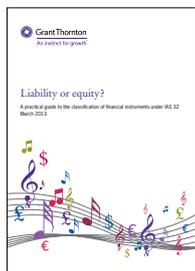
This publication provides a reminder of the requirements of IAS 7 ‘Statement of Cash Flows’ and provides insights on avoiding the common pitfalls and application issues as seen in practice by our IFRS experts. You can access this publication at www.grantthornton.global/en/insights/articles/cash-flow-statements-avoiding-the-pitfall/.

Deferred tax: A chief financial officers guide to avoiding the pitfalls



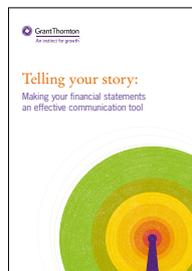
This guide illustrates the approach required by IAS 12 ‘Income Taxes’ for the calculating deferred tax balances. It summarises the approach to calculating deferred tax in order to help CFOs prioritise and identify key issues. It also includes interpretational guidance in certain problematic areas of the calculation. You can access this publication at www.grantthornton.global/en/insights/articles/deferred-tax-avoiding-the-pitfalls/.

Liability or equity? A practical guide to the classification of financial instruments under IAS 32



This guide addresses the classification process of IAS 32 ‘Financial Instruments: Presentation’. This second edition reflects amendments that have been made to IAS 32 since the first edition in 2009, and our latest thinking on some of the more problematic areas of interpretation. You can access this publication at www.grantthornton.global/en/insights/articles/liability-or-equity/.

Telling your Story: Making your financial statements an effective communication tool



This publication explains and illustrates four key themes you can use to make your financial statements an effective communication tool. You can access this publication at www.grantthornton.global/en/insights/articles/telling-your-story/.

If you would like to discuss any of these publications, please speak to your usual Grant Thornton contact or visit www.grantthornton.global/locations to find your local member firm.



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