

CPA Canada handbook – accounting, part I

highlight summary no. I.60

September 2020

(Note: Any changes to previously issued standards are identified in the effective date guidance in each affected standard.)

Reference to the Conceptual Framework (Amendments to IFRS 3)

IFRS 3 *Business Combinations* has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in May 2020. The amendments update a reference in IFRS 3 to the *Conceptual Framework for Financial Reporting* without changing the accounting requirements for a business combination.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted if an entity also applies *Amendments to References to the Conceptual Framework in IFRS Standards*, issued in March 2018, at the same time or earlier.

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)

IAS 16 *Property, Plant and Equipment* has been revised to incorporate amendments issued by the IASB in May 2020. The amendments prohibit an entity from deducting from the cost of property, plant and equipment the proceeds from selling items produced before the asset is available for use. Instead, an entity will recognize such sales proceeds and related cost in profit or loss.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* has been revised to incorporate amendments issued by the IASB in May 2020. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Annual Improvements to IFRS® Standards 2018-2020

The following standards have been revised to incorporate amendments issued by the IASB in May 2020:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- IFRS 9 *Financial Instruments* – The amendment clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- IAS 41 *Agriculture* – The amendment removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

IFRS 9 Non-authoritative Material

The Basis for Conclusions includes amendments made subsequently by the IASB for *Annual Improvements to IFRS Standards 2018-2020*. These amendments to the Basis for Conclusions that accompany, but are not part of, IFRS 9 have been added.

IFRS 16 Non-authoritative Material

The Basis for Conclusions and Illustrative Example 13 include amendments made subsequently by the IASB for *Annual Improvements to IFRS Standards 2018-2020*. These amendments to the Basis for Conclusions and Illustrative Examples that accompany, but are not part of, IFRS 16 have been added.

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