



IFRS Core Tools

IFRS Update of
standards and
interpretations
in issue at
30 June 2019

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Contents

| | |
|---|-----------|
| Introduction | 2 |
| Section 1: New pronouncements issued as at 30 June 2019 | 4 |
| Table of mandatory application | 4 |
| IFRS 16 <i>Leases</i> | 5 |
| IFRS 17 <i>Insurance Contracts</i> | 6 |
| IFRIC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> | 8 |
| <i>Definition of a Business - Amendments to IFRS 3</i> | 9 |
| <i>Prepayment Features with Negative Compensation - Amendments to IFRS 9</i> | 10 |
| <i>Definition of Material - Amendments to IAS 1 and IAS 8</i> | 11 |
| <i>Plan Amendment, Curtailment or Settlement - Amendments to IAS 19</i> | 12 |
| <i>Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28</i> | 13 |
| <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28</i> | 13 |
| <i>The Conceptual Framework for Financial Reporting</i> | 14 |
| Improvements to International Financial Reporting Standards | 15 |
| Section 2: Items not taken onto the IFRS Interpretations Committee's agenda in Q2 2019 | 16 |
| Section 3: Active IASB projects | 24 |

Introduction

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

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

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

Purpose of this publication

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

This publication consists of three sections:

Section 1 provides a high-level overview of the key requirements of each pronouncement issued by the International Accounting Standards Board (IASB or the Board) and the IFRS Interpretations Committee (IFRS IC) as at 30 June 2019 that will be effective for the first-time for reporting periods ended at that date or thereafter. This overview provides a summary of the transitional requirements and a brief discussion of the potential impact that the changes may have on an entity's financial statements.

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

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

Section 2 provides a summary of the agenda decisions published in the *IFRIC Update*¹ since 1 April 2019. For agenda decisions published before 1 April 2019, please refer to previous editions of *IFRS Update*. In some agenda decisions, the IFRS IC refers to the existing pronouncements that provide adequate guidance. These agenda decisions provide a view on the application of the pronouncements and fall within 'other accounting literature and accepted industry practices' in paragraph 12 of IAS 8.

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

¹ The *IFRIC Update* is available on the IASB's website at <http://www.ifrs.org/news-and-events/updates/ifric-updates/>

IFRS Core Tools

EY's *IFRS Core Tools*² provide the starting point for assessing the impact of changes to IFRS. Our *IFRS Core Tools* include a number of practical building blocks that can help the user to navigate the changing landscape of IFRS. In addition to *IFRS Update*, EY's *IFRS Core Tools* include the publications described below.

International GAAP® Disclosure Checklist

Our 2019 edition of *International GAAP® Disclosure Checklist* captures disclosure requirements applicable to periods ended 30 June 2019, and disclosures that are permitted to be adopted early. These disclosure requirements are for all pronouncements issued as at 28 February 2019. This tool assists preparers to comply with the presentation and disclosure requirements of IFRS in their interim and year-end IFRS financial statements. Previous editions of this tool for earlier period-ends are available on EY's *IFRS Core Tools* webpage.

Good Group (International) Limited

Good Group (International) Limited is a set of illustrative financial statements, incorporating presentation and disclosure requirements that are in issue as at 30 June 2018 and effective for the year ended 31 December 2018. *Good Group (International) Limited - Illustrative interim condensed financial statements* for the period ended 30 June 2019, based on IFRS in issue at 28 February 2019, supplements *Good Group (International) Limited - Illustrative financial statements*. Among other things, these illustrative financial statements can assist in understanding the impact accounting changes may have on the financial statements.

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

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

Also available from EY:

Other EY publications

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

International GAAP® 2019⁴

Our *International GAAP® 2019* is a comprehensive guide to interpreting and implementing IFRS.⁵ It includes pronouncements mentioned in this publication that were issued prior to September 2018, and it provides examples that illustrate how the requirements of those pronouncements are applied.

² EY's Core Tools are available on http://www.ey.com/GL/en/Issues/IFRS/Issues_GL_IFRS_NAV_Core-tools-library.

³ These publications are available on <http://www.ey.com/ifrs>.

⁴ International GAAP® is a registered trademark of Ernst & Young LLP (UK).

⁵ <http://www.igaap.info>.

Section 1: New pronouncements issued as at 30 June 2019

Table of mandatory application

| New pronouncement | Page | Effective date* | First time applied in annual periods ending on the last day of these months** | | | | | | | | | | | |
|---|------|-----------------|---|------|------|------|------|------|------|------|------|------|------|------|
| | | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| IFRS 16 Leases | 5 | 1 Jan 2019 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| IFRIC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> | 8 | 1 Jan 2019 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| <i>Prepayment Features with Negative Compensation - Amendments to IFRS 9</i> | 10 | 1 Jan 2019 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| <i>Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28</i> | 13 | 1 Jan 2019 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| <i>Plan Amendment, Curtailment or Settlement - Amendments to IAS 19</i> | 12 | 1 Jan 2019 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| AIP IFRS 3 <i>Business Combinations - Previously held Interests in a joint operation</i> | 15 | 1 Jan 2019 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| AIP IFRS 11 <i>Joint Arrangements - Previously held Interests in a joint operation</i> | 15 | 1 Jan 2019 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| AIP IAS 12 <i>Income Taxes - Income tax consequences of payments on financial instruments classified as equity</i> | 15 | 1 Jan 2019 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| AIP IAS 23 <i>Borrowing Costs - Borrowing costs eligible for capitalisation</i> | 15 | 1 Jan 2019 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2020 | 2019 |
| <i>Definition of a Business - Amendments to IFRS 3</i> | 9 | 1 Jan 2020 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2020 |
| <i>Definition of Material - Amendments to IAS 1 and IAS 8</i> | 11 | 1 Jan 2020 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2020 |
| <i>The Conceptual Framework for Financial Reporting</i> | 14 | 1 Jan 2020 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2021 | 2020 |
| IFRS 17 <i>Insurance Contracts</i> | 6 | 1 Jan 2021 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2021 |
| <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28</i> | 13 | Note 1 | | | | | | | | | | | | |

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

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



IFRS 16 Leases

Effective for annual periods beginning on or after 1 January 2019.

Key requirements

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

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

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

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

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

Transition

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

Impact

The lease expense recognition pattern for lessees will generally be accelerated as compared to today. Key balance sheet metrics such as leverage and finance ratios, debt covenants and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted.

Also, the cash flow statement for lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities. Lessor accounting will result in little change compared to today's lessor accounting. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17.

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

Other EY publications

Applying IFRS: A closer look at IFRS 16 Leases
(December 2018) EYG No. 012807-18Gbl

Applying IFRS: Presentation and disclosure requirements of IFRS 16 Leases (November 2018) EYG No. 012299-18Gbl

Applying IFRS: Impairment considerations for the new leasing standard (November 2018) EYG No. 012452-18Gbl

IFRS Developments Issue 146: Subsurface rights
(March 2019) EYG No. 001476-19Gbl

IFRS Developments Issue 117: IASB issues new leases standard
(January 2016) EYG No. AU3676

IFRS Practical Matters: Leases make their way onto the balance sheet - Navigating the journey for a smooth landing
(February 2016) EYG No. AU3725

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

- ▶ Consumer products and retail
- ▶ Telecommunications
- ▶ Financial services
- ▶ Real estate
- ▶ Mining and metals
- ▶ Engineering and construction
- ▶ Oilfield services
- ▶ Oil and gas
- ▶ Tank terminals

A podcast series covering the determination of discount rates by lessees under IFRS 16 is available on ey.com/ifrs (see Thought center webcasts – Podcasts).



IFRS 17 Insurance Contracts

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

Background

In May 2017, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*.

In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyse implementation-related questions. The TRG has since met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria.

Scope

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

Key requirements

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

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

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

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

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

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

Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

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

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



Impact

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

Proposed amendments to IFRS 17

In June 2019, the IASB issued an exposure draft (ED) on proposed amendments to IFRS 17. The Board considered 25 concerns and implementation challenges raised by stakeholders and assessed whether to propose changes to the standard. The Board selected only those changes that, in its estimation, would not lead to a significant loss of useful information for investors, nor unduly disrupt implementation processes under way, nor risk undue delays in the effective date of IFRS 17.

The IASB proposes in the ED 12 targeted amendments to the standard in eight areas and asks stakeholders whether they agree with the proposed amendments. The eight areas of IFRS 17 subject to proposed changes are:

- ▶ Deferral of the effective date of IFRS 17 for one year, including an additional year of deferral for the application of IFRS 9 to qualifying insurance entities (i.e., qualifying insurers can apply IFRS 17 and IFRS 9 for the first time in reporting periods beginning on or after 1 January 2022)
- ▶ Additional scope exclusions
- ▶ Expected recovery of insurance acquisition cash flows from insurance contract renewals
- ▶ CSM relating to investment activities
- ▶ Applicability of the risk mitigation option for contracts with direct participation features
- ▶ Reinsurance contracts held - expected recovery of losses on underlying contracts
- ▶ Simplified presentation of insurance contracts in the statement of financial position
- ▶ Transition modifications and reliefs

In addition to the 12 proposed amendments, the ED also includes several minor amendments to IFRS 17. The 90-day comment period to respond to the ED ends on 25 September 2019.

Other EY publications

Applying IFRS 17: A closer look at the new Insurance Contracts Standard (May 2018) EYG no. 01859-183Gbl

IASB issues proposed amendments to IFRS 17 (June 2019) EYG no. 003121-19Gbl

Fourth meeting of the IASB's IFRS 17 Transition Resource Group (April 2019) EYG no. 001926-19Gbl

Third technical discussion of the IASB's IFRS 17 Transition Resource Group (October 2018) EYG no. 011564-18Gbl

Second technical discussion of the IASB's IFRS 17 Transition Resource Group (May 2018) EYG no. 02735-183Gbl

First technical discussion of the IASB's IFRS 17 Transition Resource Group (February 2018) EYG no. 00865-183Gbl



IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

Effective for annual periods beginning on or after 1 January 2019.

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

Scope

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

Key requirements

The interpretation specifically addresses the following:

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

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

Effective date and transition

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

Impact

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

Other EY publications

Applying IFRS: Uncertainty over income tax treatments
(November 2017) EYG no. 06358-173Gbl



Definition of a Business - Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

The IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Minimum requirements to be a business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Market participants' ability to replace missing elements

Prior to the amendments, IFRS 3 stated that a business need not include all of the inputs or processes that the seller used in operating that business, 'if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes'. The reference to such integration is now deleted from IFRS 3 and the assessment must be based on what has been acquired in its current state and condition.

Assessing whether an acquired process is substantive

The amendments specify that if a set of activities and assets does not have outputs at the acquisition date, an acquired process must be considered substantive only if: (a) it is critical to the ability to develop or convert acquired inputs into outputs; and (b) the inputs acquired include both an organised workforce with the necessary skills, knowledge, or experience to perform that process, and other inputs that the organised workforce could develop or convert into outputs. In contrast, if a set of activities and assets has outputs at that date, an acquired process must be considered substantive if: (a) it is critical to the ability to continue producing outputs and the acquired inputs include an organised workforce with the necessary skills, knowledge, or experience to perform that process; or (b) it significantly contributes to the ability to continue producing outputs and either is considered unique or scarce, or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

Narrowed definition of outputs

The amendments narrowed the definition of outputs to focus on goods or services provided to customers, investment income (such as dividends or interest) or other income from ordinary activities. The definition of a business in Appendix A of IFRS 3 was amended accordingly.

Optional concentration test

The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Entities may elect to apply the concentration test on a transaction-by-transaction basis. The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3.

Transition

The amendments must be applied to transactions that are either business combinations or 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. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

Impact

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

The amendments could also be relevant in other areas of IFRS (e.g., they may be relevant where a parent loses control of a subsidiary and has early adopted *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)).

Other EY publications

IFRS Developments Issue 137: IASB issues amendments to the definition of a business in IFRS 3 (October 2018)
EYG no. 011864-18Gbl



Prepayment Features with Negative Compensation - Amendments to IFRS 9

Effective for annual periods beginning on or after 1 January 2019.

Key requirements

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

Transition

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the rest of IFRS 9.

Impact

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

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

In the basis for conclusions to the amendments, the IASB also clarified that the requirements in IFRS 9 for adjusting the amortised cost of a financial liability, when a modification (or exchange) does not result in derecognition, are consistent with those applied to the modification of a financial asset that does not result in derecognition.

This means that the gain or loss arising on modification of a financial liability that does not result in derecognition, calculated by discounting the change in contractual cash flows at the original effective interest rate, is immediately recognised in profit or loss.

The IASB made this comment in the basis for conclusions to the amendments as it believes that the existing requirements in IFRS 9 provided an adequate basis for entities to account for modifications and exchanges of financial liabilities and that no formal amendment to IFRS 9 was needed in respect of this issue.

Impact

The IASB stated specifically that this clarification relates to the application of IFRS 9. As such, it would appear that this clarification does not need to be applied to the accounting for modification of liabilities under IAS 39 *Financial Instruments: Recognition and Measurement*. Any entities that have not applied this accounting under IAS 39 are therefore likely to have a change of accounting on transition. As there is no specific relief, this change needs to be made retrospectively.

Other EY publications

IFRS Developments Issue 130: IASB issues an Amendment to IFRS 9 (October 2017) EYG no. 05831-173Gbl



Definition of Material - Amendments to IAS 1 and IAS 8

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence 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.'

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Obscuring information

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements, or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

New threshold

The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

Primary users of the financial statements

The current definition refers to 'users' but does not specify their characteristics, which can be interpreted to imply that an entity is required to consider all possible users of the financial statements when deciding what information to disclose. Consequently, the IASB decided to refer to primary users in the new definition to help respond to concerns that the term 'users' may be interpreted too widely.

Other amendments

The definition of material in the Conceptual Framework and IFRS Practice Statement 2: *Making Materiality Judgements* were amended to align with the revised definition of material in IAS 1 and IAS 8.

Transition

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

Impact

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

Other EY publications

IFRS Developments Issue 138: IASB issues amendments to the definition of material (November 2018) EYG no. 011935-18Gbl



Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

Effective for annual periods beginning on or after 1 January 2019.

Key requirements

The amendments to IAS 19 *Employee Benefits* address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

Determining the current service cost and net interest

When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- ▶ Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- ▶ Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset)

Effect on asset ceiling requirements

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change.

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

Transition

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Early application is permitted and should be disclosed.

Impact

As the amendments apply prospectively to plan amendments, curtailments or settlements that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering a plan amendment, curtailment or settlement after first applying the amendments might be affected.

Other EY publications

IFRS Developments Issue 134: IASB issues amendments to IAS 19 Employee Benefits (February 2018) EYG no. 00183-183GbI



Long-term interests in associates and joint ventures - Amendments to IAS 28

Effective for annual periods beginning on or after 1 January 2019.

Key requirements

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

To illustrate how entities apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests, the Board also published an illustrative example when it issued the amendments.

Transition

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed.

Impact

The amendments will eliminate ambiguity in the wording of the standard.

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

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

Key requirements

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

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

Transition

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

Impact

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



The Conceptual Framework for Financial Reporting

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Purpose

The *revised Conceptual Framework for Financial Reporting* (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

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

The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards*, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8.

Impact

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

Other EY publications

Applying IFRS: IASB issues revised *Conceptual Framework for Financial Reporting* (April 2018) EYG no.02013-183Gbl

Applying IFRS: IASB issues the *Conceptual Framework exposure draft* (June 2015) EYG no. AU3242

Improvements to International Financial Reporting Standards

Key requirements

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

2015-2017 cycle (issued in December 2017)

Following is a summary of the amendments from the 2015-2017 annual improvements cycle:

| | |
|-------------------------------------|---|
| IFRS 3 <i>Business Combinations</i> | <p>Previously held interests in a joint operation</p> <ul style="list-style-type: none"> ▶ The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. ▶ In doing so, the acquirer remeasures its entire previously held interest in the joint operation. ▶ An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. |
| IFRS 11 <i>Joint Arrangements</i> | <p>Previously held interests in a joint operation</p> <ul style="list-style-type: none"> ▶ A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. ▶ An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. |
| IAS 12 <i>Income Taxes</i> | <p>Income tax consequences of payments on financial instruments classified as equity</p> <ul style="list-style-type: none"> ▶ The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. ▶ An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. |
| IAS 23 <i>Borrowing Costs</i> | <p>Borrowing costs eligible for capitalisation</p> <ul style="list-style-type: none"> ▶ The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. ▶ An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. ▶ An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. |

Section 2: Items not taken onto the IFRS Interpretations Committee's agenda in Q2 2019

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

The table below summarises the topics that the IFRS IC decided not to take onto its agenda for the period from 1 April 2019 (since our previous edition of *IFRS Update*) to 30 June 2019. For agenda decisions published before 1 April 2019, please refer to previous editions of *IFRS Update*. All items considered by the IFRS IC during its meetings, as well as the full text of its conclusions, can be found in the *IFRIC Update* on the IASB's website.⁶

According to the IFRS IC, 'the process for publishing an agenda decision might often result in explanatory material that provides new information that was not otherwise available and could not otherwise reasonably have been expected to be obtained. Because of this, an entity might determine that it needs to change an accounting policy as a result of an agenda decision. The Board expects that an entity would be entitled to sufficient time to make that determination and implement any change (for example, an entity may need to obtain new information or adapt its systems to implement a change).'

| Final date considered | Issue | Summary of reasons given for not adding the issue to the IFRS IC's agenda |
|-----------------------|--|---|
| June 2019 | IFRS 15 <i>Revenue from Contracts with Customers</i> – Cost to fulfil a contract | <p>The IFRS IC received a request about the recognition of costs incurred to fulfil a contract as an entity satisfies a performance obligation in the contract over time. In the fact pattern described in the request, the entity (a) transfers control of a good over time (i.e., one (or more) of the criteria in paragraph 35 of IFRS 15 is met) and, therefore, satisfies a performance obligation and recognises revenue over time; and (b) measures progress towards complete satisfaction of the performance obligation using an output method applying paragraphs 39-43 of IFRS 15. The entity incurs costs in constructing the good. At the reporting date, the costs incurred relate to construction work performed on the good that is transferring to the customer as the good is being constructed.</p> <p>The IFRS IC first noted the principles and requirements in IFRS 15 relating to the measurement of progress towards complete satisfaction of a performance obligation satisfied over time. Paragraph 39 states that 'the objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer'. The IFRS IC also observed that when evaluating whether to apply an output method to measure progress, paragraph B15 requires an entity to 'consider whether the output selected would faithfully depict the entity's performance towards complete satisfaction of the performance obligation'.</p> <p>In considering the recognition of costs, the IFRS IC noted that paragraph 98(c) of IFRS 15 requires an entity to recognise as expenses when incurred 'costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contract (i.e., costs that relate to past performance)'. The IFRS IC observed that the costs of construction described in the request are costs that relate to the partially satisfied performance obligation in the contract, i.e., they are costs that relate to the entity's past performance. Those costs do not, therefore, generate or enhance resources of the entity that will be used in continuing to satisfy the performance obligation in the future (paragraph 95(b)). Consequently, those costs do not meet the criteria in paragraph 95 of IFRS 15 to be recognised as an asset. The IFRS IC concluded that the principles and requirements in IFRS standards provide an adequate basis for an entity to determine how to recognise costs incurred in fulfilling a contract in the fact pattern described in the request.</p> |

⁶ The *IFRIC Update* is available at <http://www.ifrs.org/news-and-events/updates/ifric-updates/>.

| Final date considered | Issue | Summary of reasons given for not adding the issue to the IFRS IC's agenda |
|-----------------------|------------------------------------|---|
| June 2019 | IFRS 16 Leases - Subsurface rights | <p>The IFRS IC received a request about a particular contract for subsurface rights. In the contract described in the request, a pipeline operator (customer) obtains the right to place an oil pipeline in underground space for 20 years in exchange for consideration. The contract specifies the exact location and dimensions (path, width and depth) of the underground space within which the pipeline will be placed. The landowner retains the right to use the surface of the land above the pipeline, but it has no right to access or otherwise change the use of the specified underground space throughout the 20-year period of use. The customer has the right to perform inspection, repairs and maintenance work (including replacing damaged sections of the pipeline when necessary).</p> <p>The request asked whether IFRS 16, IAS 38 <i>Intangible Assets</i> or another standard applies in accounting for the contract.</p> <p><i>Which IFRS standard does an entity consider first?</i></p> <p>Paragraph 3 of IFRS 16 requires an entity to apply IFRS 16 to all leases, with limited exceptions. Paragraph 9 of IFRS 16 states: 'At inception of a contract, an entity shall assess whether the contract is, or contains, a lease'.</p> <p>The IFRS IC observed that, in the contract described in the request, none of the exceptions in paragraphs 3 and 4 of IFRS 16 apply - in particular, the IFRS IC noted that the underground space is tangible. Accordingly, if the contract contains a lease, IFRS 16 applies to that lease. If the contract does not contain a lease, the entity would then consider which other IFRS standard applies.</p> <p>The IFRS IC therefore concluded that the entity first considers whether the contract contains a lease as defined in IFRS 16.</p> <p><i>The definition of a lease</i></p> <p>Paragraph 9 of IFRS 16 states that 'a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration'.</p> <p>Applying paragraph B9 of IFRS 16, to meet the definition of a lease, the customer must have both:</p> <ul style="list-style-type: none"> ▶ The right to obtain substantially all the economic benefits from use of an identified asset throughout the period of use And ▶ The right to direct the use of the identified asset throughout the period of use <p><i>Identified asset</i></p> <p>Paragraphs B13-B20 of IFRS 16 provide application guidance on an identified asset. Paragraph B20 states that a 'capacity portion of an asset is an identified asset if it is physically distinct'. But 'a customer does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use' (paragraph B14).</p> <p>The IFRS IC observed that, in the contract described in the request, the specified underground space is physically distinct from the remainder of the land. The contract's specifications include the path, width and depth of the pipeline, thereby defining a physically distinct underground space. The space being underground does not in itself affect whether it is an identified asset - the specified underground space is physically distinct in the same way that a specified area of space on the land's surface would be physically distinct.</p> |

| Final date considered | Issue | Summary of reasons given for not adding the issue to the IFRS IC's agenda |
|-----------------------|-------|---|
| | | <p>The landowner does not have the right to substitute the underground space throughout the period of use. Consequently, the IFRS IC concluded that the specified underground space is an identified asset, as described in paragraphs B13-B20.</p> <p><i>Right to obtain substantially all the economic benefits from use</i> Paragraphs B21-B23 of IFRS 16 provide application guidance on the right to obtain substantially all the economic benefits from use of an identified asset throughout the period of use. Paragraph B21 specifies that a customer can have that right, for example, by having exclusive use of the identified asset throughout the period of use.</p> <p>The IFRS IC observed that, in the contract described in the request, the customer has the right to obtain substantially all the economic benefits from use of the specified underground space throughout the 20-year period of use. The customer has exclusive use of the specified underground space throughout that period of use.</p> <p><i>Right to direct the use</i> Paragraphs B24-B30 of IFRS 16 provide application guidance on the right to direct the use of an identified asset throughout the period of use. Paragraph B24 specifies that a customer has that right if either:</p> <ul style="list-style-type: none"> ▶ The customer has the right to direct how and for what purpose the asset is used throughout the period of use Or ▶ The relevant decisions about how and for what purpose the asset is used are predetermined and: (i) the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or (ii) the customer designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. <p>The IFRS IC observed that, in the contract described in the request, the customer has the right to direct the use of the specified underground space throughout the 20-year period of use, because the conditions in paragraph B24(b)(i) exist. How and for what purpose the specified underground space will be used (i.e., to locate the pipeline with specified dimensions through which oil will be transported) is predetermined in the contract. The customer has the right to operate the specified underground space by having the right to perform inspections, repairs and maintenance work. The customer makes all the decisions about the use of the specified underground space that can be made during the 20-year period of use.</p> <p>Consequently, the IFRS IC concluded that the contract described in the request contains a lease as defined in IFRS 16. The customer would therefore apply IFRS 16 in accounting for that lease.</p> <p>The IFRS IC concluded that the principles and requirements in IFRS standards provide an adequate basis for an entity to determine its accounting for the contract described in the request.</p> |

| Final date considered | Issue | Summary of reasons given for not adding the issue to the IFRS IC's agenda |
|-----------------------|---|--|
| June 2019 | IAS 19 <i>Employee Benefits</i> – Effect of a potential discount on plan classification | <p>The IFRS IC received a request about the classification of a post-employment benefit plan applying IAS 19. In the fact pattern described in the request, an entity sponsors a post-employment benefit plan that is administered by a third party. The relevant terms and conditions of the plan are, as follows:</p> <ul style="list-style-type: none"> ▶ The entity has an obligation to pay fixed annual contributions to the plan. The entity has determined that it will have no legal or constructive obligation to pay further contributions if the plan does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. ▶ The entity is entitled to a potential discount on its annual contributions. The discount arises if the ratio of plan assets to plan liabilities exceeds a set level. Thus, any discount might be affected by actuarial assumptions and the return on plan assets. <p>The request asked whether, applying IAS 19, the existence of a right to a potential discount would result in a defined benefit plan classification.</p> <p>Paragraph 8 of IAS 19 defines defined contribution plans as ‘post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods’. Defined benefit plans are ‘post-employment benefit plans other than defined contribution plans’.</p> <p>Paragraphs 27-30 of IAS 19 specify requirements relating to the classification of post-employment benefit plans as either defined contribution plans or defined benefit plans.</p> <p>Paragraph 27 states that ‘post-employment benefit plans are classified as either defined contribution or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions’.</p> <p>The IFRS IC therefore noted the importance of assessing all relevant terms and conditions of a post-employment benefit plan, as well as any informal practices that might give rise to a constructive obligation, in classifying the plan. That assessment would identify whether:</p> <ul style="list-style-type: none"> ▶ The entity’s legal or constructive obligation towards employees is limited to the amount that it agrees to contribute to the fund (a defined contribution plan as described in paragraph 28) <p>Or</p> <ul style="list-style-type: none"> ▶ The entity has an obligation to provide the agreed benefits to current and former employees (a defined benefit plan as described in paragraph 30). <p>The IFRS IC noted that, in the fact pattern described in the request, assessing the relevant terms and conditions of the plan would include, for example, assessing (a) the manner and frequency in which annual contributions and any potential discount (including the target ratio) are determined; and (b) whether the manner and frequency of determining the contributions and any discount transfers actuarial risk and investment risk (as described in IAS 19) to the entity.</p> |

| Final date considered | Issue | Summary of reasons given for not adding the issue to the IFRS IC's agenda |
|-----------------------|------------------------------|---|
| | | <p>The IFRS IC observed that, to meet the definition of a defined contribution plan, an entity must: (a) have an obligation towards employees to pay fixed contributions into a fund; and (b) not be obliged to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods. For example, there should be no possibility that future contributions could be set to cover shortfalls in funding employee benefits relating to employee service in the current and prior periods.</p> <p>The IFRS IC also observed that paragraphs 28 and 30 of IAS 19 specify that, under defined contribution plans, actuarial risk and investment risk fall, in substance, on the employee, whereas, under defined benefit plans, those risks fall, in substance, on the entity. Paragraphs 28 and 30 describe (a) actuarial risk as the risk that benefits will cost the entity more than expected or will be less than expected for the employee; and (b) investment risk as the risk that assets invested will be insufficient to meet expected benefits.</p> <p>Paragraph BC29 of IAS 19 explains that the definition of defined contribution plans does not exclude the upside potential that the cost to the entity may be less than expected.</p> <p>Consequently, the IFRS IC concluded that, applying IAS 19, the existence of a right to a potential discount would not in itself result in classifying a post-employment benefit plan as a defined benefit plan. Nonetheless, the IFRS IC reiterated the importance of assessing all relevant terms and conditions of a plan, as well as any informal practices that might give rise to a constructive obligation, in classifying the plan.</p> <p>The IFRS IC noted that, applying paragraph 122 of IAS 1, an entity would disclose the judgements that its management has made regarding the classification of post-employment benefit plans if those are part of the judgements that had the most significant effect on the amounts recognised in the financial statements.</p> <p>The IFRS IC concluded that the requirements in IAS 19 provide an adequate basis for an entity to determine the classification of a post-employment benefit plan as a defined contribution plan or a defined benefit plan.</p> |
| June 2019 | Holdings of Cryptocurrencies | <p>The IFRS IC discussed how IFRS standards apply to holdings of cryptocurrencies. The IFRS IC noted that a range of cryptoassets exist. For the purposes of its discussion, the IFRS IC considered a subset of cryptoassets with all the following characteristics that this agenda decision refers to as a 'cryptocurrency':</p> <ul style="list-style-type: none"> ▶ A digital or virtual currency recorded on a distributed ledger that uses cryptography for security. ▶ Not issued by a jurisdictional authority or other party. ▶ Does not give rise to a contract between the holder and another party. <p><i>Nature of a cryptocurrency</i></p> <p>Paragraph 8 of IAS 38 defines an intangible asset as 'an identifiable non-monetary asset without physical substance'.</p> <p>Paragraph 12 of IAS 38 states that an asset is identifiable if it is separable or arises from contractual or other legal rights. An asset is separable if it 'is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability'.</p> |

| Final date considered | Issue | Summary of reasons given for not adding the issue to the IFRS IC's agenda |
|-----------------------|-------|---|
| | | <p>Paragraph 16 of IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> states that 'the essential feature of a non-monetary item is the absence of a right to receive (or an obligation to deliver) a fixed or determinable number of units of currency'.</p> <p>The IFRS IC observed that a holding of cryptocurrency meets the definition of an intangible asset in IAS 38 on the grounds that: (a) it is capable of being separated from the holder and sold or transferred individually; and (b) it does not give the holder a right to receive a fixed or determinable number of units of currency.</p> <p>Which IFRS standard applies to holdings of cryptocurrencies?</p> <p>The IFRS IC concluded that IAS 2 <i>Inventories</i> applies to cryptocurrencies when they are held for sale in the ordinary course of business. If IAS 2 is not applicable, an entity applies IAS 38 to holdings of cryptocurrencies. The IFRS IC considered the following in reaching its conclusion.</p> <p>Intangible Asset</p> <p>IAS 38 applies in accounting for all intangible assets except:</p> <ul style="list-style-type: none"> ▶ Those that are within the scope of another standard ▶ Financial assets, as defined in IAS 32 <i>Financial Instruments: Presentation</i> ▶ The recognition and measurement of exploration and evaluation assets <p>And</p> <ul style="list-style-type: none"> ▶ Expenditure on the development and extraction of minerals, oil, natural gas and similar non-regenerative resources <p>Accordingly, the IFRS IC considered whether a holding of cryptocurrency meets the definition of a financial asset in IAS 32 or is within the scope of another standard.</p> <p>Financial asset</p> <p>Paragraph 11 of IAS 32 defines a financial asset. In summary, a financial asset is any asset that is: (a) cash; (b) an equity instrument of another entity; (c) a contractual right to receive cash or another financial asset from another entity; (d) a contractual right to exchange financial assets or financial liabilities with another entity under particular conditions; or (e) a particular contract that will or may be settled in the entity's own equity instruments.</p> <p>The IFRS IC concluded that a holding of cryptocurrency is not a financial asset. This is because a cryptocurrency is not cash (see below). Nor is it an equity instrument of another entity. It does not give rise to a contractual right for the holder and it is not a contract that will or may be settled in the holder's own equity instruments.</p> <p>Cash</p> <p>Paragraph AG3 of IAS 32 states that 'currency (cash) is a financial asset because it represents the medium of exchange and is therefore the basis on which all transactions are measured and recognised in financial statements. A deposit of cash with a bank or similar financial institution is a financial asset because it represents the contractual right of the depositor to obtain cash from the institution or to draw a cheque or similar instrument against the balance in favour of a creditor in payment of a financial liability'.</p> |

| Final date considered | Issue | Summary of reasons given for not adding the issue to the IFRS IC's agenda |
|-----------------------|-------|--|
| | | <p>The IFRS IC observed that the description of cash in paragraph AG3 of IAS 32 implies that cash is expected to be used as a medium of exchange (i.e., used in exchange for goods or services) and as the monetary unit in pricing goods or services to such an extent that it would be the basis on which all transactions are measured and recognised in financial statements.</p> <p>Some cryptocurrencies can be used in exchange for particular goods or services. However, the IFRS IC noted that it is not aware of any cryptocurrency that is used as a medium of exchange and as the monetary unit in pricing goods or services to such an extent that it would be the basis on which all transactions are measured and recognised in financial statements. Consequently, the IFRS IC concluded that a holding of cryptocurrency is not cash because cryptocurrencies do not currently have the characteristics of cash.</p> <p>Inventory</p> <p>IAS 2 applies to inventories of intangible assets. Paragraph 6 of that standard defines inventories as assets:</p> <ul style="list-style-type: none"> ▶ Held for sale in the ordinary course of business ▶ In the process of production for such sale <p>Or</p> <ul style="list-style-type: none"> ▶ In the form of materials or supplies to be consumed in the production process or in the rendering of services. <p>The IFRS IC observed that an entity may hold cryptocurrencies for sale in the ordinary course of business. In that circumstance, a holding of cryptocurrency is inventory for the entity and, accordingly, IAS 2 applies to that holding.</p> <p>The IFRS IC also observed that an entity may act as a broker-trader of cryptocurrencies. In that circumstance, the entity considers the requirements in paragraph 3(b) of IAS 2 for commodity broker-traders who measure their inventories at fair value less costs to sell. Paragraph 5 of IAS 2 states that broker-traders are those who buy or sell commodities for others or on their own account. The inventories referred to in paragraph 3(b) are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin.</p> <p>Disclosure</p> <p>In addition to disclosures otherwise required by IFRS standards, an entity is required to disclose any additional information that is relevant to an understanding of its financial statements (paragraph 112 of IAS 1). In particular, the IFRS IC noted the following disclosure requirements in the context of holdings of cryptocurrencies:</p> <ul style="list-style-type: none"> ▶ An entity provides the disclosures required by: (i) paragraphs 36-39 of IAS 2 for cryptocurrencies held for sale in the ordinary course of business; and (ii) paragraphs 118-128 of IAS 38 for holdings of cryptocurrencies to which it applies IAS 38. ▶ If an entity measures holdings of cryptocurrencies at fair value, paragraphs 91-99 of IFRS 13 specify applicable disclosure requirements. ▶ Applying paragraph 122 of IAS 1, an entity discloses judgements that its management has made regarding its accounting for holdings of cryptocurrencies if those are part of the judgements that had the most significant effect on the amounts recognised in the financial statements. |

| Final date considered | Issue | Summary of reasons given for not adding the issue to the IFRS IC's agenda |
|-----------------------|-------|---|
| | | <ul style="list-style-type: none"> ▶ Paragraph 21 of IAS 10 <i>Events after the Reporting Period</i> requires an entity to disclose details of any material non-adjusting events, including information about the nature of the event and an estimate of its financial effect (or a statement that such an estimate cannot be made). For example, an entity holding cryptocurrencies would consider whether changes in the fair value of those holdings after the reporting period are of such significance that non-disclosure could influence the economic decisions that users of financial statements make on the basis of the financial statements. |

Section 3: Active IASB projects

The ability to stay current on the IASB's standard-setting activities is critical in a sea of change. The following pages summarise key features of selected active projects of the IASB, along with potential implications of the proposed standards. The 'Key projects' are those initiated with the objective of issuing new standards or that involve overarching considerations across a number of standards. 'Other projects' include proposed amendments with narrower applicability. Generally, only those projects that have reached the exposure draft stage are included, but in selected cases, projects that have not yet reached the exposure draft stage are also commented on.

Key projects

Better communication in financial reporting

Key developments to date

Background

The IASB is undertaking a broad-based initiative to explore how disclosures in IFRS financial reporting can be improved. The Board has identified implementation and research projects that will support better communication.

In December 2014 and January 2016, amendments to IAS 1 and IAS 7 *Statement of Cash Flows*, respectively, were issued. Furthermore, the IASB released the IFRS Practice Statement 2 *Making Materiality Judgement* (the PS) in September 2017 and the *Definition of Material* (Amendments to IAS 1 and IAS 8) in October 2018. For further details on the definition of material, please refer to Section 1: *New pronouncements issued as at 30 June 2019*.

In addition, the Better Communication in Financial Reporting initiative comprises the following projects:

Primary financial statements

The project aims to improve the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance. The Board will continue its discussions and plans to publish an ED in Q4 2019.

Principles of disclosure

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

The IASB published a Discussion Paper (DP) in March 2017 which focused on the general disclosure requirements in IAS 1 and the concepts that were being developed in the then ongoing project to revise the *Conceptual Framework for Financial Reporting* (now finalised, see page 13 above). Some specific suggestions in the DP include:

- ▶ Seven principles of effective communication, which could be included in a general disclosure standard or described in non-mandatory guidance

- ▶ Possible approaches to improve disclosure objectives and requirements in IFRS standards
- ▶ Principles of fair presentation and disclosure of performance measures and non-IFRS information in financial statements, to ensure that such information is not misleading

After considering the feedback received on the DP, the IASB decided that improving the way disclosure requirements are developed and drafted in the standards is the most effective way to address the disclosure problem. Therefore, the Board decided to prioritise a standard-level review of certain standards (see below).

The Board has also decided to address research findings relating to accounting policy disclosures (see below), the effect of technology on financial reporting (as part of a broader project) and the use of performance measures in financial statements (as part of the primary financial statements project). The remaining topics in the DP will not be pursued for the time being.

Targeted standards-level review of disclosures

The IASB has added a separate project to develop guidance to help improve the way the Board drafts disclosure requirements in IFRS standards and perform a targeted standards-level review of disclosure requirements. Currently, the draft guidance developed by the Board is being tested on IAS 19 and IFRS 13.

Accounting policies

The IASB is developing guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The Board is developing amendments to IAS 1 that will require entities to disclose material accounting policies rather than significant accounting policies in their financial statements. It is also developing guidance and examples for inclusion in the PS. The ED for these proposed amendments is expected to be issued in September 2019.

IFRS taxonomy

The Better Communication in Financial Reporting initiative will also consider the IFRS taxonomy. The Taxonomy enables tagging of electronic financial information and allows computers to identify, read and extract the information. This facilitates analysis and comparison. Users may create tailored reports to meet their information needs.

Impact

The impact of the different projects is not clear, in particular since several of the measures being considered by the Board encourage behavioural changes, and, thus, the impact may not be easily predicted. However, the different projects have the potential to provide clarifications and guidance that will help entities prepare more tailored and effective disclosures.

Other EY publications

Applying IFRS: Alternative Performance Measures
(October 2018) EYG no. 011765-18Gbl

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

IFRS Developments Issue 129: Disclosure Initiative - Updates on the Materiality Project (September 2017) EYG no. 05342-173Gbl

IFRS Developments Issue 124: Disclosure Initiative - Principles of Disclosure (April 2017) EYG no. 01608-173Gbl

Other projects

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

| Other projects | Status/next steps |
|---|---|
| <p><i>Financial Instruments - Accounting for Dynamic Risk Management</i></p> <ul style="list-style-type: none"> ▶ The objective of this project is to address the specific accounting for risk management strategies relating to open portfolios rather than individual contracts. The hedge accounting requirements in IAS 39 and IFRS 9 do not provide specific solutions to the issues associated with macro hedging. ▶ The IASB intends to develop the accounting model for dynamic risk management (DRM) using cash flow hedge mechanics as a starting point in the following two phases: <ul style="list-style-type: none"> ▶ The first phase will focus on developing the 'core areas' that are central to the model that are comprised of: (i) target profile (liability side); (ii) asset profile; (iii) DRM derivative instruments; and (iv) performance assessment and recycling, to shape the fundamentals of the DRM accounting model. ▶ The second phase will address non-core areas that are extensions of concepts developed during the first phase. ▶ The IASB intends to gather external feedback on the core model developed in the first phase before progressing on to the second phase. | <ul style="list-style-type: none"> ▶ As of June 2019, re-deliberations are ongoing. A discussion paper is expected in H2 2019. ▶ Key aspects of the core DRM model that the IASB has tentatively decided as of June 2019 are: <ul style="list-style-type: none"> ▶ The model applies to the asset profile and target profile that meet the qualifying criteria on a portfolio (or percentage of portfolio) basis, consistently with the entity's risk management policies and procedures. ▶ Core demand deposits could be included in the target profile, with certain conditions. Highly probable forecast transactions could also be eligible for inclusion in the asset profile and target profile (e.g., refinancing). ▶ Designation and formal documentation will be required. ▶ Changes to designated portfolios resulting in updates to the asset profile or target profile should not represent a designation or a de-designation event, but, instead, a continuation of the existing relationship. ▶ Entities should measure imperfect alignment on an on-going basis. Imperfect alignment may result in volatility in the profit or loss. |
| <p><i>Availability of a Refund (Amendments to IFRIC 14)</i></p> <ul style="list-style-type: none"> ▶ The proposed amendments to IFRIC 14 <i>IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> address whether the powers of other parties (e.g., trustees) affect an entity's right to a refund of a surplus in a defined benefit plan. | <ul style="list-style-type: none"> ▶ An ED was issued in June 2015. ▶ In September 2017, the Board tentatively decided to perform further work to assess whether it can establish a more principles-based approach in IFRIC 14 for an entity to assess the availability of a refund of a surplus. ▶ In June 2018, the Board received an update on the work performed on the proposed amendments to IFRIC 14. The Board will continue its discussions at a future meeting. |

Other projects

Status/next steps

Classification of Liabilities (Proposed amendments to IAS 1)

- ▶ The proposed amendments to IAS 1 aim to improve presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current.
- ▶ The ED proposed to:
 - ▶ Clarify that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period
 - ▶ Clarify the link between the settlement of the liability and the outflow of resources from the entity

- ▶ The ED was issued in March 2015.
- ▶ The Board continued its discussions on the proposed amendments. The following are the key tentative agenda decisions as of June 2019:
 - ▶ To clarify that in assessing an entity's right to defer settlement of a liability, compliance with any conditions in a lending agreement must be assessed as at the reporting date, even if the lender will not test the entity's compliance until a later date.
 - ▶ To clarify that an entity's right to defer settlement is not affected by management's expectations about whether the entity will exercise that right, or the subsequent settlement of the liability after the end of the reporting period, but before the financial statements were authorised for issue. In addition, an entity's right to defer settlement must have substance.
 - ▶ To clarify the circumstances in which an obligation to transfer the entity's own equity instruments affects the classification of a liability and that the existing and proposed references to equity instruments are to the entity's own equity instruments. In addition, the terminology will be aligned to refer to the 'transfer to the counterparty' (not 'issue') of the entity's own equity instruments.
- ▶ The Board will continue its discussions and plans to publish the final amendments in H2 2019.

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

- ▶ The proposed amendments aim to prohibit deducting from the cost of an item of property, plant and equipment (PPE), any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity would recognise the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- ▶ The ED was issued in June 2017.
- ▶ In June 2019, the Board continued its discussions on the ED. The Board tentatively decided:
 - ▶ To require an entity to identify and measure cost of items produced before an item of PPE is available for use applying the measurement requirements in IAS 2
 - ▶ Not to develop presentation and disclosure requirements for the sale of items that are part of an entity's ordinary activities
 - ▶ To require an entity - for the sale of items that are not part of its ordinary activities (and to which IFRS 15 and IAS 2 do not apply) - to disclose separately the sales proceeds and the related production costs and specify the line item(s) in the statement of profit or loss and other comprehensive these are included

| Other projects | Status/next steps |
|--|--|
| | <ul style="list-style-type: none"> ▶ Not to amend IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> or IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> as a consequence of these proposed amendments ▶ The Board will decide on the project direction at a future meeting. |
| <p><i>Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)</i></p> <ul style="list-style-type: none"> ▶ The IASB issued an ED proposing narrow-scope amendments to IAS 8 that are intended to help entities distinguish accounting policies from accounting estimates. ▶ This distinction is relevant because IAS 8 contains different requirements for changes in accounting policies and for changes in accounting estimates. ▶ The proposed amendments explain that an accounting policy is the overall objective and the accounting estimates are inputs used in achieving that objective. Furthermore, the proposed amendments include a definition of accounting estimates and clarify that selecting an estimation technique or valuation technique when an item in the financial statements cannot be measured with precision, constitutes selecting an accounting estimate whereas selecting a cost formula (i.e., first-in, first-out (FIFO) or weighted average cost) in applying IAS 2 constitutes selecting an accounting policy. | <ul style="list-style-type: none"> ▶ The ED was issued in September 2017. ▶ In March 2018, the Board discussed a summary of comments received on the ED. ▶ In September 2018, the IFRS IC provided advice on the staff's analysis of feedback on, and next steps for, the ED. ▶ In April 2019, the Board discussed the staff's analysis of the feedback received on the ED and preliminary views on the project's direction. The Board will decide on the project direction at a future meeting. |
| <p><i>Accounting Policy Changes (Amendments to IAS 8)</i></p> <ul style="list-style-type: none"> ▶ The IASB proposed amendments to IAS 8 to lower the impracticability threshold for retrospective application of voluntary changes in accounting policies that result from agenda decisions. The proposed threshold would include a consideration of the costs and benefits of applying such changes retrospectively. ▶ The proposed amendments aim to promote greater consistency in the application of IFRS standards, reduce the burden on entities when they change an accounting policy as a result of an agenda decision and, thus, improve the overall quality of financial reporting. | <ul style="list-style-type: none"> ▶ The ED was issued in March 2018. ▶ In December 2018, the Board discussed the summary of the feedback received on the ED. The Board will decide on the project direction at a future meeting. |

| Other projects | Status/next steps |
|---|--|
| <p><i>Financial Instruments with Characteristics of Equity</i></p> <ul style="list-style-type: none"> ▶ The objective of the project is to improve the information that entities provide in their financial statements about financial instruments they have issued and also to address challenges with applying IAS 32 in practice. ▶ The focus of the project is on the classification of financial liabilities and equity instruments from the perspective of the issuer (entity). The requirements in IFRS 9 for the accounting by the holder of financial assets are therefore outside the scope of the project. ▶ The IASB issued a Discussion Paper <i>Financial Instruments with Characteristics of Equity</i> that sets out principles for the classification of financial instruments as either financial liabilities or equity instruments with a clear rationale, but without fundamentally changing the existing classification outcomes of IAS 32. It is designed to improve the consistency, completeness and clarity of the requirements for classification, while also enhancing the information provided through presentation and disclosure about features of financial liabilities and equity instruments that are not captured by classification alone. | <ul style="list-style-type: none"> ▶ The DP was issued in June 2018. ▶ In June 2019, the Board discussed the summary of the feedback received on the DP. The Board will continue its discussions at a future meeting and expects to decide the project direction in H2 2019. |
| <p><i>Onerous Contracts - Costs of Fulfilling a Contract (Amendments to IAS 37)</i></p> <ul style="list-style-type: none"> ▶ The IASB proposed amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. ▶ The proposed amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. ▶ These proposed amendments are intended to provide clarity and help ensure consistent application of the standard. | <ul style="list-style-type: none"> ▶ The ED was issued in December. ▶ In May 2019, the Board discussed the summary of the feedback received on the ED. The Board will decide on the project direction at a future meeting. |

| Other projects | Status/next steps |
|---|--|
| <p><i>Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)</i></p> <ul style="list-style-type: none"> ▶ The IASB proposed amendments to IFRS 3 to: <ul style="list-style-type: none"> ▶ Replace the reference to an old version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) ▶ Add an exception to the recognition principle in IFRS 3. That is, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 <i>Levies</i>, if incurred separately, an acquirer would apply IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to identify the obligations it has assumed in a business combination. ▶ Add an explicit statement in the standard that an acquirer cannot recognise contingent assets acquired in a business combination. ▶ The proposed amendments are intended to update IFRS 3 without significantly changing its requirements. | <ul style="list-style-type: none"> ▶ The ED was issued in May 2019 and is open for comment until 27 September 2019. |
| <p><i>Interest Rate Benchmark Reform (Amendments to IFRS 9 and IAS 39)</i></p> <ul style="list-style-type: none"> ▶ The IASB proposed amendments to IFRS 9 and IAS 39 to modify specific hedge accounting requirements. That is, entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform. ▶ The proposed amendments for IFRS 9 include a number of reliefs that apply to all hedging relationships of interest rate risk that are affected by interest rate benchmark reform. The reliefs are intended to be narrow in their effect. The proposed amendments to IAS 39 are consistent with those for IFRS 9, except for certain differences relating to prospective assessment of hedge effectiveness. ▶ According to the proposed amendments, entities will cease to apply the relief when the earlier of the following occurs: <ul style="list-style-type: none"> ▶ Uncertainty regarding timing and amount of the resulting cash flows is no longer present ▶ The hedging relationship terminates ▶ The proposed effective date of the amendments is for annual periods beginning on or after 1 January 2020. Early application will be permitted and the requirements must be applied retrospectively. | <ul style="list-style-type: none"> ▶ The ED was issued in May 2019 and was open for comment until 17 June 2019. The Board will discuss the feedback received at a future meeting. |

| Other projects | Status/next steps |
|--|---|
| <p><i>Annual Improvements to IFRS standards 2018-2020</i></p> <p>The IASB proposed the following amendments to standards, or accompanying documents, as part of its annual improvement process:</p> <ul style="list-style-type: none"> ▶ <i>Subsidiary as a first-time adopter</i> (Amendment to IFRS 1) The proposed amendment requires a subsidiary that elects to apply paragraph D16(a) of IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This proposed amendment would also apply to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. ▶ <i>Fees included in the '10 per cent' test for derecognition of financial liabilities</i> (Amendment to IFRS 9) The proposed amendment clarifies the fees that 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, when determining whether to derecognise a financial liability that has been modified or exchanged. There is no similar amendment proposed for IAS 39. ▶ <i>Lease Incentives</i> (Amendment to Illustrative Example 13 accompanying IFRS 16) The proposed amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This would remove potential confusion regarding the treatment of lease incentives when applying IFRS 16. ▶ <i>Taxation in fair value measurements</i> (Amendment to IAS 41 <i>Agriculture</i>) The proposed amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. | <ul style="list-style-type: none"> ▶ The ED was issued in May 2019 and is open for comment until 20 August 2019. |

The table below sets out the estimated timeline for the remaining projects on the IASB's agenda as at the end of June 2019.

| IASB projects | Next milestone | Expected date |
|---|------------------------------------|---------------|
| Research projects | | |
| Business Combinations under Common Control | Discussion Paper | H1 2020 |
| Extractive Activities | Review Research | H2 2019 |
| Goodwill and Impairment | Discussion Paper | H2 2019 |
| Pension Benefits that Depend on Asset Returns | Review Research | H2 2019 |
| Provisions | Review Research | H2 2019 |
| Subsidiaries that are SMEs | Review Research | H2 2019 |
| Standard-setting and related projects | | |
| Management Commentary | Exposure Draft | H1 2020 |
| Rate-regulated Activities | Discussion Paper or Exposure Draft | H1 2020 |
| Maintenance projects | | |
| 2019 Comprehensive Review of the IFRS for SMEs Standard | Request for Information | H2 2019 |
| Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12) | Exposure Draft | July 2019 |

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