

# ***IFRS developments***

## **November 2015**

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# ***Agenda***

## **IASB update**

- Overview
- Revenue
- Leases
- Insurance
- IFRS 9 (ITG)
- Conceptual framework
- Disclosure initiative
- Agenda consultation

## **Interpretations Committee update**

- Exposure drafts

## **Looking ahead**

# ***IASB update***

# ***1***

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# ***IASB activities***

## **Overview**

### ***IFRS 15:***

- Deferral
- Proposed amendments

### ***Upcoming standards:***

- Leases (December 2015)
- Insurance contracts

### ***Exposure drafts:***

- Conceptual Framework [Comment period ends 25 November 2015]
- Disclosure Initiative—Materiality Practice Statement [Comment period ends 26 February 2016]

### ***Agenda consultation***

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# ***IFRS 15***

## Transition Resource Group

- **6 meetings** to date (4 in 2015)
- Approximately **48 issues** considered, key matters include:
- Most issues adequately addressed by IFRS 15 (approximately 40)
- Four **changes** proposed as a result of TRG discussions
- **IASB's approach** to changes:
  - Clarify the guidance
  - Limited amendments to the standard/basis of conclusions
  - Additional examples or modifications to existing examples
  - Practical expedients on transition

# ***IFRS 15***

## **Proposed amendments**



Identifying performance obligations

Principal/agent considerations

Licenses of intellectual property

Practical expedients on transition

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## ***IFRS 15: Proposed amendments***

### **Practical expedients on transition**

- No restatement for contracts that are '**completed contracts**' at the beginning of the earliest period presented
- No retrospective restatement for **modifications** before the beginning of the earliest period (aggregate effect to be considered for identifying satisfied and unsatisfied POs and determining transaction price)



## ***IFRS 15: Proposed amendments***

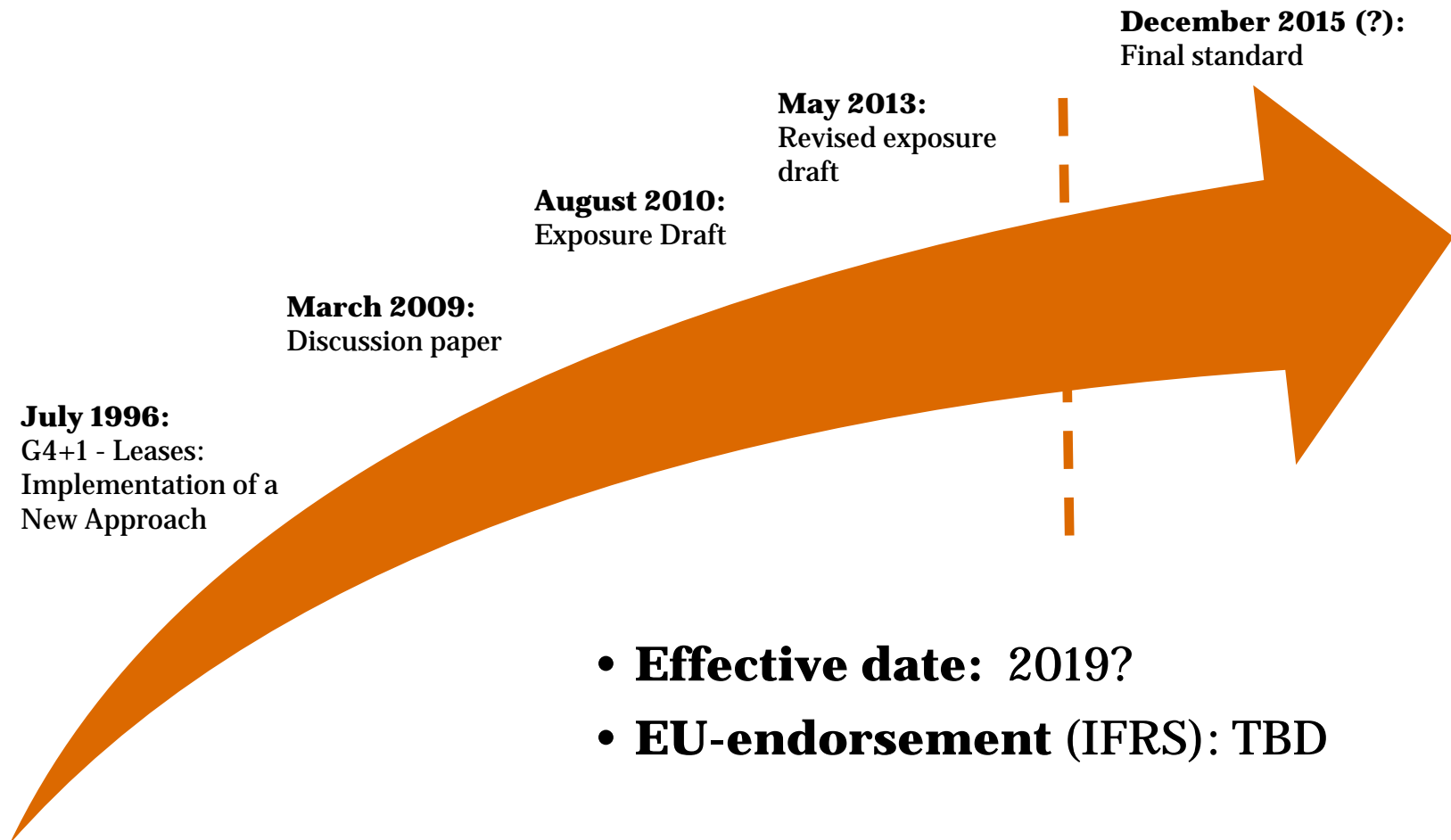
### **Changes proposed by FASB to Topic 606**

Changes similar to IASB in principle except:

- Licences
- Different language in some circumstances
- Additional examples/modified examples
- Transition
- Incremental amendments :
  - collectability (Step 1)
  - shipping and handling (Step 2)
  - measuring non-cash consideration (Step 3)
  - presentation of sales taxes collected from customers (Step 3)



# ***Leases – where are we now?***



# ***Leases – overview***

*Lessee* has to recognise a *right-of-use asset* and a *lease liability* for almost all lease contracts

*Lessor* accounting stays the same as under current guidance

*Publication date:*  
*December 2015?*

Still *differences* between IFRS and US GAAP

Exemptions for short term and low value assets

*Effective date:*  
2019?

Profile in income statement differs

*Definition of a lease is the same in both standards*

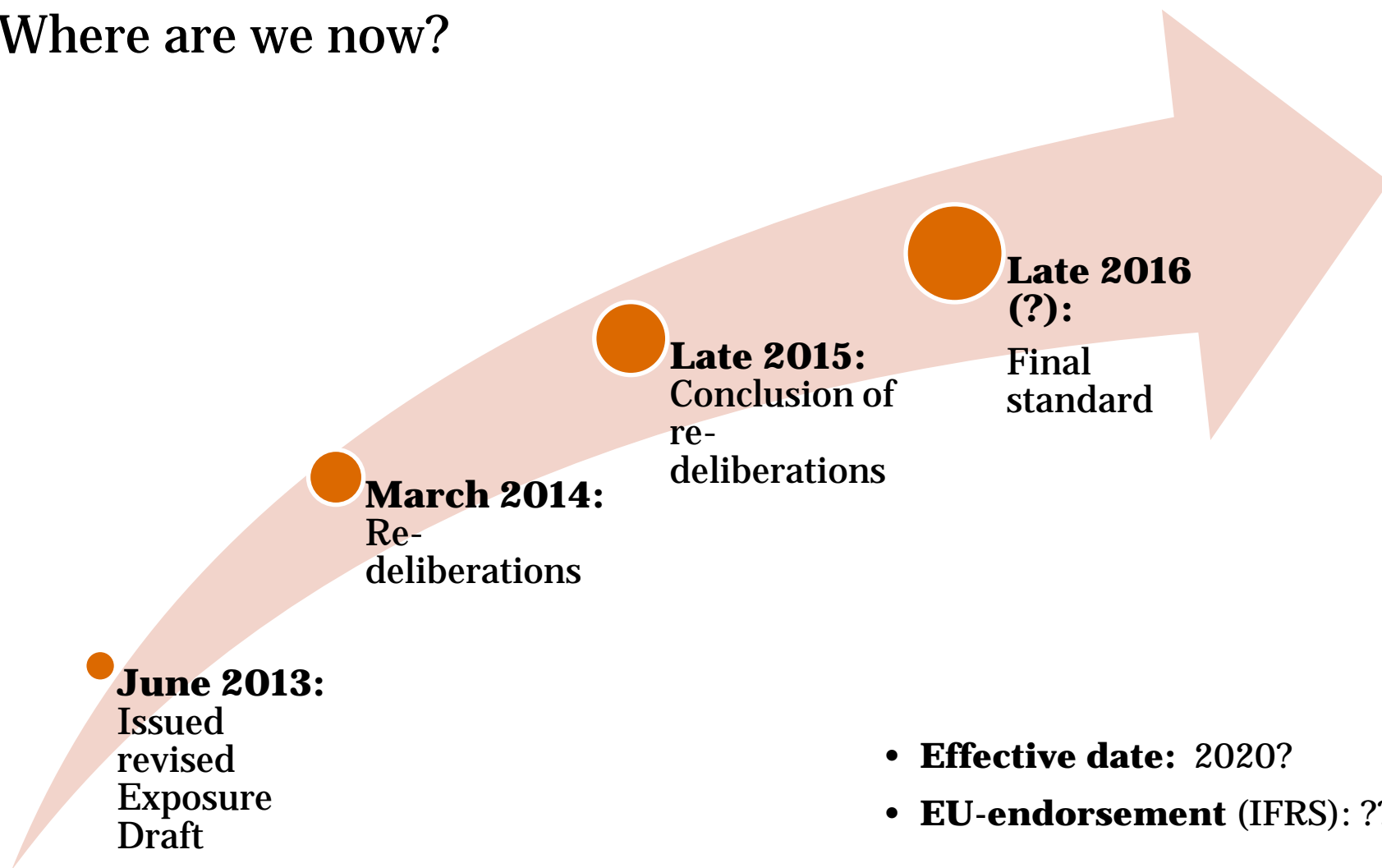
# Leases

## Approach to lessee accounting

	IASB	FASB	
Balance sheet	<b>Right-of-use asset/ Lease liability</b>	✓ (same as IASB)	
Income statement	<b>Single approach</b>	<b>Dual approach</b>	
	Amortization (Right-of-use asset)	<b>Type A (financing)</b>	<b>Type B (operating)</b>
	Interest expense (Lease liability)	Amortization	Lease expense
		Interest expense	

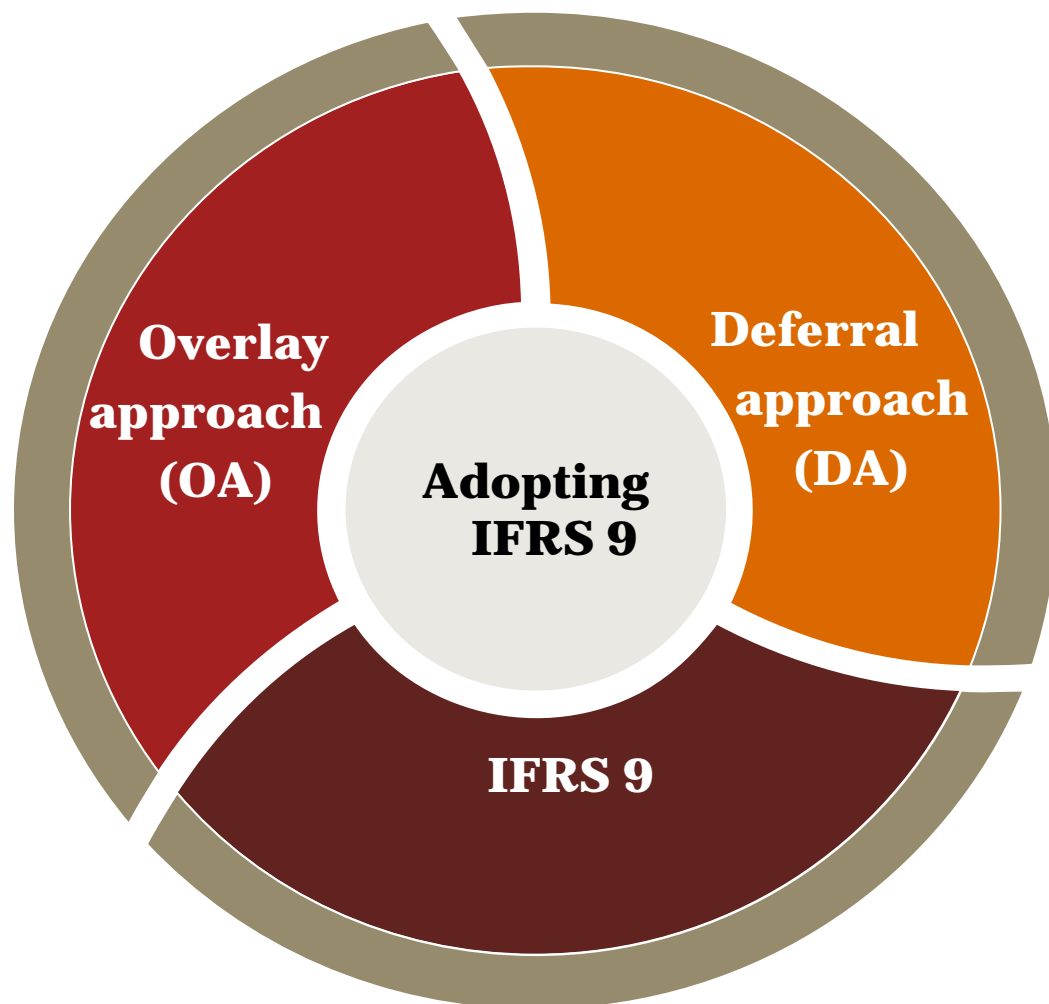
# ***Insurance contracts***

Where are we now?



# Insurance contracts

## Latest update: options for adopting IFRS 9



- IFRS 9 effective as at 1 January 2018 but insurers have 3 options for IFRS 9: ***adopt IFRS 9 in full, use OA or DA.***
- Early adoption option is also available.
- If IFRS 9 is adopted, OA and DA are prohibited.
- OA and DA are prohibited for first-time adopters.



# ***IFRS 9: Financial instruments***

## **TRG for Impairment of Financial Instruments (ITG)**

- **2 meetings** in 2015
- Around **12 issues** considered
- Only **1 issue** raised with the IASB (no changes to the standard expected)
- Significant issues discussed:

Assessment of significant increase in credit risk for guaranteed debt instruments

Revolving credit facilities

Significant increases in credit risk

Measurement of expected credit losses for revolving credit facilities

Discussed with  
IASB

# ***Conceptual Framework***

## **Objective**

Gaps in some areas. Eg: very little guidance on presentation and disclosure

**Fill  
gaps!**

Out of date in some areas. Eg when assets and liabilities should be recognised

**Update!**

Guidance in some areas unclear and less helpful. Eg: nature of the reporting entity

**Clarify!**

## ***Achieved?***

Perhaps, but issues persist:

Does not address whether some items should be permanently excluded from the income statement

Changes to the definition of 'liability' ahead of the FICE project –but debt-equity not addressed

Some aspects still unclear. Eg: direct and indirect control

# ***Conceptual Framework***

What does it cover?

## 2010 Framework

- Objective
- Qualitative characteristics
- Elements
- Measurement
- Recognition

## 2015 Exposure Draft

- Objective
- Qualitative characteristics
- Elements
- Measurement
- Recognition
- **Derecognition**
- **Presentation and disclosure**
- **Reporting entity**

COmment period (extended) ends 25 November 2015



# ***Disclosure initiative***

## **Current Status**

# Disclosure initiative

**Completed projects**

**Ongoing activities**

**Implementation**

**Research**

Amendments to IAS 1  
(effective 1 January 2016)

Digital reporting New EDs

Proposed amendments to IAS 7 'debt reconciliation'

Distinction between a change in accounting policy and estimate

Materiality practice statement\*

Principles of Disclosure \*\*

Standards level review of disclosures

*\* Exposure draft issued*

*\*\* Discussion paper expected in 2016 Q1*

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## ***Disclosure initiative***

### **Practice statement: Materiality**

Not authoritative

Includes :

- Characteristics of materiality
- Applying materiality when making decisions about presentation and disclosure in the financial statements
- Assessing whether omissions and misstatements are material to the financial statements
- Illustrative factors considered to decide whether information is material

Next steps: Deadline for comments – 26 February 2016

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## ***Agenda consultation***

### **Views sought on:**

**Balance of resource allocation**

**Modification and prioritisation of research projects**

**Current work plan for major projects**

**Implementation support by IASB and IC**

**Pace of change and level of detail**

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## ***Agenda consultation***

- Prioritisation of major projects
- Post implementation support for key standards
- Assessing the need for TRGs for future projects
- Aligning with FASB on converged standards
- Examine existing due process
- Long term relevance of IFRS in financial reporting

# ***Interpretations Committee updates***

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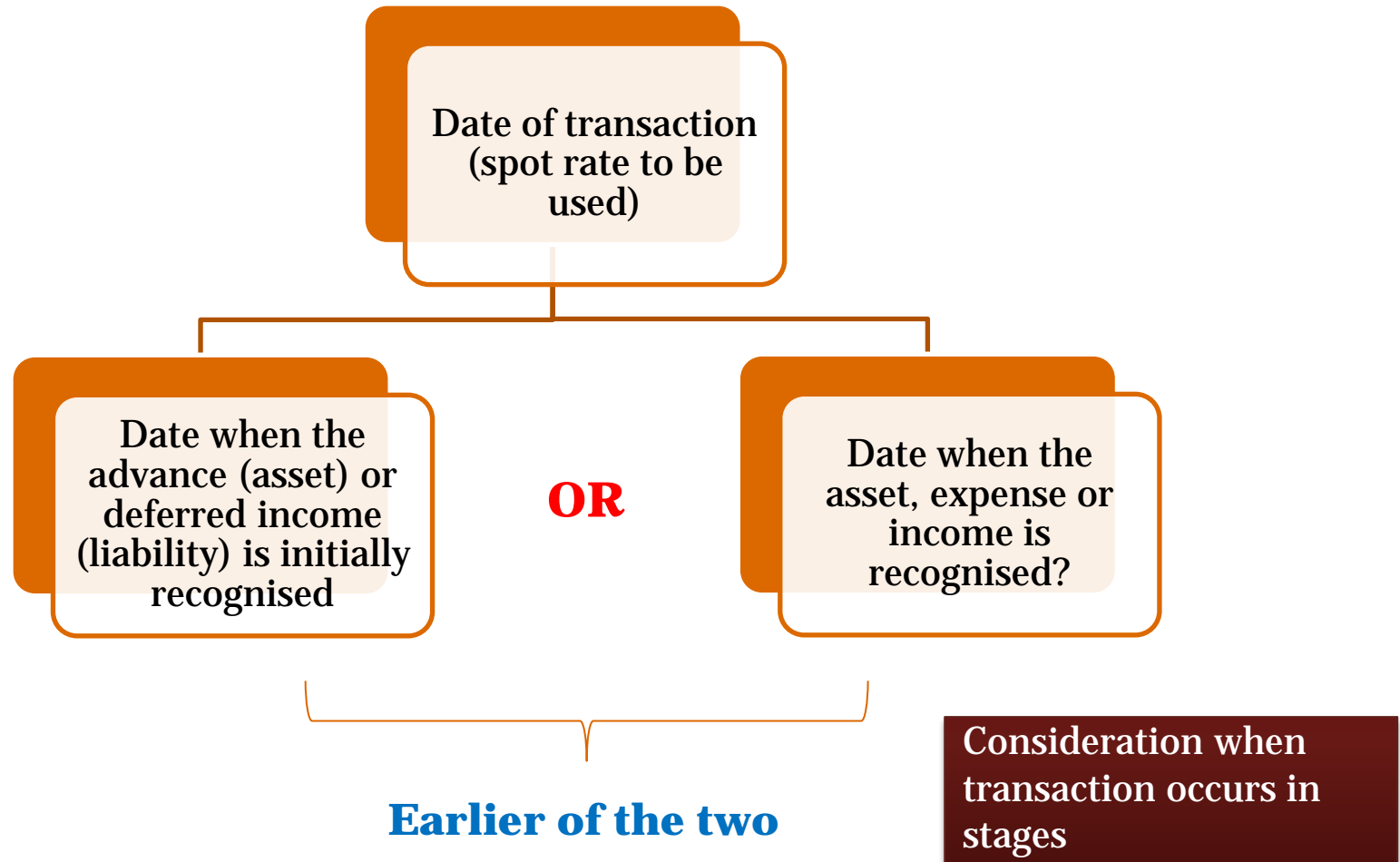
# ***Interpretations Committee***

## **Draft Interpretations**

- **IAS 12: Uncertainty over Income Tax Treatments [Comment period ends 19 January 2016]**
- **IAS 21: Foreign currency Transactions and Advance Consideration [Comment period ends 19 January 2016]**

# ***Draft IFRIC interpretation***

## **Foreign Currency Transactions and Advance Consideration**



# ***Draft IFRIC interpretation***

## **Uncertainty over Income Tax Treatments**

Threshold for recognition – probable



Method of measurement – Most likely amount or expected value method

Unit of measure – separately or collectively

Assumptions for taxation authorities' examination

Transition and disclosure provisions



# *Looking ahead*

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# ***Looking ahead***

Revised IFRS 15: Revenue from contracts with customers

IFRS 16: Leases

Revised IFRS 4: Insurance contracts

New interpretations – IAS 12 and IAS 21

## **Upcoming narrow scope amendments**

Disclosure Initiative—Amendments to IAS 7

Fair value measurement: Unit of account

Recognition of deferred tax assets for unrealised losses -  
Proposed amendments to IAS 12

# ***Looking ahead***

Upcoming exposure draft: Disclosure Initiative - Changes in accounting policies and estimates

Upcoming discussion paper: Disclosure Initiative - Principles of Disclosure

Annual improvements: 2014-2016, 2015-2017

Effective date of amendments to IFRS 10 and IAS 28

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# *Questions?*

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