Raymond Chabot Grant Thornton

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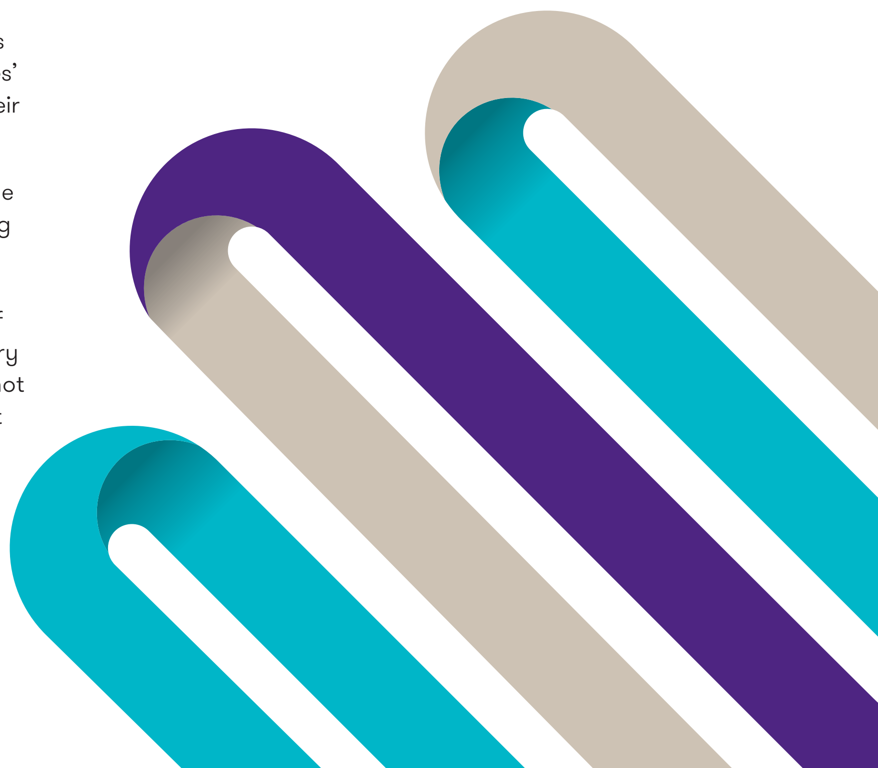
IFRS Newsletter

September 2017

Welcome to *IFRS Newsletter* – a newsletter that offers a summary of certain developments in International Financial Reporting Standards (IFRS) along with insights into topical issues.

We begin this third edition of the year by looking at the publication of IFRS 17 *Insurance Contracts*. After twenty years in the making, this new standard will have an impact on entities' data, technology solutions and investor relations as well as their financial reporting.

We then move on to look at new proposals published by the International Accounting Standards Board (IASB), including proposed amendments to IAS 16 *Property, Plant and Equipment*. Further on in the newsletter, you will find IFRS-related news at Grant Thornton and a general round-up of financial reporting developments. We finish with a summary of the implementation dates of newer standards that are not yet mandatory, and a list of IASB publications that are out for comment.



IASB issues IFRS 17 *Insurance Contracts*

After twenty years of development, the IASB has published IFRS 17. This represents a record in terms of development period. The lengthy completion period reflects a number of factors including:

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

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

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

Scope

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

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

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

Measurement

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

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

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

This is a standard about insurance contracts, not a standard for the insurance industry. Its effect will be felt beyond just those entities which are authorized to carry out regulated insurance or reinsurance activities in a jurisdiction.

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

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

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

Insurance performance

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

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

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

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

Onerous contracts

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

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

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

Reinsurance contracts

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

Presentation

Statement of financial position

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

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

Statement of financial performance – measurement of revenue and expenses

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

Measurement of insurance contract revenue

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

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

Supporting materials issued by the IASB

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

The IASB also plans to establish a Transition Resource Group which will discuss questions from stakeholders about the new accounting requirements.

Disclosure

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

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

Effective date and transition

IFRS 17 has an effective date of January 1, 2021 but may be applied earlier, provided an entity applies IFRS 9 and IFRS 15 at or before the date of initial application of the standard (and subject to any considerations imposed by local legislation).

As noted in the 2016 December edition of *IFRS Newsletter*, the IASB made narrow scope amendments to IFRS 4 in September of last year to provide temporary accounting solutions for the practical challenges of implementing IFRS 9 before IFRS 17.

The Grant Thornton International Ltd IFRS Team has issued a detailed publication entitled *Get Ready for IFRS 17 – a fundamental change to the reporting for insurance contracts*. To obtain a copy of the document, please refer to our Adviser Alert on the subject.

IASB issues IFRIC 23 *Uncertainty over Income Tax Treatments*

The IFRS Interpretations Committee (IFRIC) has published a new interpretation, IFRIC 23, specifying how entities should reflect uncertainty in accounting for income taxes.

Background

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

Grant Thornton International Ltd comment

We welcome the publication of this interpretation. Although it can be argued that IAS 12 *Income Taxes* already provides sufficient guidance on how to account for income taxes when uncertainty exists over tax treatments, we agree that diversity had arisen in practice in this area and that IFRIC 23 will help to reduce this.

Main issues addressed by IFRIC 23

Issue	Proposal
When and how the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates	• An entity is required to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; • If it is, the entity would determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings; • If the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it uses either the most likely amount or the expected value in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates (depending on which method is expected to better predict the resolution of the uncertainty).
The assumptions that an entity should make about the examination of tax treatments by taxation authorities	• An entity is required to assume that a tax authority will examine amounts it has a right to examine and will have full knowledge of all relevant information when making those examinations.
Changes in facts and circumstances	• Entities are also required to reassess their judgments and estimates if facts and circumstances change (e.g. upon reaching a time limit where the taxation authority is no longer able to challenge an entity's tax treatments) or as a result of new information that affects the judgment or estimate becoming available.
Whether uncertain tax treatments should be considered separately	• Entities would be required to use judgment to determine whether each uncertain tax treatment should be considered separately, or whether some uncertain tax treatments should be considered together. In determining the approach to be followed, entities shall consider which approach better predicts the resolution of the uncertainty.
Disclosure	• When addressing uncertainty over income tax treatments, entities are required to disclose judgments, assumptions and estimates made in accordance with the normal requirements of IAS 1; • In addition, if an entity concludes it is probable that a taxation authority will accept an uncertain tax treatment, it should consider whether to disclose the potential effect of the uncertainty as a tax-related contingency under IAS 12.88.
Transition	• Entities shall apply IFRIC 23 either: – retrospectively by applying IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, if that is possible without the use of hindsight; or – retrospectively with the cumulative effect of initially applying the effect of the changes being recognized in the opening balance of retained earnings (or another component of equity) in the period of first application, without adjusting comparative information.

IASB publishes proposed amendments to IAS 16

Proposed amendments to IAS 16 regarding proceeds before intended use

The IASB has published the Exposure Draft *Property, Plant and Equipment—Proceeds before Intended Use* (Proposed amendments to IAS 16). The proposals in the Exposure Draft would prohibit entities from deducting from the cost of an item of property, plant and equipment any sales proceeds during the period before the asset is available for use.

This issue appears to mainly be relevant to a few specific industries, in particular the extractive and petrochemical industries.

Background

The origin of the Exposure Draft stems from a submission made to the IFRS Interpretations Committee (IFRIC) on IAS 16 which asked:

- whether the proceeds (from bringing an asset into its intended condition) that are referred to in paragraph 17(e) of that standard relate only to items produced from testing;
- whether an entity can deduct any proceeds that exceed the costs of testing from the cost of the asset.

From outreach conducted, it was apparent that considerable diversity in practice exists over the interpretation of these questions. Some entities deduct only proceeds from selling items produced from testing while others deduct all sales proceeds until the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use).

Furthermore, for some entities, the proceeds deducted from the cost of an item of property, plant and equipment can be significant and can actually exceed the costs of testing, increasing the significance of the issue.

The proposals

After initial deliberations, the IFRIC identified some related questions about the cost of property, plant and equipment and concluded that the issue would be better dealt with by the IASB. Instead of the IFRIC issuing an interpretation of IAS 16, the IASB is now proposing to amend the standard itself. The proposed changes would prohibit entities from deducting from the cost of the asset itself any proceeds from items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g. proceeds received from inventories produced during the testing phase of an asset). The Exposure Draft would also amend IAS 16 to make it clear that those proceeds and any costs incurred to produce those items must be recognized in profit or loss.

Transition

Should IAS 16 be amended in line with the proposals, transition would not be fully retrospective. This is because the IASB believes that the benefits from full retrospective application would be outweighed by the costs of having to go back to the point of initial recognition of each relevant item of property, plant and equipment. The Exposure Draft therefore proposes retrospective application of the proposed amendments only to items of property, plant and equipment made available for use from the beginning of the earliest period presented when first applying them. The proposed amendments would not be applied to items of property, plant and equipment made available for use before that date.

Corporate governance

Grant Thornton International Ltd has published its latest corporate governance report *Beyond compliance – The building blocks of strong corporate culture.*

"Culture" is a concept we are all familiar with. Yet the business community has been playing catch-up in defining corporate culture and the elements that create it. So, as regulators turn their attention to corporate culture as a foundation of good governance, there's an increasing responsibility on boards and non-executives to meet increased regulatory expectations.

Grant Thornton International Ltd's global governance steering group has developed this report which draws on findings of 2,500 business leaders around the world through IBR and insights from our global network of governance specialists. It sets out practical recommendations for boards to consider, so they can play an even more effective role in fostering a successful culture today and in the future.

To obtain your copy, please get in touch with your IFRS contact in Raymond Chabot Grant Thornton or go to https://www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2017/culture_corporate-governance-report-2017.pdf.

Prepayment features with negative compensation

The Grant Thornton International Ltd IFRS Team has commented on the IASB's Exposure Draft ED/2017/3 *Prepayment Features with Negative Compensation – proposed amendments to IFRS 9.*

In its comment letter, the Grant Thornton International Ltd IFRS team welcomes the Board's attempt to address the concerns relating to prepayment features with negative compensation by amending IFRS 9 (see the previous edition of *IFRS Newsletter* for the background to the IASB's proposals).

Under the present version of the standard, an instrument with such a feature would be measured at fair value through profit or loss. We agree that measurement at amortized cost or at fair value through other comprehensive income is likely to provide more relevant information on such instruments. In particular, information on such an instrument's effective interest rate and expected credit losses seems more likely to be relevant to users in assessing its performance than recognizing changes in its fair value through profit or loss.

The Grant Thornton International Ltd IFRS team therefore supports the proposed amendment, although it does raise concerns over the specifics of part of the proposed eligibility criteria and also some of the wording in the Basis for Conclusions on the Exposure Draft.

Spotlight on the IFRS Interpretations Group

Grant Thornton International Ltd's IFRS Interpretations Group (IIG) consists of a representative from each of our member firms in the United States, Canada, Brazil, Australia, South Africa, India, the United Kingdom, Ireland, France, Sweden and Germany as well as members of the Grant Thornton International Ltd IFRS Team.

The Group meets in person twice a year to discuss technical matters which are related to IFRS. This edition, we throw a spotlight on the representative from France:

Daniel Civit, France

Daniel Civit is Head of the Accounting Practice Group at Grant Thornton in France. He has over twenty years of experience, including sixteen years as an IFRS Expert in the professional Practice Group of one of the large firms.

He specializes in several areas, including IFRS 2 *Share-based Payment*, IFRS 3 *Business Combinations*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IAS 36 *Impairment of Assets*. More recently, he has been involved in a variety of transition projects relating to the adoption of the IASB's new standard on revenue recognition.

Daniel is a member of several committees at the Compagnie Nationale des Commissaires aux Comptes (CNCC), the representative body of the profession in France. These include the *Bureau et Comité Comptable DEIP*, dedicated to IFRS issues relating to public entities, and the *Commission des études comptables* which deals with new accounting standards and the interpretation of rules and principles. He is also a member of a number of local IFRS working groups within the CNCC looking at new standards such as IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*.

Round-up

IASB

IASB chair speaks on financial stability, insurance contracts and better communication in financial reporting

At the IFRS Foundation's conference in Amsterdam, IASB Chairman, Hans Hoogervorst, discussed the role of accounting standards in fostering financial stability, with particular reference to the new standard on insurance contracts, IFRS 17, and how this contributes to financial stability. Further, he discussed the IASB's work on its Better Communication initiative, a project focussing on how to make financial reports a better communication tool between companies and investors.

Other IASB publications

As featured on pages 5 to 7, the IASB issued IFRIC 23 and the Exposure Draft *Property, Plant and Equipment—Proceeds before Intended Use* (Proposed amendments to IAS 16). Further, the IASB published:

- the thirteenth edition of its newsletter ***Investor Update***;
- a **webcast** on the Discussion Paper *Principles of Disclosure*;
- a **Request for Information** on the post-implementation review of IFRS 13 *Fair Value Measurement*;
- a **Summary of Tentative Decisions** reached during the redeliberations on the *Conceptual Framework*;
- a **webcast** on IFRS 9 discussing the application of the impairment requirements for revolving facilities.

In addition, the IFRS Foundation has updated its **pocket guide** to IFRS which provides an overview of the adoption of IFRS in 150 countries and other jurisdictions around the world.

Canada

Canadian IFRS Discussion Group: Report on the May 2017 public meeting

At its May 30, 2017 meeting, the IFRS Discussion Group (IDG) discussed several issues of interest for Canadian preparers of financial statements prepared in accordance with IFRS. The Report on the public meeting and the archived audio webcast have been made available. As a reminder, the IDG is a discussion forum and its purpose is to assist the Canadian Accounting Standards Board (AcSB) with issues arising with the application of IFRS in Canada.

Europe

EFRAG issues discussion paper on goodwill impairment testing

The European Financial Reporting Advisory Group (EFRAG) has issued the discussion paper *Goodwill Impairment Test: Can it be improved?* Following the IASB's Post-implementation Review of IFRS 3, EFRAG started conducting research on goodwill accounting which led to the publication of a Discussion Paper in 2014 and a quantitative study in 2016 aiming at improving the guidance in IAS 36. This latest discussion paper illustrates potential amendments to the impairment test in IAS 36 to enhance its application and effectiveness, and reduce complexity.

EFRAG survey on possible effects of IFRS 9 on equity portfolios

EFRAG has published a questionnaire to assess the possible effects of the requirements of IFRS 9 on equity portfolios. This follows a request from the European Commission asking EFRAG for advice on the impact of accounting requirements of investments in equity instruments under IFRS 9, and whether those requirements could affect long-term investment.

IFRS 9 introduces an irrevocable option for an entity to designate at inception equity instruments (other than those held for trading and contingent consideration recognized in a business combination) at fair value through other comprehensive income, with no impairment losses recognized in profit or loss and no reclassification (recycling) of gains or losses into profit or loss upon derecognition.

EFRAG's questionnaire is open for comment until September 30, 2017.

ESMA publishes report on IFRS 13 implementation

The European Securities and Markets Authority (ESMA) has published a report on the implementation of IFRS 13 *Fair Value Measurement* by European preparers of financial statements. Taking a sample of 78 IFRS financial statements for the year 2015 from different industries, the report assesses the level of compliance of those financial statements in terms of IFRS 13's requirements as well as the degree of comparability between entities.

The report finds that in general, IFRS 13's requirements have been well adopted. It does however indicate that there is room for improvement for example on fair value disclosures and the assessment of when transactions or quoted prices do not represent fair value.

ESMA intends to submit this report in due course to the IASB in response to its Post-implementation Review of IFRS 13.

ESMA publishes new Q&As on its APMs Guidelines

ESMA has updated its Questions and Answers (Q&A) document on the implementation of its Guidelines on the Alternative Performance Measures (APMs) for listed issuers. Four new questions provide information on:

- the definition of APMs in the context of interim financial statements;
- the prominence of APMs compared to IFRS figures outside financial statements;
- the use of the "compliance by reference" principle set out in the Guidelines.

The purpose of the Q&A document is to promote common supervisory approaches and practices in the implementation of the guidelines.

Europe

European Commission adopts guidelines on the disclosure of non-financial information

On December 6, 2014, the European Union (EU) Directive on disclosure of non-financial and diversity information by large companies and groups (2014/95/EU) came into force with an effective date in 2018. The EU Directive addresses environmental, social, and governance issues and is expected to eventually lead to more robust growth and employment and increased trust among stakeholders.

The European Commission has now adopted guidelines to help companies fulfil the requirement to disclose relevant non-financial information in a consistent and more comparable way. The aim is to increase transparency and performance amongst companies, and encourage them to embrace a more sustainable approach. The proposed guidelines are non-authoritative but reflect best practices, recent developments and "lessons learnt" from, for example, the United Nations Sustainable Development Goals, the Paris Climate Agreement or the work of the Task Force on Climate-related Financial Disclosures.

Asia-Oceania

ASBJ releases two papers on goodwill and impairment

The Accounting Standards Board of Japan (ASBJ) has published Research Paper No. 3, *Analyst Views on Financial Information Regarding Goodwill*, and an Agenda Paper, *Possible Approach for Addressing the "Too Little, Too Late" Issue*.

The research paper aims at contributing to the global discussion on the accounting for goodwill. It summarizes the insight the ASBJ gained while interviewing analysts in Japan to better understand their views on goodwill and goodwill impairment. Some of the key findings are:

- Analysts assess the importance of cash flow information, accounting profit and net assets differently;
- Views on the amortization of goodwill vary with no clear preference for an amortization and impairment approach or a non-amortization approach;
- Information on management's estimate of the period for which expected future cash flows would increase due to the business combination was deemed helpful;
- Many analysts believe that impairment losses on goodwill are recognized at a later point than that at which they thought a deterioration in the value of goodwill had occurred.

The related Agenda Paper, *Possible Approach for Addressing the "Too Little, Too Late" Issue*, was submitted for discussion at the Accounting Standards Advisory Forum meeting in July 2017. It suggests an approach to address the concern mentioned above, that impairment losses on goodwill are recognized under IAS 36 at either too late a stage or in insufficient amounts.

South America

GLASS questionnaire on inflationary economies

The Group of Latin American Accounting Standard Setters (GLASS) has published a questionnaire on inflationary economies. The questionnaire aims at getting a better insight as to whether the IASB should be asked to broaden the scope of IAS 29 *Financial Reporting in Hyperinflationary Economies* to include countries where inflation is only moderate or high but not hyperinflationary.

Currently, IAS 29 only applies to hyperinflationary countries. However, the effects of moderate or high inflation have caused concern in the past as they are not accounted for in financial statements, potentially providing the reader with a distorted picture of an entity's true situation. The questionnaire looks at the current status of inflation accounting in different countries and aims to determine the needs of users of financial information of entities operating in inflationary environments. The findings from this project will be submitted to the IASB.

Corporate Reporting

TCFD publishes final recommendations on climate-related financial disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) has released recommendations on climate-related financial disclosures in its *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures* which provides context, background, and a general framework for climate-related financial disclosures. Further, the TCFD has published:

- an *Annex: Implementing the Recommendations of the TCFD* aimed at facilitating implementation;
- a *Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities* providing details that can be helpful to companies in considering scenario analysis.

The TCFD was established by the Financial Stability Board (FSB) to help identify the information required on climate-related risks for lenders, investors and insurance underwriters. They were given the task to develop voluntary, consistent, climate-related financial disclosures that would be useful in understanding these risks (see IFRS Newsletter March 2017).

IVSC consults on future agenda

The International Valuation Standards Council (IVSC) has opened its annual consultation on its future agenda. The IVSC is seeking input on which areas it should focus on to further improve International Valuation Standards which often interact with the IASB's financial reporting requirements. The IVSC's Standards Board is leading on this process; it has identified the following potential topics which it is seeking feedback on:

1) Non-financial liabilities;
2) Discount rates;
3) Early stage valuation;
4) Biological assets;
5) Extractive industries;
6) Inventory.

Also, the IVSC plans to make targeted improvements to:

1) Control premiums and discounts for lack of control;
2) Capital structure considerations;
3) Development value.

The comment period ended on August 15, 2017.

Effective dates of new standards and IFRIC interpretations

The table below lists new IFRS and IFRIC interpretations with an effective date on or after January 1, 2016. Companies are required to make certain disclosures in respect of new standards and interpretations under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

New IFRS and IFRIC interpretations with an effective date on or after January 1, 2016

Title	Full title of standard or interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?*
IFRS 17	*Insurance Contracts*	January 1, 2021	Yes
IFRS 16	*Leases***	January 1, 2019	Yes
IFRIC 23	*Uncertainty over Income Tax Treatments*	January 1, 2019	Yes
IAS 40	*Transfers of Investment Property* (Amendments to IAS 40)	January 1, 2018	Yes
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*	January 1, 2018	Yes
IFRS 1/ IFRS 12/ IAS 28	*Annual Improvements to IFRSs 2014-2016*	January 1, 2018 However, the amendments to IFRS 12 are effective from January 1, 2017	IAS 28 – Yes
IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (Amendments to IFRS 4)	• A temporary exemption from IFRS 9 is applied for accounting periods beginning on or after January 1, 2018; • The overlay approach is applied when entities first apply IFRS 9.	N/A
IFRS 9	*Financial Instruments (2014)***	January 1, 2018	Yes (extensive transitional rules apply)
IFRS 2	*Classification and Measurement of Share-based Payment Transactions* (Amendments to IFRS 2)	January 1, 2018	Yes
IFRS 15	*Revenue from Contracts with Customers***	January 1, 2018	Yes

* As a note of caution, to be in accordance with Canadian GAAP and securities regulations, an entity may not early adopt a new or amended IFRS until its issuance by the Chartered Professional Accountants of Canada (CPA Canada) in the *CPA Canada Handbook – Accounting*.

** The Illustrative Examples and Guidance of implementing that accompany IFRS 9, IFRS 15 and IFRS 16, but are non-authoritative, have been added to the *CPA Canada Handbook – Accounting*. The AcSB thinks this material supports the application of IFRS. The AcSB will also add non-authoritative material published by the IASB for other standards in the future.

New IFRS and IFRIC interpretations with an effective date on or after January 1, 2016

Title	Full title of standard or interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?*
IAS 7	*Disclosure Initiative* (Amendments to IAS 7)	January 1, 2017	Yes
IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to IAS 12)	January 1, 2017	Yes
IFRS for SMEs	*Amendments to the International Financial Reporting Standard for Small and Medium-Sized Entities*	January 1, 2017	Yes
IAS 1	*Disclosure Initiative* (Amendments to IAS 1)	January 1, 2016	Yes
IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016	Yes
IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)	Postponed (was January 1, 2016)	Yes
Various	*Annual Improvements to IFRSs 2012-2014 Cycle*	January 1, 2016	Yes
IAS 27	*Equity Method in Separate Financial Statements* (Amendments to IAS 27)	January 1, 2016	Yes
IAS 16 and IAS 41	*Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41)	January 1, 2016	Yes
IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16 and IAS 38)	January 1, 2016	Yes
IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations* (Amendments to IFRS 11)	January 1, 2016	Yes
IFRS 14	*Regulatory Deferral Accounts*	January 1, 2016	Yes

* As a note of caution, to be in accordance with Canadian GAAP and securities regulations, an entity may not early adopt a new or amended IFRS until its issuance by the Chartered Professional Accountants of Canada (CPA Canada) in the *CPA Canada Handbook – Accounting*.

Open for comment

This table lists the documents that the IASB currently has out for comment and the comment deadlines. We aim to respond to each of these publications.

Current IASB documents

Document type	Title	Comment
Discussion Paper	*Disclosure Initiative – Principles of Disclosure*	October 2, 2017
Exposure Draft*	*Property, Plant and Equipment – Proceeds before Intended Use* (Proposed amendments to IAS 16)	October 19, 2017
Exposure Draft	*Accounting Policies and Accounting Estimates* (Proposed amendments to IAS 8)	January 15, 2018

* The AcSB has also published this document for comment to integrate the standard into Part 1 of the *CPA Canada Handbook – Accounting* when the IASB will have published its definitive standard.

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