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Accounting

News

Discussion

IFRS Newsletter

March 2019

IFRS Newsletter is your quarterly update on all things relating to International Financial Reporting Standards (IFRS). We will bring you up to speed on topical issues, provide comment and points of view, and give you a summary of any significant developments.

We begin this first edition of 2019 by considering the potential financial reporting implications of the UK leaving the European Union without a transition deal. As the UK's exit date of March 29, 2019 draws in closer, this is a scenario which needs to be considered seriously by entities that trade with, or have operations within, the UK.

We then move on to look at proposals the International Accounting Standards Board (IASB) currently has out for comment before looking at thematic reviews of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* that have recently been published. 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 recently issued standards and a list of IASB publications that are out for comment.

Contents

Financial reporting implications of a no-deal Brexit

With March 29, 2019, the date at which the UK will cease to be a member of the European Union (EU), fast approaching there is still uncertainty as to whether the UK will be able to negotiate a managed withdrawal agreement.

Therefore, the need to consider the implication of a "no-deal" outcome – one in which the UK would immediately begin trading with the EU on World Trade Organisation terms without any transition period – is becoming an ever more important one for management to consider. While there is a natural temptation to think of "Brexit" (Britain's exit from the EU) as a UK specific issue, the reality is that it needs to be considered by all entities that trade with, or have operations within, the UK.

Disclosures regarding uncertainties and risks arising from Brexit can be expected to be scrutinized by regulators in Europe and further afield. With this in mind, we consider below some of the potential financial reporting implications, focusing in particular on the possibility of a no-deal scenario.

The no-deal scenario

A no-deal scenario is generally seen as the most disruptive one, as it will bring wide ranging and immediate changes. Under this scenario, there will be no transition period; no agreement in relation to the border between Northern Ireland (which is part of the UK) and the Republic of Ireland; no EU recognition of UK regulatory systems; no agreement on EU and UK citizens' rights and no UK participation in EU international agreements. The UK would immediately begin trading on World Trade Organisation terms from 12 p.m. Central European Time on March 29, 2019.

A no-deal scenario analysis should include consideration of the potential impact of, among other things, the following:

- the ability of entities in the UK to continue to operate in the EU regulatory environment if the UK is no longer part of the single market;
- increased customs duties between the UK and the EU. This is likely to impact entities' margins to the extent they are unable to pass increased costs on to customers;
- other non-tariff-based barriers and costs, including additional customs administration, and the cost of additional regulatory requirements;
- crystallisation of certain tax and deferred tax liabilities at year-end and the entity's ability to settle them;
- increased lead time in import and export of goods through UK and European borders, and its potential effect on, for example, the manufacturing process;
- potential loss of employees or increased cost of retaining them;
- recession or contraction in UK or EU markets affecting demand for goods and services.

Corporate reporting implications

The key challenges in relation to Brexit are the uncertainty surrounding whether the UK and EU will be able to ratify a withdrawal agreement with the EU, and trying to ascertain what effect this will have on the regulatory and economic environment for entities that are affected.

For example, what will happen to UK companies with cross border operations in the EU (and vice versa) should there be no deal? This is a very broad question that is not easily answered and will be dependent on individual facts and circumstances. However, areas which can be expected to be most affected by this uncertainty are those which rely on management's ability to forecast. These include, but are not limited to:

Issue	Proposal
Going concern	In assessing going concern, management should consider all available information about the future, which is at least, but is not limited to, twelve months from the reporting date. In making their judgements and assumptions about the future, management should consider all available information regarding Brexit up to the date the financial statements are authorized for issue, including the potential impact of a "no-deal" scenario. If at the date the financial statements are authorized for issue there is uncertainty regarding a ratified withdrawal agreement, management should prepare a scenario analysis that considers the impact of a no-deal Brexit, where such a scenario could have a material impact on the entity.
Impairment of non-financial assets and determination of recoverable amounts	When considering impairment, the risk associated with Brexit uncertainty can be factored into either forecasted cash flows or the discount rate but should not be adjusted for in both. Where management concludes that a reasonably possible change in one or more of their assumptions used in the estimate of the recoverable amount would result in an impairment, or material change to the carrying amount of the asset or the cash generating unit, that impact should be disclosed in the financial statements. Where an entity has a significant exposure to the risk arising out of a no deal Brexit, management should include in their scenario and sensitivity analysis their judgements and assumptions relating to such a potential outcome.

Issue	Proposal
Impairment of financial assets	Management will need to consider the potential impact of Brexit on their IFRS 9 expected credit loss forecasts, including any potential increase in credit risk associated with individual borrowers. Some consideration will also need to be given to the valuation of assets pledged as security. IFRS 9 specifically requires expected credit losses to be measured with reference to probability weighted cash flows. If Brexit increases the likelihood of a credit loss, then this will impact the IFRS 9 provisions. Calculations should be based on management's expectations at the reporting date and will not be amended for additional information arising after the reporting date.
Fair value determination of assets and liabilities where there are limited or no observable inputs	Both Level 3 and some Level 2 fair values under the hierarchy in IFRS 13 *Fair Value Measurement* require the use of unobservable inputs. These unobservable inputs are subject to much of the same uncertainty associated with Brexit as described above in relation to the impairment of non-financial assets. Fair value estimates must however reflect a market participant's perspective in pricing an asset or liability, as opposed to internal management perspective applied to value in use forecasts for impairment assessments. Therefore, adjustments to reflect changes in a market participant's views after the end of the reporting period are not permitted.
Tax and deferred tax assets and liabilities	There are currently a number of tax exemptions and reliefs resulting from EU tax directives which apply to transactions involving companies resident in the EU. In the event of a no-deal scenario, it seems likely that these tax exemptions and reliefs will cease to apply (affecting both UK and EU entities). If so, the effect may entail recognition of previously unrecognized deferred tax liabilities. Our view is that this will only occur upon a change in tax status, so there will be no income tax accounting before Brexit actually takes place. Given the uncertain nature of the future tax legislation, the most appropriate approach in the intervening period is disclosure in the financial statements of the uncertainties regarding possible future tax liabilities. As part of their effective no-deal Brexit scenario planning, management should quantify the potential tax liabilities, which might arise to the extent they are able to. If material, those potential tax liabilities should be disclosed along with the uncertainties underpinning the estimates. Management should also consider the need to disclose contingent liabilities relating to tax.

The key challenges in relation to Brexit are the uncertainty surrounding whether the UK and EU will be able to ratify a withdrawal agreement with the EU, and trying to ascertain what effect this will have on the regulatory and economic environment for entities that are affected.

IASB looks to clarify IAS 37's onerous contract requirements

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* defines an onerous contract as one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

It goes on to state that the unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The standard does not however specify which costs to include in determining the cost of fulfilling a contract. In particular, it does not specify whether the cost of fulfilling a contract comprises only the incremental costs of fulfilling that contract, or instead also includes an allocation of other costs that relate directly to the contract.

Different views exist on this question, with the potential to result in material accounting differences. The issue has assumed increased importance recently as contracts that were within the scope of IAS 11 *Construction Contracts* are now within the scope of IFRS 15. IAS 11 specified which costs an entity would include when identifying an onerous contract provision for contracts that were within its scope, but IFRS 15 does not include equivalent requirements. This means that for contracts within the scope of IFRS 15, entities will now look to IAS 37 to assess whether a contract is onerous, which magnifies the importance of the IAS 37 wording.

These considerations have led the IASB to issue the Exposure Draft, *Onerous Contracts – Cost of Fulfilling a Contract*. In developing the Exposure Draft, the IASB considered two approaches to determining the cost of fulfilling a contract:

- the incremental cost approach
- the directly related cost approach.

The directly related cost approach differs from the incremental cost approach in that it includes all the costs an entity cannot avoid because it has the contract. Such costs include both the incremental costs of the contract and an allocation of other costs incurred on activities required to fulfil the contract, such as insurance and depreciation of tools used in fulfilling the contract. By way of contrast, general and administrative costs do not relate directly to a contract unless they are explicitly chargeable to the counterparty under the contract.

The Exposure Draft proposes amendments that reflect the directly related cost approach. One of the principal reasons for this is that the incremental cost approach would fail to identify an onerous contract provision when an entity has several contracts that are expected to be profitable individually if the economic benefits are compared with only the incremental costs, but are loss-making once shared costs are included.

Retrospective application of the proposals would not be required under transition provisions set out in the Exposure Draft. Instead the transition provisions propose that an entity apply the amendments retrospectively from the date of first applying the amendments. This is in recognition of the fact that it might be difficult and costly for an entity to obtain the information needed to implement the proposed changes at the start of the earliest prior period presented, whilst not actually being impracticable to do so (as defined by IAS 8).

Our insight

The IASB hopes that clarifying the meaning of "cost of fulfilling" will reduce any existing diversity in the application of the onerous contract requirements.

Changing to a policy that also includes other costs that relate directly to the contract could however result in entities recognizing onerous contract costs earlier. Contracts affected could include long-term service contracts.

Thematic reviews of IFRS 9 and IFRS 15 published

The UK Financial Reporting Council (FRC) has published thematic reviews of disclosures in 2018 interim reports relating to the implementation of IFRS 9 and IFRS 15.

As well as being of direct use to entities still transitioning to these standards (for example, those with June 2019 or September 2019 year-ends), these reports contain a number of examples of good disclosure and points to remember that will be of use to all entities.

We outline below some of the points raised in the two reports.

IFRS 9 *Financial Instruments*

Points to remember on transition

IFRS 7 *Financial Instruments: Disclosures* has a number of additional transitional disclosures, which are required on adoption of IFRS 9:

- the impact on deferred tax as a result of the transition to IFRS 9 needs to be considered and disclosed where material;
- companies will need to update hedging documentation and assess the effectiveness of existing hedges on application of the new hedging requirements;
- an adjustment within opening equity is required for the time value of options where only the intrinsic value of the option was designated as a hedging instrument under IAS 39;
- companies should explain any key assumptions adopted on implementation of IFRS 9;
- companies should explain and, where possible, quantify the material differences between IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9.

Classification and measurement

When explaining classification and measurement, the report recommends that entities:

- avoid the use of boilerplate language or quoting directly from the standard;
- where assets or liabilities have been designated to a measurement category, entities should explain how they have met the criteria for designation;
- remember to address the key elements of IFRS 9 classification requirements in disclosing their accounting policies, including modifications, reclassification, recognition and derecognition.

Policies and methodologies

When explaining policies and methodologies, the report recommends that:

- entities avoid the use of boilerplate language or quoting directly from the standard;
- policies should be sufficiently granular to enable users to understand the differences in the approach to model expected credit losses (ECLs) for significant product or business lines.

Impact of alternative economic scenarios

When explaining the impact of alternative economic scenarios for ECL, the report recommends that entities:

- explain how alternative economic outcomes are selected from a range of possible outcomes and provide a description of scenario weightings;
- disclose key economic variables used to determine the central scenario.

Non-banking entities

While many of the entities selected for review in preparation for the report were banks, the report nevertheless raises a number of important points for corporate entities. As well as observing that the disclosure requirements of IFRS 7 have been expanded by IFRS 9, the report notes that:

- while many of the transition disclosure requirements will not be required for corporates, entities will still be expected to explain why the impact is not material;
- entities should take care not to overlook categories of financial instruments or assume too readily that IFRS 9 has no effect. For example, IFRS 9's impairment provisions have been extended to include IFRS 15's contract assets and apply to loans to joint ventures and, for parent companies, loans to subsidiaries;
- it will be necessary to reconsider the accounting for previous modifications of debt that did not result in derecognition under IAS 39, e.g. a refinancing that did not result in the loan being derecognized. Whilst the previous practice was to adjust the interest rate going forward for the modified terms and costs incurred, under IFRS 9 a gain or loss must be recognized to preserve the original effective interest rate.

Key points for companies to consider when preparing year-end disclosures

The report concludes by noting that IFRS 9's year-end disclosure requirements are more extensive than those required for interim reporting purposes, and encourages companies to invest the time during their upcoming year-end reporting cycle to ensure that:

- explanations of the impact of transition are comprehensive and are linked to other information disclosed in the annual report;
- changes made to accounting policies are clearly articulated and convey company-specific information;
- disclosures are sufficiently granular to enable users to understand the impact on the business and key portfolios;
- there is clear linkage to the business model and risk management strategy, which underpin the classification and hedging requirements of IFRS 9.

IFRS 15 *Revenue from Contracts with Customers*

Similar to the thematic report on IFRS 9 covered above, the report on IFRS 15 contains a number of examples of good disclosure and points to remember that will be of use to all entities. At an overview level, however, the key findings of the report were that the following disclosures could be improved:

- information about transition adjustments recognized and linking these to changes in accounting policies;
- clearer explanation of changes made to accounting policies, including the reasons for the changes and the judgements made by management in arriving at the new policies;
- information about performance obligations, including judgements made in determining these and the timing of their satisfaction (i.e. when control transfers to the customer);
- the impact on the statement of financial performance, including disclosure of accounting policies for new items, such as contract assets and contract liabilities.

We look at these areas in more detail below.

Transition adjustments

The report identifies the following main issues that were identified in the review:

- the failure of some entities to make any disclosure at all of the transition method adopted;
- a lack of meaningful explanation of transition adjustment disclosed for modified retrospective adopters;
- transition adjustments were quantified and disaggregated into categories of impact but no accompanying explanations were given, and/or the category descriptions used were unclear;
- transition adjustments were quantified and accompanied by explanations but not appropriately linked to changes in accounting policies or the impact on financial statement line items.

The FRC notes that it expects companies, regardless of their transition method, to ensure that upcoming annual reports contain a sufficient degree of information about their transition adjustment. This might include:

- explaining the transition method applied;
- disaggregating the adjustment into impact categories;
- linking these to discussion about the impact of the standard, such as changes made to accounting policies and practices.

Changes to accounting policies

The main issues identified in this area were:

- entities disclosing new accounting policies without comparison to old policies, so failing to explain the changes made;
- insufficient or confusing explanations of variable consideration and how it is accounted for, including application of the variable consideration constraint;
- poor descriptions of when revenue is recognized, with reliance on vague and boilerplate language (e.g. when control is transferred);
- entities disclosing that an input or output method is used to measure delivery of an over time performance obligation, but failing to clarify the actual method used and why it is appropriate;
- failure to disclose policies for contract assets and liabilities, despite material balances being presented.

Performance obligations

The main issues identified in this area were:

- absent, incomplete, or unclear disclosures about performance obligations which appeared to involve some judgement regarding how they were determined, or when they were satisfied;
- use of boilerplate language which was generic and was often directly quoted from the standard.

Tips when explaining performance obligations:

- ensure information disclosed adds to, and is consistent with, business model disclosures in management commentary;
- consider using cross-references between management commentary and the financial statements and aim for a consistent use of language;
- explain any judgements made in determining the performance obligations;
- where a performance obligation is satisfied over time, make it clear which of the three criteria under IFRS 15, which determine whether a performance obligation is satisfied over time is relevant.

Impact on the statement of financial position

The main issues relating to the statement of financial position identified by the FRC were:

- entities failing to explain the impact on the balance sheet of the transition to IFRS 15, despite recognizing material contract balances on the statement of financial performance;
- lack of disclosure of accounting policies for contract assets and contract liabilities;
- failure of entities with material onerous contract provisions to acknowledge the change in guidance on accounting for these contracts;
- failure to mention the interaction between IFRS 15 and IFRS 9, namely that the requirement to provide for ECLs extends to contract assets.

Key points for companies to consider when preparing year-end disclosures

As with the thematic report for IFRS 9, the FRC encourages companies to invest the time ahead of their year-end reporting to ensure that:

- explanations of the impact of transition are comprehensive and are linked to other information disclosed in the annual report;
- changes made to accounting policies (including the reasons for these changes and associated judgements) are clearly articulated and convey company-specific information;
- judgements made in determining performance obligations and the timing of their delivery to the customer are identified and explained;
- the impact on the statement of financial position is also addressed, including accounting policies for contract assets and contract liabilities.

Grant Thornton news

Daniel Civit appointed as member of the IFRS Advisory Council

Daniel Civit, a partner in the French firm and head of the French Accounting Practice Group, has been appointed as a member of the IFRS Advisory Council, the oversight body of the IASB, with effect from January 1, 2019.

As one of the 12 new Advisory Council members, Daniel Civit will advise the IFRS Foundation on its strategic direction, technical work plan and priorities.

Congratulations to Mr. Civit on his appointment!

Insights into IFRS 16

IFRS 16 *Leases*, which is effective from January 1, 2019, brings fundamental changes to lease accounting. It requires lessees to account for leases "on balance sheet" by recognizing a right-of-use asset and a lease liability.

Grant Thornton International Ltd (GTIL)'s new *Insights into IFRS 16* series summaries key areas of the standard and aims to assist you in preparing for the changes that you will need to make. Four issues have been released in the last quarter, which are described below. You can access these at https://www.grantthornton.global/en/insights/ifrs-16.

Understanding the discount rate
Under IFRS 16, discount rates are required to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease.

The article explores the alternative methods prescribed in IFRS 16 to determine discount rates and presents insights to help you to understand them.

Definition of a lease
IFRS 16 changes the definition of a lease from the current evaluation in IFRIC 4 *Determining Whether an Arrangement Contains a Lease* and provides guidance on how to apply this new definition. As a result, some contracts that do not contain a lease today will meet the definition of a lease under IFRS 16, and vice versa.

The article explains the new lease definition and the three key evaluations necessary to determine that the contract is or contains a lease.

Interim periods
IFRS 16 must first be applied to accounting periods beginning on or after January 1, 2019, including interim periods beginning on or after that date.

The article considers the application of IFRS 16 in those interim periods and any differences that may arise compared to the requirements of IAS 34 *Interim Financial Reporting*.

Lease term
Determining the correct lease term under IFRS 16 is significant. Firstly, the longer the lease term is, the larger the lessee's right-of-use asset and lease liability will be. Secondly, the length of the lease term determines whether a lease qualifies for the short-term lease exemption. Finally, IFRS 16 contains additional application guidance on how to deal with periods covered by options to extend or terminate a lease. While this detailed guidance can be helpful, it also means there is more to consider when determining the lease term.

The article explains the key aspects of determining the lease term at commencement date and when it should be reassessed.

Grant Thornton International Ltd responds to FICE Discussion Paper

GTIL has responded to the Discussion Paper *Financial Instruments with Characteristics of Equity* (FICE). The Discussion Paper looks at how companies can improve the information they provide about financial instruments they have issued, and proposes a new way of distinguishing between equity and liabilities.

The Discussion Paper proposes that a financial instrument would be classified as a financial liability if it contains:

- an unavoidable contractual obligation to transfer cash or another financial asset at a specified time other than at liquidation; and/or
- an unavoidable contractual obligation for an amount independent of the entity's available economic resources.

The first of these two features is labelled a "timing feature" and is intended to capture information that would help users of financial statements to assess whether the entity will have the cash (or another financial asset) required to meet its obligations as they fall due. The second feature is labelled an "amount feature" and would help users to assess whether the entity has sufficient economic resources to meet its obligations at a point in time, and whether the entity has produced a sufficient return on its economic resources to satisfy the return that its claims oblige it to achieve.

GTIL states in its letter that it does not support the proposals in the Discussion Paper as it believes the benefits to be gained from them would be outweighed by the costs for our client base.

GTIL acknowledges that the classification of financial instruments as liabilities or equity is a complex area that challenges many constituents and warrants review to determine whether existing requirements can be improved; however, it feels that the existing requirements of IAS 32 are generally operational for our client base. While it would be open to the Board making limited targeted amendments and/or adding guidance to the standard, GTIL believes that the proposals in the Discussion Paper go beyond this and amount to a fundamental review of the standard, which GTIL does not believe is necessary.

GTIL nevertheless considers that the Discussion Paper represents useful research material which may be capable of being adapted to provide additional guidance within targeted areas, which would be beneficial.

Spotlight on the Financial Instruments Specialists' Support Group

Grant Thornton's Financial Instruments Specialists' Support Group (the Group) has been established for the purpose of promoting consistent and high quality application of IFRS in the area of financial instruments across the network.

The Group provides for a forum for our member firms to bring their own financial instrument related accounting issues for discussion. It also provides input to the GTIL Global IFRS Team on selected issues, including consultation documents published by the IASB. In this edition, we throw a spotlight on Graham Dyer, one of the representatives from our U.S. member firm, Grant Thornton LLP.

Graham Dyer

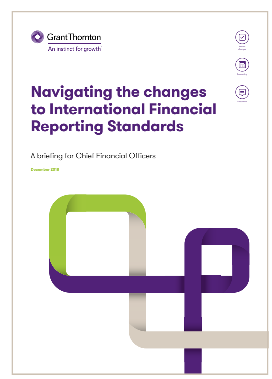
Graham Dyer advises audit teams and customers regarding technical matters, with a focus on accounting for investments in financial instruments, consolidation and business combinations in his role in the U.S. firm's Accounting Principles Group.

Mr. Dyer has contributed to multiple technical committees, including the U.S. Financial Accounting Standards Board (FASB)'s Transition Resource Group for Credit Losses, IASB's IFRS 9 Impairment Transition Group, the Mortgage Bankers Association's Financial Management Committee, and the Grant Thornton's International Financial Instruments Working Group. Additionally, Mr. Dyer is a member of the American Institute of Certified Public Accountants' Depository Institutions Expert Panel and the Global Public Policy Committtee's Bank Working Group.

Prior to his current role with Grant Thornton, Mr. Dyer spent two years as a Professional Accounting Fellow in the Office of the Chief Accountant at the Options Clearing Corporation (OCC). While there, Mr. Dyer represented the Office of the Chief Accountant within the OCC and to external parties, such as FASB and the U.S. Securities and Exchange Commission (SEC) on a number of matters, including the joint FASB/IASB deliberations regarding impairment of financial instruments and mortgage purchase programs. Mr. Dyer also represented the OCC on the Basel Committee Audit Subgroup.

Navigating the Changes to IFRS: A Briefing for CFOs

The GTIL Global IFRS Team has published the 2018 edition of *Navigating the Changes to International Financial Reporting Standards: a Briefing for Chief Financial Officers.*



The publication is designed to give Chief financial officers a high-level awareness of recent changes that will affect companies' future financial reporting. It covers both new standards and interpretations that have been issued and amendments made to existing ones, giving brief descriptions of each.

The 2018 edition of the publication has been updated for changes to IFRS that have been published between December 1, 2017 and November 30, 2018.

The publication now covers March 31, 2018, June 30, 2018, September 30, 2018, December 31, 2018 and March 31, 2019 financial year-ends.

To obtain a copy of the document, please refer to our *Adviser Alert* on the subject.

Round-up

IASB

IASB looks to make amendments to IFRS 17

Following its decision in November 2018 to propose a one-year deferral of the effective date of IFRS 17 *Insurance Contracts* to 2022, and the related proposal to postpone the effective date of IFRS 9 for qualifying insurance entities, the IASB met again in December 2018 to discuss the standard.

Discussions focused on the follow-up from an October 2018 paper covering implementation challenges and concerns associated with the standard, which identified twenty-five topics that the IASB staff thought the Board should consider addressing. Thirteen of these topics covered were covered in the IASB's December Board meeting, with the Board agreeing to make recommendations on one issue, postpone another and not address the others.

The topic the Board decided to amend IFRS 17 for relates to the presentation of insurance contracts on the statement of financial position. IFRS 17 currently requires groups of contracts in an asset position to be presented separately from groups of contracts in a liability position. The IASB has heard that implementing this requirement will be operationally difficult, involving significant costs but producing limited benefits. The Board has therefore decided to propose amending the standard to address this.

In January 2019, the Board continued its discussions on the standard, focusing on issues concerning the outcome of IFRS 17's model, and decided to propose targeted improvements in the following three areas:

- recognition of contract costs (insurance acquisition cash flows for renewals outside the contract boundary);
- reinsurance contracts held (extending exemptions from the main model relating to these);
- allocation of the contractual service margin in terms of profit or loss.

The IASB will continue its discussions at future meetings in February and March and expects to publish a document for consultation on proposed narrow-scope amendments around the middle of the year.

IASB completes review of the standard on fair value measurement

The IASB has completed its Post-Implementation Review (PIR) of IFRS 13. The IASB conducts a PIR of new standards after they have been in use around the world for two or three years, looking at whether the standard functions as expected and whether the information that companies must provide is useful to users of financial statements.

The IFRS 13 PIR showed that the requirements of the standard are working as intended and that the information companies provide applying the standard is useful to investors. The IASB also concluded that no unexpected costs have arisen from applying IFRS 13. The IASB is now following up on feedback relating to disclosures about fair value measurement in its project on Targeted Standards-level Review of Disclosures, which is part of its work on Better Communication in Financial Reporting.

Having consulted with stakeholders like ourselves, the PIR did note some challenges linked to the judgement the standard requires companies to apply; however, evidence gathered through the PIR showed that companies are finding ways to resolve these challenges.

Canada

Canadian IFRS Discussion Group: Report on the January 2019 public meeting

At its January 10, 2019 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 from the application of IFRS in Canada.

Developments in corporate reporting

IOSCO statement on environmental, social and governance matters

The International Organization of Securities Commissions (IOSCO) has published a statement setting out the importance for issuers of considering the inclusion of environmental, social and governance matters when disclosing information material to investors' decisions.

Artificial intelligence and corporate reporting

The UK's Financial Reporting Lab has published the latest in its series of reports looking at how technology might impact the production, distribution and consumption of corporate reporting.

The report, *Artificial Intelligence – How does it measure up?*, explains what is artificial intelligence, where its use might make sense in corporate reporting, and explores some of the possible and current use cases for the technology.

Banking

IFRS 9 disclosures for banks and building societies

In the UK, the Taskforce on Disclosures about Expected Credit Losses ("DECL Taskforce") has released its first report, *Recommendations on a comprehensive set of IFRS 9 Expected Credit Loss disclosures*.

The DECL Taskforce is a partnership between the preparer community and the investor and analyst community. It was formed in acknowledgement of the fact that replacing incurred loss provisioning with IFRS 9's expected credit loss (ECL) model represents a fundamental change in accounting. The DECL Taskforce considers that effective disclosure will be essential if an information vacuum is not to appear and ECL is not to come to be regarded as something of a "black box".

The DECL Taskforce's first report develops recommendations outlining the information that should be contained in a comprehensive set of appropriately detailed and targeted disclosures. It is aimed at the UK's biggest banks and building societies, although the Taskforce thinks the recommendations will also be of value to a wider group of banks and building societies. A short series of additional reports is planned to follow, which will focus on developing recommendations on how that information can be presented in a way that enhances comparability between firms.

Effective dates of new IFRS and IFRIC interpretations

The table below lists new IFRS and IFRIC interpretations with an effective date on or after January 1, 2018. 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, 2018

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 3	*Definition of a Business* (Amendments to IFRS 3)	January 1, 2020	Yes
IAS 1/IAS 8	*Definition of Material* (Amendments to IAS 1 and IAS 8)	January 1, 2020	Yes
Various	*Amendments to References to the Conceptual Framework in IFRS Standards*	January 1, 2020	Yes (but need to apply all amendments)
IFRS 16	*Leases***	January 1, 2019	Yes
IFRIC 23	*Uncertainty over Income Tax Treatments*	January 1, 2019	Yes
IFRS 9	*Prepayment Features with Negative Compensation* (Amendments to IFRS 9)**	January 1, 2019	Yes
IAS 28	*Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28)	January 1, 2019	Yes
IAS 12/IAS 23/ IFRS 3/IFRS 11	*Annual Improvements to IFRS Standards 2015–2017 Cycle*	January 1, 2019	Yes
IAS 19	*Plan Amendment, Curtail or Settlement* (Amendments to IAS 19)	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 IFRS Standards 2014-2016 Cycle*	January 1, 2018 However, the amendments to IFRS 12 are effective from January 1, 2017.	IAS 28 – 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 CPA Canada in the *CPA Canada Handbook – Accounting.*

** The Basis for Conclusions, the Illustrative Examples and Guidance of implementing that accompany IFRS 9, IFRS 15, IFRS 16 and IFRS 17, 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, 2018

Title	Full title of standard or interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?*
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 on or after January 1, 2018; • The overlay approach is applied when entities first apply IFRS 9.	N/A
IFRS 9	*Financial Instruments***	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
N/A	*Practice Statement 2: Making Materiality Judgements*	Not mandatory guidance but can be applied from its date of publication of September 14, 2017.	No
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

* 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 CPA Canada in the *CPA Canada Handbook – Accounting*.

** The Basis for Conclusions, the Illustrative Examples and Guidance of implementing that accompany IFRS 9, IFRS 15, IFRS 16 and IFRS 17, 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.

Open for comment

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

Current IASB documents

Document type	Title	Comment
Exposure Draft	*Onerous Contracts – Cost of Fulfilling a Contract*	April 15, 2019