



IFRS Adviser Alert

IASB issues narrow scope amendments to IFRS

June 2020

Executive summary

The International Accounting Standards Board (IASB) has issued a collection of narrow scope amendments to IFRS. The collection includes amendments to three standards as well as Annual Improvements to IFRS Standards, which addresses non-urgent (but necessary) minor amendments to four standards.

The details

The publications include narrow scope amendments to improve IFRS. The changes are summarised in the following tables:

Publications issued

Standard	Subject	Summary of IASB's amendment
IFRS 3 <i>Business Combinations</i>	References to the Conceptual Framework	<ul style="list-style-type: none"> • Updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting, issued in 2018, in the general recognition requirements; • Makes an explicit statement that contingent assets are prohibited from recognition under IFRS 3; • Adds a new exception to the recognition principle in IFRS 3 for liabilities and contingent liabilities that would be within the scope of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> or IFRIC 21 <i>Levies</i> if incurred separately. The exception requires an entity to apply criteria in IAS 37 or IFRIC 21 respectively to determine whether a present obligation exists at the acquisition date before recognizing a liability at the date of acquisition. Applying this exception means that the accounting for liabilities and contingent liabilities in IFRS 3 would remain unchanged.



Standard	Subject	Summary of IASB's amendment
IAS 16 <i>Property, Plant and Equipment</i>	Proceeds before Intended Use	<ul style="list-style-type: none"> Prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognize such sales proceeds and related costs in profit or loss.
IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Onerous Contracts – Cost of Fulfilling a Contract	<ul style="list-style-type: none"> Specifies which costs an entity includes when assessing whether a contract will be loss-making; Costs to be included comprise the costs that relate directly to the contract, which include both incremental costs of fulfilling the contract and an allocation of other costs that relate directly to fulfilling the contract.

Annual Improvements to IFRS Standards 2018–2020 Cycle

Standard	Subject	Summary of IASB's amendment
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Subsidiary as a First-time Adopter	<ul style="list-style-type: none"> Simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent, in relation to the measurement of cumulative translation differences; Adds an election whereby an entity may measure the cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This means a subsidiary would not have to keep two parallel sets of accounting records based on different dates of transition to IFRS; This amendment also applies to an associate or joint venture.
IFRS 9 <i>Financial Instruments</i>	Fees in the "10 per cent" Test for Derecognition of Financial Liabilities	<ul style="list-style-type: none"> Clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; Fees to be included by a borrower are only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.
Illustrative Examples accompanying IFRS 16 <i>Leases</i>	Lease Incentives	<ul style="list-style-type: none"> Removes potential for confusion regarding lease incentives when applying IFRS 16 by amending Illustrative Example 13 of IFRS 16.
IAS 41 <i>Agriculture</i>	Taxation in Fair Value Measurements	<ul style="list-style-type: none"> Removes a requirement to exclude cash flows for taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 <i>Fair Value Measurement</i>.



Effective date

These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with early application permitted.

It is expected that the Canadian Accounting Standards Board (AcSB) will incorporate the amendments into the *CPA Canada Handbook – Accounting* in the third quarter of 2020.

Other News

Canadian IFRS Discussion Group: December 2019 and May 2020 public meetings

At its December 2019 and May 2020 meetings, the IFRS Discussion Group (IDG) discussed several issues of interest for Canadian preparers of financial statements prepared in accordance with IFRS. Click [here](#) to access the reports on the public meetings and the archived audio webcasts. As a reminder, the IDG is a discussion forum whose purpose is to assist the AcSB with issues arising from the application of IFRS in Canada.

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