

# IFRSs, IFRICs AND AMENDMENTS THAT ARE MANDATORY FOR THE FIRST TIME FOR 31 DECEMBER 2016 YEAR ENDS

## INTERNATIONAL FINANCIAL REPORTING BULLETIN

2016/13



### Background

This IFRB covers IFRSs, IFRICs and amendments to IFRSs that are effective for the first time in the annual financial statements of entities with 31 December 2016 year ends.

Paragraph 28 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosures to be made if the initial application of IFRSs, IFRICs and amendments has an effect on the current period or prior period (or would have an effect except that it is impracticable to determine the amount of the adjustment), or might have an effect on future periods. In most cases, retrospective application is required together with all of the related disclosures set out below. In limited cases, retrospective application is not required (for example there may be prospective application, or application to transactions that take place after a specified date) meaning that some of the disclosure requirements will not apply.

The disclosure requirements are:

- a) the title of the IFRS
- b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions
- c) the nature of the change in accounting policy
- d) when applicable, a description of the transitional provisions
- e) when applicable, the transitional provisions that might have an effect on future periods
- f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
  - (i) for each financial statement line item affected
  - (ii) if IAS 33 Earnings per Share applies to the entity, for basic and diluted earnings per share.
- g) the amount of the adjustment relating to periods before those presented, to the extent practicable
- h) if retrospective application is required but is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Where applicable, the relevant BDO IFR Bulletins have been referenced to each Amendment and IFRIC below. These can be found on the BDO Global website (see below).

The BDO Illustrative Financial Statements for 31 December 2016 are available for download from the BDO International website (see below). The 2016 version has been updated to incorporate relevant changes in accounting treatments as a consequence of the initial application of the changes addressed in the IFR Bulletin.

### STATUS

Final

### EFFECTIVE DATE

1 January 2016

### ACCOUNTING IMPACT

May be significant

The BDO publications noted above can be found on the BDO Global website from the following links:

BDO IFR Bulletins

<https://www.bdo.global/en-gb/services/audit-assurance/ifrs/ifr-bulletins>

BDO Illustrative Financial Statements

<https://www.bdo.global/en-gb/services/audit-assurance/ifrs/model-ifrs-statements>

IFRSs, amendments to IFRSs and the Annual Improvements to IFRSs that are effective for the first time in the annual financial statements of entities with a 31 December 2016 financial year end that report in accordance with IFRS as issued by the IASB (all are mandatory for annual periods beginning on or after 1 January 2016) are as follows:

1. *Investment Entities: Applying the Consolidation Exception* - Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint ventures*
2. *Accounting for Acquisitions of Interests in Joint Operations* - Amendments to IFRS 11 *Joint Arrangements*
3. IFRS 14 *Regulatory Deferral Accounts*
4. *Disclosure Initiative* - Amendments to IAS 1 *Presentation of Financial Statements*
5. *Clarification of Acceptable Methods of Depreciation and Amortisation* - Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
6. *Agriculture: Bearer Plants* - Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture*
7. *Equity Method in Separate Financial Statements* - Amendments to IAS 27 *Separate Financial Statements*
8. Annual improvements to IFRS s (2012 - 2014 Cycle)
  - a. IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
  - b. IFRS 7 *Financial Instruments: Disclosures*
  - c. IAS 19 *Employee benefits*
  - d. IAS 34 *Interim Financial Statements*

IFRS	New IFRSs for 31 December 2016 year ends – IFRSs, IFRICs and Amendments	Effective Date
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investments in Associates and Joint ventures</i>	<p>The amendments clarify a number of aspects of IFRS 10, IFRS 12 and IAS 28 in relation to the investment entities consolidation exception:</p> <p>(i) <i>How intermediate parent entities should apply the general scope exemption from preparing consolidated financial statements provided by IFRS 10.4, when the ultimate parent is an investment entity.</i></p> <p>The amendments clarify that so long as the entity's ultimate (or intermediate) parent produces financial statements that are in compliance with IFRS 10 (including an investment entity that accounts for its interests in all of its subsidiaries at fair value rather than consolidating them), the exemption is available to the intermediate parent entity from presenting its own consolidated financial statements (so long as the other criteria of IFRS 10.4(a) have been met).</p> <p>(ii) <i>How an investment entity parent should account for a subsidiary that provides services related to its investment activities and is also itself an investment entity</i></p> <p>The amendments clarify that an investment entity parent consolidates a subsidiary only when:</p> <ul style="list-style-type: none"> <li>– The subsidiary is not itself an investment entity, and</li> <li>– The subsidiary's main purpose is to provide services that relate to the investment entity's investment activities.</li> </ul> <p>(iii) <i>How IFRS 12 should be applied to an investment entity</i></p> <p>The amendments clarify that an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss (FVTPL) is required to present the disclosures relating to investment entities as required by IFRS 12.</p> <p>(iv) <i>How a non-investment entity should account for its interests in any associates or joint ventures that are investment entities.</i></p> <p>The amendments clarify that for an entity that is not itself an investment entity but has an interest in an associate or joint venture that is an investment entity, the non-investment entity may, when applying the equity method, retain the fair value measurement applied by the investment entity associate or joint venture to account for its own interests in its subsidiaries.</p> <p>For more information see BDO <i>IFR Bulletin</i> 2015/01 (click <a href="#">here</a>).</p>	<p>Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted.</p> <p>EU endorsement status: endorsed on 22 September 2016</p>
Amendments to IFRS 11 <i>Joint Arrangements</i>	<p><i>Accounting for Acquisitions of Interests in Joint Operations</i></p> <p>The amendments require an entity to apply all of the principles of IFRS 3 <i>Business Combinations</i> when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3.</p> <p>The amendment also includes two new Illustrative Examples:</p> <ul style="list-style-type: none"> <li>– Example 7: Accounting for acquisitions of interests in joint operations in which the activity constitutes a business</li> <li>– Example 8: Contributing the right to use know-how to a joint operation in which the activity constitutes a business.</li> </ul> <p>A consequential amendment to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> has also been made, to clarify that the exemption from applying IFRS 3 to past business combinations upon adoption of IFRS also applies to past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business.</p> <p>For more information see BDO <i>IFR Bulletin</i> 2014/06 (click <a href="#">here</a>).</p>	<p>Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted.</p> <p>EU endorsement status: endorsed on 24 November 2015</p>

IFRS	New IFRSs for 31 December 2016 year ends – IFRSs, IFRICs and Amendments	Effective Date
IFRS 14 <i>regulatory Deferral Accounts</i>	<p>IFRS 14 is an interim standard, pending the outcome of the IASB's more comprehensive Rate-regulated Activities project, which was re-opened in September 2012.</p> <p>In many countries, industry sectors (including utilities such as gas, electricity and water) are subject to rate regulation where governments regulate the supply and pricing. This can have a significant effect on the amount and timing of an entity's revenue. Some national GAAPs require entities, that operate in industry sectors subject to rate regulation, to recognise associated assets and liabilities.</p> <p>The scope of IFRS 14 is narrow, with this extending to cover only those entities that:</p> <ul style="list-style-type: none"> <li>– Are first-time adopters of IFRS</li> <li>– Conduct rate regulated activities</li> <li>– Recognise associated assets and/or liabilities in accordance with their current national GAAP.</li> </ul> <p>Entities within the scope of IFRS 14 would be afforded an option to apply their previous local GAAP accounting policies for the recognition, measurement and impairment of assets and liabilities arising from rate regulation, which would be termed regulatory deferral account balances.</p> <p>Any regulatory deferral account balances, and their associated effect on profit or loss, would be recognised and presented separately from other items in the primary financial statements. As a result, for those entities that elect to adopt IFRS 14, all other line items and subtotals would exclude the effects of regulatory deferral accounts, meaning that they would be comparable with other entities that report in accordance with IFRS but do not apply IFRS 14.</p> <p>Application guidance is included in IFRS 14 in respect of other IFRSs that would need to be considered alongside the previous national GAAP accounting requirements in order for these regulatory deferral accounts to be accounted for appropriately in an entity's IFRS financial statements, including:</p> <ul style="list-style-type: none"> <li>– IAS 10 <i>Events after the Reporting Period</i></li> <li>– IAS 12 <i>Income Taxes</i></li> <li>– IAS 28 <i>Investments in Associates and Joint Ventures</i></li> <li>– IAS 33 <i>Earnings per Share</i></li> <li>– IAS 36 <i>Impairment of Assets</i></li> <li>– IFRS 3 <i>Business Combinations</i></li> <li>– IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i></li> <li>– IFRS 10 <i>Consolidated Financial Statements</i></li> <li>– IFRS 12 <i>Disclosure of Interests in Other Entities</i>.</li> </ul> <p>For more information see BDO IFR Bulletin 2014/01 (click <a href="#">here</a>).</p>	<p>Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted.</p> <p>EU endorsement status: the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.</p>
Amendments to IAS 1 <i>Presentation of Financial Statements</i>	<p><i>Disclosure Initiative</i></p> <p>The amendments made to IAS 1 include:</p> <ul style="list-style-type: none"> <li>– <i>Materiality</i>: Aggregation or disaggregation should not obscure useful information. Materiality applies to each of the primary financial statements, the notes and each specific disclosure required by IFRSs.</li> <li>– <i>Line items in primary financial statements</i>: Additional guidance for the line items required to be presented in primary statements, in particular that it may be appropriate for these to be disaggregated, and new requirements regarding the use of subtotals.</li> <li>– <i>Notes to the financial statements</i>: Determination of the order of the notes should include consideration of understandability and comparability of financial statements. It has been clarified that the order listed in IAS 1.114(c) is illustrative only.</li> <li>– <i>Accounting policies</i>: Removal of the examples in IAS 1.120 in respect of income taxes and foreign exchange gains and losses.</li> </ul> <p>In addition, the following amendments to IAS 1 were made which arose from a submission received by the IFRS Interpretations Committee:</p> <ul style="list-style-type: none"> <li>– <i>Equity accounted investments</i>: An entity's share of other comprehensive income will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.</li> </ul> <p>For more information see BDO IFR Bulletin 2015/02 (click <a href="#">here</a>).</p>	<p>Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted</p> <p>EU endorsement status: endorsed on 18 December 2015.</p>

IFRS	New IFRSs for 31 December 2016 year ends – IFRSs, IFRICs and Amendments	Effective Date
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i>	<p data-bbox="430 241 1063 262"><i>Clarification of Acceptable Methods of Depreciation and Amortisation</i></p> <p data-bbox="430 283 1185 399">IAS 16 has been amended to prohibit the use of revenue-based methods of depreciation for items of property, plant and equipment. This is because the revenue generated by an activity that includes the use of an item of property, plant and equipment generally reflects factors other than the consumption of the economic benefits of the item, such as:</p> <ul data-bbox="470 399 860 493" style="list-style-type: none"> <li>– Other inputs and processes</li> <li>– Selling activities and changes in sales</li> <li>– Volumes and prices, and</li> <li>– Inflation.</li> </ul> <p data-bbox="430 525 1185 640">Guidance on depreciation has been expanded to state that expected future reductions in the selling price of items produced by an item of property, plant and equipment could indicate technical or commercial obsolescence (and therefore a reduction in the economic benefits embodied in the item), rather than a change in the depreciable amount or period of the item.</p> <p data-bbox="430 661 1185 714">IAS 38 has been amended to incorporate a rebuttable presumption that amortisation based on revenue is not appropriate. The presumption can be rebutted if either:</p> <ul data-bbox="470 724 1185 808" style="list-style-type: none"> <li>– The intangible asset is expressed as a measure of revenue; or</li> <li>– Revenue and the consumption of the economic benefits of the intangible asset are highly correlated.</li> </ul> <p data-bbox="430 829 998 850">For more information see BDO IFR Bulletin 2014/07 (click <a href="#">here</a>).</p>	<p data-bbox="1209 241 1451 367">Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted.</p> <p data-bbox="1209 388 1451 451">EU endorsement status: endorsed on 2 December 2015.</p>
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i>	<p data-bbox="430 892 673 913"><i>Agriculture: Bearer Plants</i></p> <p data-bbox="430 934 1185 987">The amendments extend the scope of IAS 16 to include bearer plants and define a bearer plant as a living plant that:</p> <ul data-bbox="470 987 1136 1060" style="list-style-type: none"> <li>– Is used in the production process of agricultural produce,</li> <li>– Is expected to bear produce for more than one period; and</li> <li>– Has a remote likelihood of being sold (except incidental scrap sales).</li> </ul> <p data-bbox="430 1081 1185 1134">The changes made result in bearer plants being accounted for in accordance with IAS 16 using either:</p> <ul data-bbox="470 1134 730 1186" style="list-style-type: none"> <li>– The cost model, or</li> <li>– The revaluation model.</li> </ul> <p data-bbox="430 1207 1185 1249">As such, bearer plants are no longer within the scope of IAS 41. However, the agricultural produce of bearer plants remains within the scope of IAS 41.</p> <p data-bbox="430 1270 1185 1323">The amendments include the following transitional reliefs for the purposes of first time application:</p> <ul data-bbox="470 1323 1185 1459" style="list-style-type: none"> <li>– Deemed cost exemption - Entities are allowed to use the fair value of the bearer plants at the beginning of the earliest period presented as deemed cost for IAS 16 purposes.</li> <li>– Disclosures - Quantitative information describing the effect of the first time application as required by IAS 8.28(f) is not required for the current reporting period, but is required for each prior period presented.</li> </ul> <p data-bbox="430 1480 998 1505">For more information see BDO IFR Bulletin 2014/11 (click <a href="#">here</a>).</p>	<p data-bbox="1209 892 1451 997">Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted.</p> <p data-bbox="1209 1018 1451 1081">EU endorsement status: endorsed on 23 November 2015.</p>

IFRS	New IFRSs for 31 December 2016 year ends – IFRSs, IFRICs and Amendments	Effective Date
Amendments to IAS 27 <i>Separate Financial Statements</i>	<p data-bbox="430 220 868 252"><i>Equity Method in Separate Financial Statements</i></p> <p data-bbox="430 262 1185 367">The amendments include the introduction of an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment.</p> <p data-bbox="430 378 1185 619">Before the amendments, an entity accounted for its investments in subsidiaries, joint ventures or associates either at cost or in accordance with IFRS 9 <i>Financial Instruments</i> (or IAS 39 <i>Financial Instruments: Recognition and Measurement</i> for those entities that have yet to adopt IFRS 9). The option to present its investments using the equity method result in the presentation of a share of profit or loss, and other comprehensive income, of subsidiaries, joint ventures and associates with a corresponding adjustment to the carrying amount of the equity accounted investment in the statement of financial position. Any dividends received are deducted from the carrying amount of the equity accounted investment, and are not recorded as income in profit or loss.</p> <p data-bbox="430 630 1185 714">A consequential amendment was also made to IAS 28 <i>Investments in Associates and Joint Ventures</i>, to avoid a potential conflict with IFRS 10 <i>Consolidated Financial Statements</i> for partial sell downs.</p> <p data-bbox="430 724 998 756">For more information see BDO IFR Bulletin 2014/14 (click <a href="#">here</a>).</p>	<p data-bbox="1209 220 1451 325">Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted.</p> <p data-bbox="1209 336 1451 409">EU endorsement status: endorsed on 18 December 2015.</p>
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> (amended as part of Annual Improvements to IFRSs (2012 – 2014 Cycle))	<p data-bbox="430 798 714 829"><i>Changes in methods of disposal</i></p> <p data-bbox="430 840 1185 1018">The amendment clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa is considered to be a continuation of the original plan of disposal. Upon reclassification, the classification, presentation and measurement requirements of IFRS 5 are applied. If an asset ceases to be classified as held for distribution to owners, the requirements of IFRS 5 for assets that cease to be classified as held for sale apply.</p> <p data-bbox="430 1039 998 1071">For more information see BDO IFR Bulletin 2014/19 (click <a href="#">here</a>).</p>	<p data-bbox="1209 798 1451 903">Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted.</p> <p data-bbox="1209 913 1451 987">EU endorsement status: endorsed on 15 December 2015.</p>
IFRS 7 <i>Financial Instruments: Disclosures</i> (amended as part of Annual Improvements to IFRSs (2012 – 2014 Cycle))	<p data-bbox="430 1102 1185 1186">The amendments to IFRS 7 dealt with two aspects: servicing of contracts and the applicability in interim financial statements of the offsetting amendments made to IFRS 7 in December 2011.</p> <p data-bbox="430 1197 649 1228">(i) <i>Servicing contracts</i></p> <p data-bbox="430 1249 1185 1375">The IASB clarified the circumstances in which an entity has continuing involvement from the servicing of a transferred asset. Continuing involvement exists if the servicer has a future interest in the performance of the transferred financial asset. Examples of situations where continuing involvement exist are where a transferor's servicing fee is:</p> <ul data-bbox="438 1375 1185 1470" style="list-style-type: none"> <li data-bbox="438 1375 1185 1417">– A variable fee which is dependent on the amount of the transferred asset that is ultimately recovered; or</li> <li data-bbox="438 1417 1185 1470">– A fixed fee that may not be paid in full because of non-performance of the transferred financial asset.</li> </ul> <p data-bbox="430 1491 1185 1669">The amendment is required to be applied retrospectively in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. However, the amendment does not need to be applied for any period beginning before the annual period in which the entity first applies the amendments. A consequential amendment has been made to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>, in order that the same transitional provision applies to first time adopters.</p> <p data-bbox="430 1680 1104 1711">(ii) <i>Applicability of offsetting in condensed interim financial statements</i></p> <p data-bbox="430 1722 1185 1848">A further amendment to IFRS 7 has clarified that the application of the amendment <i>Offsetting Financial Assets and Financial Liabilities</i> (Amendments to IFRS 7) issued in December 2011 is not explicitly required for all interim periods. However, it is noted that in some cases these disclosures may need to be included in condensed interim financial statements in order to comply with IAS 34.</p> <p data-bbox="430 1858 998 1892">For more information see BDO IFR Bulletin 2014/19 (click <a href="#">here</a>).</p>	<p data-bbox="1209 1102 1451 1207">Mandatory adoption for periods beginning on or after 1 January 2016 Early adoption permitted.</p> <p data-bbox="1209 1218 1451 1291">EU endorsement status: endorsed on 15 December 2015.</p>

IFRS	New IFRSs for 31 December 2016 year ends - IFRSs, IFRICs and Amendments	Effective Date
IAS 19 <i>Employee benefits</i> (amended as part of Annual Improvements to IFRSs (2012 - 2014 Cycle))	<p data-bbox="430 220 771 241"><i>Discount rate - regional market issue</i></p> <p data-bbox="430 273 1185 367">The guidance in IAS 19 has been clarified and requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee.</p> <p data-bbox="430 388 1185 462">Entities are required to apply the amendment from the earliest comparative period presented in the financial statements, with initial adjustments being recognised in retained earnings at the beginning of that period.</p> <p data-bbox="430 483 1006 514">For more information see BDO IFR Bulletin 2014/19 (click <a href="#">here</a>).</p>	<p data-bbox="1209 220 1445 315">Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted.</p> <p data-bbox="1209 336 1445 409">EU endorsement status: endorsed on 15 December 2015</p>
Amendments to IAS 34 <i>Interim Financial Reporting</i>	<p data-bbox="430 556 1055 577"><i>Disclosure of information 'elsewhere in the interim financial report'</i></p> <p data-bbox="430 598 1185 672">IAS 34 requires certain disclosures to be presented in the notes to the interim financial report, unless they are presented elsewhere in the interim financial report (such as a front end management report).</p> <p data-bbox="430 693 1185 829">If the disclosures are presented 'elsewhere' in the interim financial report, such as in the management commentary or the risk report of an entity, a cross reference must be made from the notes to the interim financial statements to where the disclosures have been made. Further, if the disclosures are contained in a separate document from the interim report, that document needs to be available on the same terms and at the same time as the interim report itself.</p> <p data-bbox="430 850 1006 882">For more information see BDO <i>IFR Bulletin</i> 2014/19 (click <a href="#">here</a>).</p>	<p data-bbox="1209 546 1445 640">Mandatory adoption for periods beginning on or after 1 January 2016. Early adoption permitted.</p> <p data-bbox="1209 661 1445 735">EU endorsement status: endorsed on 15 December 2015.</p>



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