KPMG

Current Developments: IFRS

September 2016

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Be Prepared for the New Standards

Each quarter, we provide a summary of newly effective and forthcoming standards. This edition covers current developments and forthcoming standards released prior to September 30, 2016.

What happened this quarter?

In September the International Accounting Standards Board ("IASB") issued amendments to its existing insurance contracts standard, IFRS 4. The amendments introduce two approaches to address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard for IFRS 4, expected to be effective in 2020. Refer to "Update on Major Projects" for additional information.

As the effective dates for the new standards are quickly approaching, the European and US regulators have issued statements with respect to their expectations of transparent disclosure of the impact of the new standards on the financial statements. The European and US regulators have indicated that they would expect disclosures of the expected impact of the new standards and status of implementation projects as early as the 2016 annual financial statements.

Although other regulators have not as yet specifically communicated their expectations, companies should be aware that their key stakeholders may also expect incremental disclosures.

Year-to-date summary

In the first quarter of 2016, the IASB issued Amendments to IAS 7 *Cash Flows* and IAS 12 *Income Tax*, which are effective for annual periods beginning on or after January 1, 2017. Additionally, the IASB issued its final lease accounting standard which requires companies to bring most leases on balance sheet.

In the second quarter of 2016, the IASB issued its final amendments to IFRS 15 – *Clarifications to IFRS 15 Revenue from Contracts with Customers*. As confirmed by the IASB, stakeholders can now be confident that IFRS 15 will not be subject to further changes before the effective date. Additionally, in June, the IASB issued *Amendments to* IFRS 2 *Share-based Payment* which is effective for annual periods beginning on or after January 1, 2018.

The new standards on revenue and financial instruments will be effective in 2018 and the new leases standard is effective in 2019. Companies should begin the implementation effort as soon as possible to put the company in the best position for a successful transition.

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New Guidance – New IFRSs

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16, the much-anticipated standard on lease accounting. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance finance leases and off-balance sheet operating leases. Instead, IFRS 16 introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e., lessors continue to classify leases as finance and operating leases.

All companies that lease major assets for use in their business will see an increase in reported assets and liabilities. In addition, companies will also now recognize a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. This will affect a wide variety of sectors, from retailers that lease stores to airlines that lease aircraft. The larger the lease portfolio, the greater the impact on key reporting measures such as EBITDA.

Lease Definition

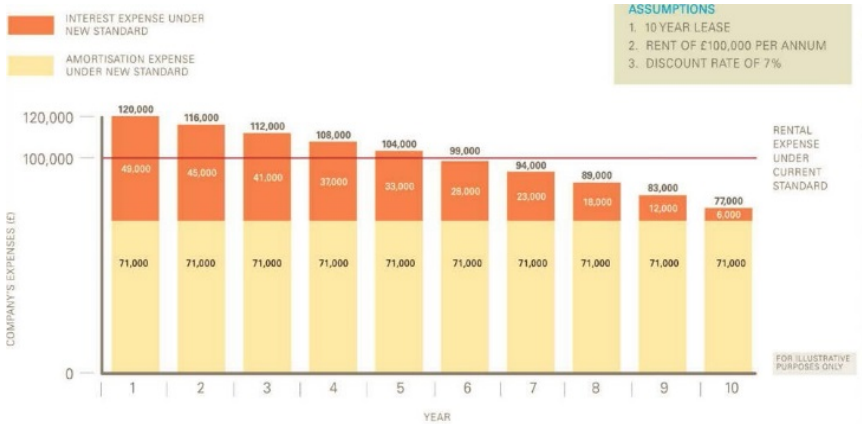
While removing the dividing line between the classification of operating and finance leases in current guidance, the new standard makes the distinction between contracts that meet the definition of a lease rather than a service contract even more critical, as leases will now be recognized on the balance sheet. There are likely to be a number of arrangements that are currently accounted for as leases that fall outside the new definition of a lease introduced in IFRS 16.

The new definition increases the focus on who controls the use of the underlying asset throughout the term of the arrangement. On transition to IFRS 16, companies can choose whether to apply a practical expedient to 'grandfather' their previous assessment of which existing contracts are, or contain, leases.

Lessee Accounting

For each major lease, a lessee will recognize a liability for the present value of future lease payments. The lease liability will be measured at amortized cost using the effective interest rate, which creates a front-loaded interest expense. The lessee will also recognize a 'right-of-use' asset, which will be measured at the amount of the lease liability plus initial direct costs, prepaid lease payments, and estimated costs to dismantle, less any incentives received. Lessees will generally depreciate the right-of-use asset on a straight-line basis.

Lessee accounting – P&L impact



Reassessments

IFRS 16 introduces a requirement to reassess key judgements, such as lease term, at each reporting date, which is a significant change from current guidance. It is no longer possible to compute a lease amortization schedule on lease commencement and roll that schedule forward at each reporting date. Instead, companies will need to consider whether to re-measure the lease liability and right-of-use asset at each reporting date. Significant judgement will likely be needed in determining whether there is a change in relevant factors, or a change in the lessee's economic incentive to exercise or not exercise renewal or termination options.

Practical Expedients

The IASB has introduced two practical expedients which upon election permit the lessee to recognize the lease payments for certain leases as expenses on a straight-line basis, rather than applying the on-balance sheet accounting model. The two practical expedients relate to short-term leases – leases with a lease term of 12 months or less – and low-value items – leases for which the underlying asset is of low value when it is new (even if the effect is material in aggregate).

Effective Date and Transition

The new standard takes effect for annual reporting periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15 *Revenue from Contracts with Customers*.

Upon adoption, an entity will be able to choose either of the following transition approaches:

(a) Retrospective approach

An entity may choose to restrospectively adjust all prior periods presented.

(b) Cumulative catch-up approach

An entity may choose not to restate comparatives and instead adjust opening retained earnings at the date of initial application.

Before the effective date, companies will need to gather significant additional data about their leases, and make new estimates and calculations. For some companies, a key challenge will be gathering the required data. For others, more judgemental issues will dominate – e.g., identifying which transactions contain leases.

For more details, refer to KPMG's *web article, KPMG's SlideShare Presentation* and *First Impressions: IFRS 16 Leases*.

New Guidance Issued – Amendments to Existing Standards

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 *Share-based Payment*. The amendments cover three accounting areas:

- Measurement of cash-settled share-based payments

  There is currently no guidance in IFRS 2 on how to measure the fair value of the liability incurred in a cash-settled share-based payment. As a result, diversity in practice exists between measuring the liability using the same approach as for equity-settled awards and using full fair value. The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments – i.e. the modified grant date method.

  The new requirements do not change the cumulative amount of expense that is ultimately recognized, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.

- Classification of share-based payments settled net of tax withholdings

  Some share-based payment arrangements permit or require the company to withhold a portion of the shares that would otherwise be issued to the employee, and to pay the tax authorities on the employee's behalf.

  Prior to the amendments, a question existed as to whether the portion of the share-based payment that is withheld in these instances should be accounted for as equity-settled or cash-settled. The amendments clarify the conditions under which a share-based payment transaction with employees settled net of tax withholding is accounted for as equity-settled.

- Accounting for a modification of a share-based payment from cash-settled to equity-settled

  There is no specific guidance in IFRS 2 that addresses the accounting when a share-based payment is modified from cash-settled to equity-settled. The amendments clarify that at the modification date the liability for the original cash-settled share-based payment is derecognized, and the equity-settled share-based payment is measured at its fair value as at the modification date, and recognized to the extent that the services have been received up to that date, with the difference recognized in profit of loss immediately.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognized for new and outstanding awards.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

For additional information, refer to KPMG's *web article*.

Disclosure on Changes in Financial Liabilities (Amendments to IAS 7)

For some time, investors have been calling for more disclosures on net debt, a term not defined in IFRS. In February 2016, the IASB responded by issuing Amendments to IAS 7 *Statement of Cash Flows*. These amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities. However, the objective could also be achieved in other ways, which might be a relief for financial institutions or other entities that already present enhanced disclosures in this area.

Although disclosure of changes in other assets and liabilities is possible, changes in liabilities arising from financing activities must be disclosed separately.

The amendments to IAS 7 is part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements.

The amendments are effective for periods beginning on or after January 1, 2017, with earlier application permitted.

For additional information, refer to KPMG's *web article*.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

In January 2016, the IASB issued Amendments to IAS 12 *Income Taxes* to clarify the deferred tax treatment for debt instruments and the determination of 'future taxable profit' for the recognition of deferred tax assets.

The amendments clarify that the existence of a deductible temporary difference on debt instruments measured at fair value are dependent solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The methodology to determine the future taxable profits has been clarified to state that the future taxable profit, for the purpose of the recognition of deferred tax asset, is not the bottom line of the tax return, but is rather the bottom line of the tax return adjusted for the reversing taxable temporary differences and deductible temporary differences to avoid double counting. Consequently, taxable profit used for assessing the utilization of deductible temporary differences is different from taxable profit on which income taxes are payable.

The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The amendments shall be applied retrospectively. The impact on your financial statements will depend on your tax environment and how you currently account for deferred taxes.

For more details, refer to KPMG's *web article*.

Existing Guidance under Development – Exposure Drafts

Definition of a Business and Accounting for Previously Held Interests (Proposed Amendments to IFRS 3 and IFRS 11)

In June 2016, the IASB issued the Exposure Draft *Definition of a Business and Accounting for Previously Held Interests (Proposed Amendments to IFRS 3 and IFRS 11).*

As part of the Post-implementation Review (PIR) of IFRS 3, it was identified that stakeholders find it difficult to apply the definition of a business in IFRS 3. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

The amendments propose that if substantially all the fair value of the gross assets acquired (i.e., the identifiable assets and non-identifiable assets) is concentrated in a single identifiable asset or group of similar identifiable assets, then the set of activities, together with the assets acquired, is not a business.

As IFRS 3 is the result of a joint project between the Board and the FASB, the proposed amendments to IFRS 3 and the Proposed Accounting Standards Update *Clarifying the Definition of a Business*, issued by the FASB in November 2015, are based on substantially converged tentative conclusions.

To address diversity in practice regarding acquisitions of interests in businesses that are joint operations, the Board has also proposed amendments to IFRS 3 and IFRS 11. The proposed amendments are intended to clarify the accounting for previously held interests in the assets and liabilities of a joint operations when an entity obtains control or joint control of a business that is a joint operation.

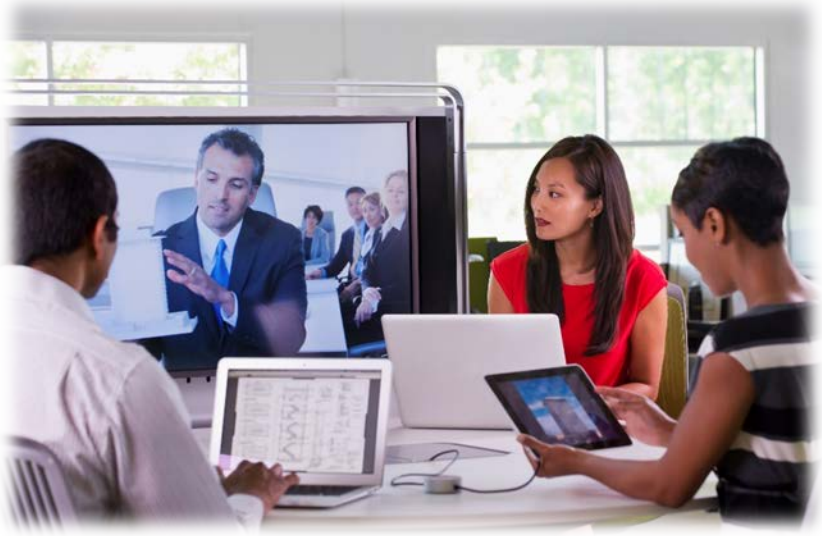
The proposed amendments will clarify that:

a) on obtaining control, an entity should remeasure previously held interests in the assets and liabilities of the joint operation in the manner described in paragraph 42 of IFRS 3; and

b) on obtaining joint control, an entity should *not* remeasure previously held interests in the assets and liabilities of the joint operation.

The comment period ends on October 31, 2016.

For more details, refer to KPMG's *web article.*



2015 Agenda Consultation

In August 2015, the IASB began its 2015 Agenda Consultation. In response to appeals for a period of relative calm, the Board is shifting its focus, and plans to spend more time and resources up front in a 'research' phase assessing whether:

- there is a problem with existing standards; and
- how that problem can be fixed.

By performing such an in-depth assessment at the research phase, the Board hopes to diagnose issues more accurately and focus on those that really matter.

The issues on its research agenda are driven by various developments – including post-implementation reviews of new standards, issues raised by the IFRS Interpretations Committee and areas of controversy.

Research Projects	Drivers
Pollutant pricing mechanisms	No existing guidance
Disclosure initiative – Principles of disclosures*	
Business combinations under common control*	
Definition of a business	Post-implementation review of IFRS 3 *Business Combinations*
Goodwill and impairment	
Income taxes	Application issues
Discount rates	
Share-based payment	
Assets held for sale and discontinued operations	

Research Projects	Drivers
Financial instruments with characteristics of equity*	Areas of controversy
Post-employment benefits (including Pensions)	
Provisions, Contingent Liabilities, and Contingent Assets	
Equity method*	
Primary financial statements (previously Performance reporting)	
Dynamic risk management (macro hedging)*	
* Project has passed through the assessment stage and is at the development stage.	

The big question is whether the Board has struck the right balance, and whether it has got its priorities right. The comment period ended on December 31, 2015.

Currently the Board is in the process of drafting the feedback statement which is expected in November 2016.

Annual Improvements to IFRSs 2014-2016 Cycle

In November 2015, as part of its process to make non-urgent but necessary amendments to IFRS, the IASB issued an exposure draft proposing narrow-scope amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 12 *Disclosure of Interest in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*.

The proposals clarify that:

- the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution; and
- a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

The Exposure Draft also includes an amendment to remove outdated exemptions for first-time adopters of IFRS.

The comment period ended on February 17, 2016.

For more details, refer to KPMG's *web article*. For information about the redeliberation status, refer to the *IASB work plan* section.

Transfer of Investment Property

In November 2015, the IASB published the Exposure Draft *Transfers of Investment Property (Proposed amendment to IAS 40)*.

The proposed amendments:

- state that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred; and
- re-characterize the list of circumstances of when there is a change in use as a non-exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list.

The comment period ended on March 18, 2016. For more details, refer to the *IASB's press release*. For information about the redeliberation status, refer to the *IASB Work Plan* section.

Looking Ahead

Update on IFRIC Discussions

IAS 12 Income Taxes—Expected manner of recovery of indefinite life intangible assets when measuring deferred tax

In July the Interpretations Committee (the "Committee") discussed a request for clarification on how to determine the expected manner of recovery of an indefinite life intangible asset for the purpose of measuring deferred tax. The Committee did not propose to take the issue on to their agenda and instead issued a tentative agenda decision indicating as such. The Committee noted that an entity applies the principle and requirements in paragraphs 51 and 51A of IAS 12 when measuring deferred tax on an indefinite life intangible asset, and as a result, an entity determines its expected manner of recovery of the carrying amount of the indefinite life intangible asset, and reflects the tax consequences that follow from that expected manner of recovery. The tentative agenda decision also indicated the Committee's preliminary conclusion that the requirements in paragraph 51B of IAS 12 do not apply to indefinite life intangible assets. Application of the principle of paragraph 51B would result in deferred tax assets or liabilities being measured using the tax rate applicable to the sale of an indefinite life intangible asset, which is the rate currently used by a number of entities.

Final discussions are anticipated at the next IFRIC meeting in November 2016. Depending on the outcome of these discussions and individual facts and circumstances, entities may need to reconsider the tax rate applied in calculating deferred taxes arising from indefinite life intangible assets. Again depending on the discussions, this change may be effective immediately, which will be of particular importance for entities with upcoming quarterly or annual reporting period filing requirements. Entities should monitor the upcoming IFRIC discussions and consider the potential implications on financial reporting, if any, due to this potential change.

Update on Major Projects

Update on the Revenue Standard

In May 2014, the IASB and the FASB ("the Boards") published their new joint standard on revenue recognition – IFRS 15/ASC Topic 606 *Revenue from Contracts with Customers*. The effective date of the standard is January 1, 2018. Early adoption is permitted.

In 2014 the Boards also formed a Joint Transition Resource Group for Revenue Recognition (the "TRG") to discuss issues arising from implementation of the Revenue standard and inform the Boards about those implementation issues. The TRG does not have standard-setting authority.

In early 2016, the IASB decided that the IFRS constituents will no longer attend TRG meetings as the IASB wanted stakeholders to know that they can continue their implementation process with the confidence that IFRS 15 will not be subject to further changes prior to the effective date. The US GAAP constituents of the TRG have continued to meet to discuss implementation issues.

A list of issues discussed by the TRG to-date and the status of these issues, including TRG's agenda papers, are publicly available and constitute a great source of information for stakeholders (refer to the IASB's website *Joint Transition Resource Group for Revenue Recognition (TRG)*). For more information about the most recent TRG meeting for US GAAP constituents, refer to KPMG's publication *Defining Issues – FASB Revenue TRG Discusses Implementation Issues*.

In April 2016, the IASB issued its final amendments to IFRS 15 – *Clarifications to IFRS 15, Revenue from Contracts with Customers*. The amendments include clarification on the following guidance in IFRS 15:

- identifying performance obligations (step 2 of the model);
- licences of intellectual property;

- principal-agent guidance; and
- transition.

New examples were also added to the standard.

In contrast to the IASB approach of publishing a single set of amendments, the FASB has published a series of amendments, each of which addresses several topics. The principal-agent guidance (issued in its final form in March 2016) and the guidance on identifying performance obligations (issued in its final form in April 2016) are broadly similar. In other cases, the FASB made more extensive changes, which include the re-articulation of principles and additional examples.

The FASB also issued additional amendments on:

- identifying performance obligations:
  - clarifying that there is no need to consider immaterial goods or services;
  - providing an accounting policy choice on some shipping and handling activities (and providing additional guidance on costs associated with such activities);
- non-cash consideration;
- assessing collectability; and
- presentation of sales tax.

The clarifications on non-cash consideration, collectibility and presentation of sales taxes were issued by the FASB in its final form in May 2016, along with other narrow-scope improvements. In May 2016, the FASB also proposed technical corrections and improvements to the standard which are still being considered. Many of the proposed changes address questions raised by the TRG. The comment period ended July 2, 2016.

Although the new Revenue standards will no longer be completely converged, the Boards hope that the wording differences will not result in significantly different outcomes in practice. For additional information relating to the final standards, refer to KPMG second edition of Revenue Issues In-Depth, which provides more of our insights and more extensive examples.

What happened this quarter?

In September, the FASB proposed four more technical corrections and improvements on narrow aspects of the new revenue recognition guidance. The proposed amendments would address narrow issues and would not change any of the principles in ASC Topic 606 or the consequential amendments.

The corrections proposed will:

- clarify that guarantee fees (other than product or service warranties) are not in the scope of the new revenue guidance;
- more closely align an example in the standard with the new guidance on presentation of receivables;
- eliminate a reference to a contract liability in an example on refund liabilities; and
- retain today's guidance on the accrual of advertising costs.

Comments were due October 4, 2016.

This quarter, with the effective date rapidly approaching, companies are continuing to move forward with their projects on the implementation of the new revenue standard. In addition to contract review and accounting decisions, implementation projects also include evaluation of transition options, disclosure requirements, and the broader business impacts, such as processes, controls, and technology.

For the latest news on the Revenue standard and additional publications, refer to KPMG's international and US websites *IFRS – Revenue* and *Latest on Revenue Recognition*.

Update on Financial Instruments Projects

In 2014, the IASB issued its completed standard, IFRS 9 *Financial Instruments*. This release substantially completed a project launched in 2008 in response to the financial crisis. The standard has been completed in phases; in November 2013, the chapter on general hedge accounting was finalized and the remaining chapters were finalized in July 2014. The Board is still considering macro hedging and released a Discussion Paper on this topic in April 2014.

The standard includes guidance on:

- classification and measurement of financial assets and liabilities;
- impairment; and
- general hedging

For additional information about the Financial Instruments standard, refer to KPMG's website *Financial Instruments - Introducing IFRS 9, In the Headlines – Issue 2013/19*.

Financial Instruments with Characteristics of Equity

IAS 32 *Financial Instruments: Presentation* includes requirements for the classification of financial instruments between liabilities and equity. These binary classification requirements result in significant practice issues when applied to many financial instruments with characteristics of equity – other than, for example, typical non-redeemable common shares that pay discretionary dividends.

In 2014, the Board resumed the earlier project on financial instruments with characteristics of equity. Since then, the Board has discussed the following items:

- features that are relevant in measuring claims and in distinguishing between liabilities and equity. Specifically, the Board noted that a feature is relevant if it has the potential to affect the prospects for future cash flows. The Board also analysed the relevance of these features for assessments that users might make using information in the statements of financial position and performance;
- extent to which the requirements in IAS 32 capture the features that users need to make their assessments. It also considered three possible classification approaches (Alpha, Beta and Gamma);
- how to address the challenges of classifying and accounting for derivatives on 'own equity';
- use of sub-classes of financial liabilities to provide additional information for assessing financial performance and position and the use of sub-classes within equity to provide additional information about relevant features; and
- claims with conditional alternative settlement outcomes.

In the second quarter of 2016, the Board discussed:

- whether the scope of requirements for separate presentation of liabilities that depend on a residual amount (e.g. those that have returns that depend on changes in shares redeemable at fair value) should include stand-alone derivative and embedded derivatives;
- approaches for attributing profit or loss and other comprehensive income to equity claims (both non-derivatives and derivatives) other than ordinary shares, including a new approach that would achieve attribution that is similar to the attribution that is indirectly incorporated into the calculation of diluted EPS under IAS 33 *Earnings per Shares*.

What happened this quarter?

In the third quarter, the Board continued its discussion on the possible classification approaches for financial instruments with characteristics of equity (alpha, beta and gamma). Having previously considered how to apply the Gamma approach to the classification of derivatives on own equity, asset/equity exchange derivatives and liability/equity exchange derivatives the Board focused its discussion on:

- the presentation of specific types of derivatives classified as liabilities; and
- how disclosures could complement approaches to classification and presentation.

As a next step, the Board will discuss the classification of instruments meeting the existing puttables exception; accounting for conditional alternative settlement outcomes; and recognition, derecognition, and reclassification of equity instruments.

For more details, refer to KPMG's *IFRS Newsletters: Financial Instruments*.

Update on Insurance Contracts Project

In June 2013, the IASB proposed a new accounting and reporting model for insurance contracts by issuing a revised Exposure Draft (ED). The proposals apply not only to entities that are generally considered insurance entities, but to all entities that:

- issue insurance or reinsurance contracts;
- issue or hold reinsurance contracts;
- issue investment contracts with a discretionary participation feature (provided that they also issue insurance contracts); or
- issue certain financial guarantees.

In 2015, the Board decided to unlock the contractual service margin (CSM) for changes in the estimate of the variable fee for service that an entity expects to earn from direct participating contracts.

This fee would be equal to the entity's expected share of returns on underlying items less any expected cash flows that do not vary directly with underlying items.

The Board also clarified that direct participating contracts would be defined as contracts for which:

- the contractual terms specify that the policyholder participates in a defined share of a clearly identified pool of underlying items;
- the entity expects to pay the policyholder an amount equal to a substantial share of the returns from the underlying items; and
- substantial portion of the cash flows that the entity expects to pay to the policyholder is expected to vary with the cash flows from the underlying items.

In addition, the IASB decided that an entity would recognize the contractual service margin in profit or loss on the basis of the passage of time for participating contracts.

In the first quarter of 2016, the Board completed its planned technical redeliberations and instructed the staff to begin the balloting process for the forthcoming insurance contracts standard.

What happened this quarter?

The IASB have concluded their substantive discussions and the new insurance contracts standard is expected within the next few months and will have an effective date no earlier than 2020. The impacts for insurers are significant and implementation will be complex. The challenges involved reach beyond accounting and will require significant changes to measurement and reporting of performance, asset-liability and capital management, broad business decisions, systems and processes, and resources.

For more information, refer to KPMG publication' *IFRS Newsletters: Insurance – issue 55* and KPMG's web article.

Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

The expected effective date of the new Insurance Contracts standard (which will replace IFRS 4), is not expected to be before 2020 – well after the effective date of IFRS 9 *Financial Instruments*. IFRS 9 will cover a majority of an insurer's investments, therefore, the expected differing effective dates created concerns related to temporary volatility and accounting mismatches in profit or loss. Some companies have also expressed concerns about the need to implement two significant changes in accounting on different dates, which will increase costs and complexity.

What happened this quarter?

In September, the IASB issued amendments to its existing insurance contracts standard, IFRS 4. The amendments introduce two approaches that supplement existing options in the Standard that can be used to address the temporary volatility as a result of the different effective dates of IFRS 9 and the forthcoming insurance contracts standard.

The amendments:

- provide a reporting entity (whose predominant activity is to issue insurance contracts) a temporary exemption from applying IFRS 9 until the earlier of: (a) the application of the forthcoming insurance contracts Standard; or (b) January 1, 2021 (to be applied at the reporting entity level) (referred to as the 'temporary exemption'); and
- give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of IFRS 9 (referred to as the 'overlay approach'). This option will be in place until the new Insurance Contracts standard comes into effect.

Additionally, the Board decided to provide relief for investors in associates and joint ventures by permitting a Company to not apply uniform accounting policies when the investee applies IAS 39 and the investor applies IFRS 9, or vice versa, when applying the equity method of accounting.

In response to constituents concerns that the proposed disclosure requirements for the temporary exemption from applying IFRS 9 *Financial Instruments* for insurance companies would result in excessive costs and burdens on preparers, the Board has agreed to revise the disclosure requirements. The decision will limit the need to perform solely payments of principal and interest assessment to those financial assets that are not held for trading or managed on a fair value basis.

For information about the redeliberation status, refer to the IASB Work Plan section.

Visit our *IFRS – Insurance* hot topics page for the latest developments in the insurance contracts project. For more information about the decisions taken by the Board during its deliberation process, refer to KPMG publications' *IFRS Newsletters: Insurance – issues 53 & 54*.

Amended and New IFRSs Effective Dates

Newly Effective Standards

The effective standards that need to be considered for financial year ending on or after September 30, 2016 are listed below:

Effective for years ending	Standard	KPMG's guidance
December 31, 2016	IFRS 14 *Regulatory Deferral Accounts*	In the Headlines – Issue 2014/01
	Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11)	Web article
	Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	In the Headlines – Issue 2014/08
	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	In the Headlines – Issue 2014/12
	Equity Method in Separate Financial Statements (Amendments to IAS 27)	Web article
	Annual Improvements to IFRSs 2012 – 2014 Cycle – various standards	IFRS Newsletter: The Balancing Items – Issue 7
	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12, and IAS 28)	Web article
	Disclosure Initiative (Amendments to IAS 1)	Web article

Standards not yet Effective, but Available for Early Adoption

A reminder of standards not yet effective for any reporters, but available for early adoption are listed in this table.

Effective for years ending	Standards	KPMG's guidance
December 31, 2017	*Disclosure Initiative (Amendments to IAS 7)*	Web article
	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	Web article
December 31, 2018	IFRS 15 *Revenue from Contracts with Customers* and *Clarifications to IFRS 15 Revenues from Contracts with Customers*	Web article (with links to in-depth analysis)
	IFRS 9 *Financial Instruments*	Insights into IFRS (chapter 7A) Web article (with links to in-depth analysis)
	Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* (Amendments to IFRS 4)	Web article
	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Web article
December 31, 2019	IFRS 16 *Leases**	Web article (with links to in-depth analysis)

* Early application of IFRS 16 *Leases* is permitted only for companies that also apply IFRS 15 *Revenue from Contracts with Customers*.

Standards Available for Optional Adoption

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

Standards	KPMG's guidance
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Web article

IASB Work Plan

These tables are intended to act as an outlook of the expected final publication date of current IASB's projects that may impact your financial statements in the future.

IASB's research projects and Agenda consultation as well as Interpretation (IFRIC) projects are not included in these tables.

Standard-setting and related projects	Current activity	Within 3 months	Within 6 months	After 6 months	KPMG's Guidance
Insurance Contracts	Drafting IFRS standard		Issue IFRS Standard (expected March 2017)		*IFRS Newsletter: Insurance* and KPMG's website *IFRS – Insurance.*
Conceptual Framework	Analysis			Issue Conceptual Framework	Web article and Web article
Rate-regulated Activities	Analysis			Publish DP	*In the Headlines, Issue 2014/20*
Disclosure Initiative – *Materiality Practice Statement*	Analysis	Decide Project Direction			Web article
Published Discussion Papers (DP's)	**Current activity**	**Within 3 months**	**Within 6 months**	**After 6 months**	
Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	Analysis			Publish DP	*IFRS Newsletter: Financial Instruments*
Disclosure Initiative – Principles of disclosure	Drafting Discussion Paper (DP)	Publish DP (expected December)			
Business Combinations under Common Control	Analysis			Publish DP	
Financial Instruments with Characteristics of Equity	Analysis			Publish DP	

Narrow-scope Amendments	Current activity	Within 3 months	Within 6 months	After 6 months	KPMG Guidance
Annual Improvements 2014–2016	Drafting IFRS Amendment	Issue IFRS Amendment (Expected December)			Web article
Annual Improvements 2015-2017	Drafting ED		Publish ED		
Clarifications to IFRS 8 arising from the Post-implementation Review (Proposed amendments to IFRS 8)	Drafting ED		Publish ED		
Classification of Liabilities (Proposed amendments to IAS 1)	Analysis			Issue IFRS Amendment	Web article
Definition of a Business and Accounting for Previously Held Interests (Proposed amendments to IFRS and IFRS 11) (Comment period ends October 31, 2016)	Public Consultation		Decide Project Direction		Web article
Disclosure Initiative – Changes in Accounting Policies and Estimates	Drafting ED		Publish ED		
Fair Value Measurement: Unit of Account *The work carried out in this project will be fed into the post-implementation review ("PIR") of IFRS 13*	Analysis		Decide Project Direction		*In the Headlines, Issue 2014/18*
Remeasurement at a Plan Amendment, Curtailment or Settlement / Availability of a Refund of a Surplus from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)	Analysis	Decide Project Direction			Web article
Transfer of Investment Property (Proposed amendments to IAS 40)	Drafting	Issue IFRS Amendment (Expected December)			

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

