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ACCOUNTING NEWSLETTER

Issue 2015/01

Quarterly publication of KPMG in Poland
This quarterly *Accounting Newsletter* presents selected recent changes in International Financial Reporting Standards (IFRS), Polish accounting principles (including the Accounting Act and National Accounting Standards) and related topics that may be relevant to a significant number of entities operating in Poland. The publication can assist you in staying up to date with evolving application guidance and new regulatory developments concerning those standards.

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Effective dates – at a glance

The following is a list of recently published standards, amendments and interpretations of standards that need to be considered, and the status of their endorsement by the European Union as at 31 March 2015:

Effective date	Standard	Endorsed by EU?
1 January 2013	IFRS 10 Consolidated Financial Statements	Yes [a]
	IFRS 11 Joint Arrangements	Yes [a]
	IFRS 12 Disclosure of Interests in Other Entities	Yes [a]
	IAS 27 Separate Financial Statements (2011)	Yes [a]
	IAS 28 Investments in Associates and Joint Ventures (2011)	Yes [a]
	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	Yes [a]
1 January 2014	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	Yes
	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	Yes
	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	Yes
	IFRIC Interpretation 21 Levies	Yes [b]
	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	Yes
1 July 2014	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	Yes [d]
	Annual Improvements to IFRSs 2010-2012 Cycle	Yes [d]
	Annual Improvements to IFRSs 2011-2013 Cycle	Yes [c]
1 January 2016	IFRS 14 Regulatory Deferral Accounts	No
	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	No
	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	No
	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	No
	Equity Method in Separate Financial Statements (Amendments to IAS 27)	No
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	No
	Annual Improvements to IFRSs 2012-2014 Cycle	No
	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	No
	Disclosure Initiative (Amendments to IAS 1)	No
1 January 2017	IFRS 15 Revenue from Contracts with Customers	No
1 January 2018	IFRS 9 Financial Instruments (2014)	No

[a] *Each company applying IFRS as adopted by the European Union (IFRS EU) shall apply IFRS 10, IFRS 11, IFRS 12, the amended IAS 27, the amended IAS 28, and the consequential amendments, at the latest, from the commencement date of its first financial year beginning on or after **1 January 2014**.*

[b] *Each company applying IFRS EU shall apply IFRIC 21 from the commencement date of its first financial year beginning on or after **17 June 2014**.*

[c] *Each company applying IFRS EU shall apply amendments resulting from Annual Improvements to IFRSs 2011-2013 Cycle from the commencement date of its first financial year beginning on or after **1 January 2015**.*

[d] *Each company applying IFRS EU shall apply amendments resulting from Annual Improvements to IFRSs 2010-2012 Cycle and Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) from the commencement date of its first financial year beginning on or after **1 February 2015**.*

Status of IFRS endorsement by the European Union (EU)

During the period from 1 January 2015 through 31 March 2015, the European Commission endorsed Annual Improvements to IFRSs 2010–2012 Cycle ("Annual Improvements") and Defined Benefit Plans: Employee Contributions (Amendments to IAS 19).

— **The Annual Improvements** contain 8 amendments to 7 standards, with consequential amendments to other standards and interpretations. The main changes were to:

- clarify the definition of ‚vesting condition' of IFRS 2 Share-based Payment by separately defining, performance condition' and ‚service condition',
- clarify the classification and measurement of contingent consideration in a business combination,
- amend IFRS 8 Operating Segments to explicitly require entities to disclose the factors used to identify reportable segments when operating segments have been aggregated. This is to supplement the current disclosure requirements in IFRS 8,
- amend IFRS 8 to clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if that amount is regularly provided to the entity's chief operating decision maker. The change aligns the disclosure requirements for segment assets with those for segment liabilities,
- clarify that, in using IFRS 13 Fair value measurement and making consequential amendments to IAS 39 and IFRS 9, the International Accounting Standards Board ("IASB") did not intend to prevent entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting if the effect of discounting is immaterial,
- clarify the requirements for the revaluation model in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to address concerns about the calculation of the accumulated depreciation or amortisation at the date of the revaluation,
- extend the definition of a 'related party' to include an entity providing key management personnel services to the reporting entity.

— **The Amendments to IAS 19** apply to contributions from employees or third parties to defined benefit plans. Their objective is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. For such contributions the Amendments permit a practical expedient, whereby they can (but are not required) to be recognised as a reduction of the service cost in the period in which the related service is rendered.

The amendments are effective in the EU for annual periods beginning on or after 1 February 2015, with earlier application permitted

Go to: EFRAG Endorsement Status Report

Go to: IFRS Newsletter: Balancing Items (6/2013)

Go to: In the Headlines: Employee contributions (2013/20)

Classification of Liabilities (Proposed amendments to IAS 1)

On 10 February 2015, the IASB published for public comment the Exposure Draft Classification of Liabilities (Proposed amendments to IAS 1), which clarifies how entities should classify debt, particularly when it is coming up for renewal.

The proposed amendments are designed to improve presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current. The proposals confirm that the classification is based on facts and circumstances at the reporting date, and that the probability of continuing to meet conditions is irrelevant. However, potential confusion remains with the proposals to modify the existing classification criteria. At present, IFRS requires that two criteria must both be met to classify a liability as non-current:

- the liability must not be due to be settled within 12 months after the reporting period; and
- the company must have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The proposals delete the word 'unconditional' from the second criterion – i.e. the company must now merely have a 'right' at the end of reporting period to defer settlement for at least 12 months in order to classify the liability as non-current (assuming that the other criterion is met).

These changes have the potential to create diversity in practice, such that reasonable people may reach different conclusions for the same fact patterns.

The proposals are open for public comment by 10 June 2015.

Go to: In the Headlines: Classification of liabilities – proposed amendments to IAS 1 (2015/03) (March 2015)

Amendments to National Accounting Standard No. 7 "Changes to accounting policies, estimates, correction of errors, subsequent events – recognition and presentation"

On 25 November 2014, the Accounting Standards Committee passed a resolution to adopt selected amendments to National Accounting Standard No. 7 "Changes to accounting policies, estimates, correction of errors, subsequent events – recognition and presentation" ("NAS 7"). The amended NAS 7 was published in the Official Journal of the Minister of Finance on 22 January 2015.

The amendments introduce more detailed rules for the use of National Accounting Standards ("NASs"). Pursuant to Art. 10 point 3 of the Accounting Act ("the Act"), in accounting for matters not regulated by the Act, an entity may apply NASs and, where no appropriate NAS exists, International Financial Reporting Standards as adopted by the European Union ("IFRSs"), with exceptions.

In accordance with the newly added guidance of KSR 7:

- Although the use of NASs is not mandatory, it is deemed to lead to true and fair representation of an entity's financial position and performance;
- An entity using NASs discloses that fact in its financial statements; in such case, it must comply with all applicable NASs - it would not be appropriate to only apply selected standards while claiming compliance with NASs as a whole;
- Management's decision to only apply selected NASs or parts thereof is considered to represent a rejection of NASs in general. It would not be necessary for that fact to be disclosed, however, the entity would still be required to disclose its accounting policies for matters not addressed by the Act;
- The allowed alternative to use IFRSs when a particular matter is not covered by either the Act or NASs means that whenever an applicable NAS does exist, but is not applied by an entity, it may not use IFRSs instead. Whenever the allowed alternative is used, it is important to ensure that the policies are in compliance with the Act - it would be inappropriate to assume that an accounting policy derived from IFRSs is compliant with the Act;
- When an entity applies NASs for the first time, the change is accounted for as a change in accounting policies.

The amended standard also introduces a new definition of NASs, which now covers not only National Accounting Standards as such, but also all statements of position ("stanowiska") issued by the Accounting Standards Committee.

The amended NAS 7 is effective for financial statements prepared for annual periods ending after 22 January 2015 with earlier application allowed. The full text is available on the Accounting Standards Committee's website.

Accounting for revenue is changing: Impact on insurance companies and housebuilders (January and February 2015)

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, replacing most existing IFRS revenue guidance, and introducing a new revenue recognition model. Now that the IASB and the Financial Accounting Standards Board ("FASB") have published the standard, the real work for, among others, insurance companies and housebuilders is just beginning. The publications highlight the impact of the new revenue standard on companies within the aforementioned sectors.

Go to: Accounting for revenue is changing: Impact on insurance companies (January 2015)

Go to: Accounting for revenue is changing: Impact on housebuilders (February 2015)

In the Headlines: IFRS: New standards (February 2015)

Each quarter, we provide a summary of newly effective and forthcoming standards. This edition covers financial years ending on or after 31 March 2015, including interim periods within those financial years.

Go to: In the Headlines: IFRS: New standards (2015/02) (February 2015)

Guide to condensed interim financial statements – Illustrative disclosures (March 2015)

This guide illustrates one possible format for presentation of condensed interim financial statements, based on a fictitious multinational company.

Go to: Guide to condensed interim financial statements – Illustrative disclosures (March 2015)

IFRS Newsletters

We also recommend the following selected IFRS-related newsletters recently issued by KPMG's International Standards Group:

- **IFRS Newsletter: Leases – issue 17** provides an overview of the IASB and FASB discussions of the leases project between November 2014 and March 2015.

Go to: IFRS Newsletter: Leases - issue 17

- **IFRS Newsletter: Banking – issue 16** provides insight on, among other things, potential impact of IFRS 9 Financial Instruments on regulatory capital and responses to macro hedging proposals issued by the IASB.

Go to: IFRS Newsletter: Banking - issue 16

- **IFRS Newsletter: Insurance – issue 44** highlights the IASB's discussions in the March 2015 education session on its insurance contracts project.

Go to: IFRS Newsletter: Insurance – issue 44

- **IFRS Newsletter: Financial Instruments – issues 21 and 22** highlight the IASB's discussions and its tentative decisions in February and March 2015 on the financial instruments project.

Go to: IFRS newsletter: Financial Instruments – issue 21

Go to: IFRS newsletter: Financial Instruments – issue 22

- **IFRS Newsletter: Revenue – issues 12 and 13** examine the latest developments on the new revenue project. Despite the publication in May 2014 of the joint standard on revenue recognition, in February and March 2015 the IASB and FASB continued their discussions of sweep issues. For a full summary of the redeliberations refer to the Newsletters.

Go to: IFRS Newsletter: Revenue – issue 12

Go to: IFRS Newsletter: Revenue – issue 13

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