



Grant Thornton

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GET YOUR GAME ON - BUILDING & INNOVATING CARIBBEAN BUSINESSES

IFRS UPDATES



Your presenter today



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IFRS Annual improvements and other updates

Our agenda

- IFRS 15: Revenue from Contracts with Customers
- IFRS 9 Financial Instruments
- Annual improvements 2012-2014
- Other narrow scope amendments
- Guidance becoming mandatorily effective in the current year
- IASB Project Update
- IFRIC Update



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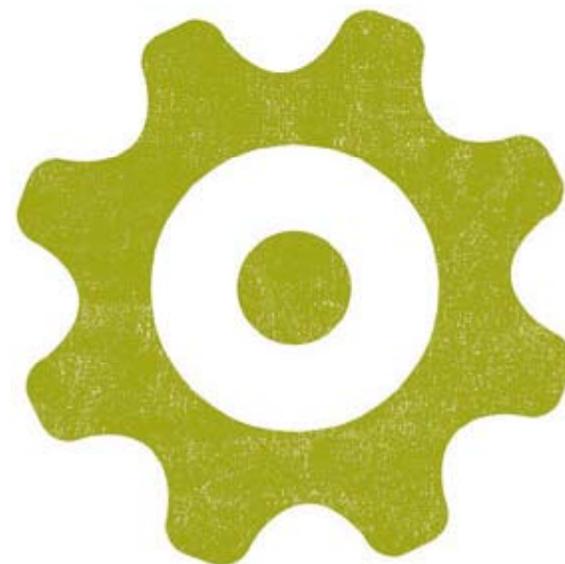


IFRS 15: Revenue from Contracts with Customers

New model!

Core principle is to recognise revenue:

- As customer obtains control of the promised goods or services (IFRS 15.31)
- In an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services (IFRS 15.73)



IFRS 15: Revenue from Contracts with Customers

Overview

- **New guidance** on a variety of topics:
 - Multiple element arrangements
 - Variable consideration
 - Customer options (material rights)
 - Licensing
 - Repurchase agreements
 - Warranties, and more!



IFRS 15: Revenue from Contracts with Customers

Overview

IFRS 15 Revenue from Contracts with Customers

Existing guidance replaced by IFRS 15

IAS 18	Revenue
IAS 11	Construction Contracts
SIC 31	Revenue – Barter Transactions Involving Advertising Services
IFRIC 13	Customer Loyalty Programmes
IFRIC 18	Transfers of Assets from Customers
IFRIC 15	Agreements for the Construction of Real Estate

IFRS 15: Revenue from Contracts with Customers

Scope

IFRS 15

- All contracts with customers
- Costs to obtain and fulfil those contracts

(IFRS 15.5)

Out of Scope:

- Leases (IAS 17)
- Insurance (IFRS 4)
- Financial instruments (IFRS 9)
- Rights/obligations within scope of IFRS 10, IFRS 11, IAS 27 or IAS 28
- Certain non-monetary exchanges

IFRS 15: Revenue from Contracts with Customers

Overview

The old...

Guidance scattered across many Standards

Different recognition criteria depending upon transaction type

Guidance lacking in many areas (including MEAs and disclosures)

21 Illustrative Examples

The new...

Single standard applies to all contracts with customers

Single set of criteria for all contracts within its scope

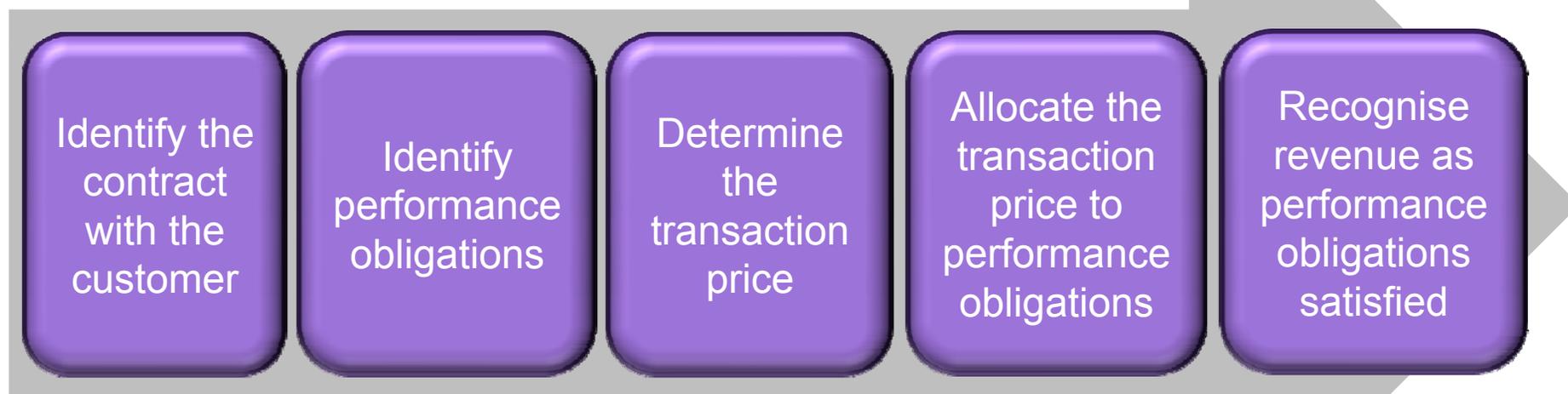
Fills in many 'gaps' in existing guidance

63 Illustrative Examples + 89 paragraphs of additional application guidance

IFRS 15: Revenue from Contracts with Customers

Overview

Five step approach to a new control-based model



IFRS 15: Revenue from Contracts with Customers

Overview

- **IASB Proposal**

- Deferral of IFRS 15 for one year

- 1 January 2018

- Early adoption permitted

- FASB also proposed deferral for one year

- Deferral considered necessary to provide adequate time to effectively implement the new revenue standard

- **Revenue Transition Resource Group (TRG)**



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IFRS 9 Financial Instruments - non-financial institutions: What's changed?

Area	Extent of changes from IAS 39
Scope	
Classification and measurement - financial assets	
Classification and measurement - financial liabilities	
Impairment	
De-recognition	
Embedded derivatives	
Hedge accounting	



no or minor changes



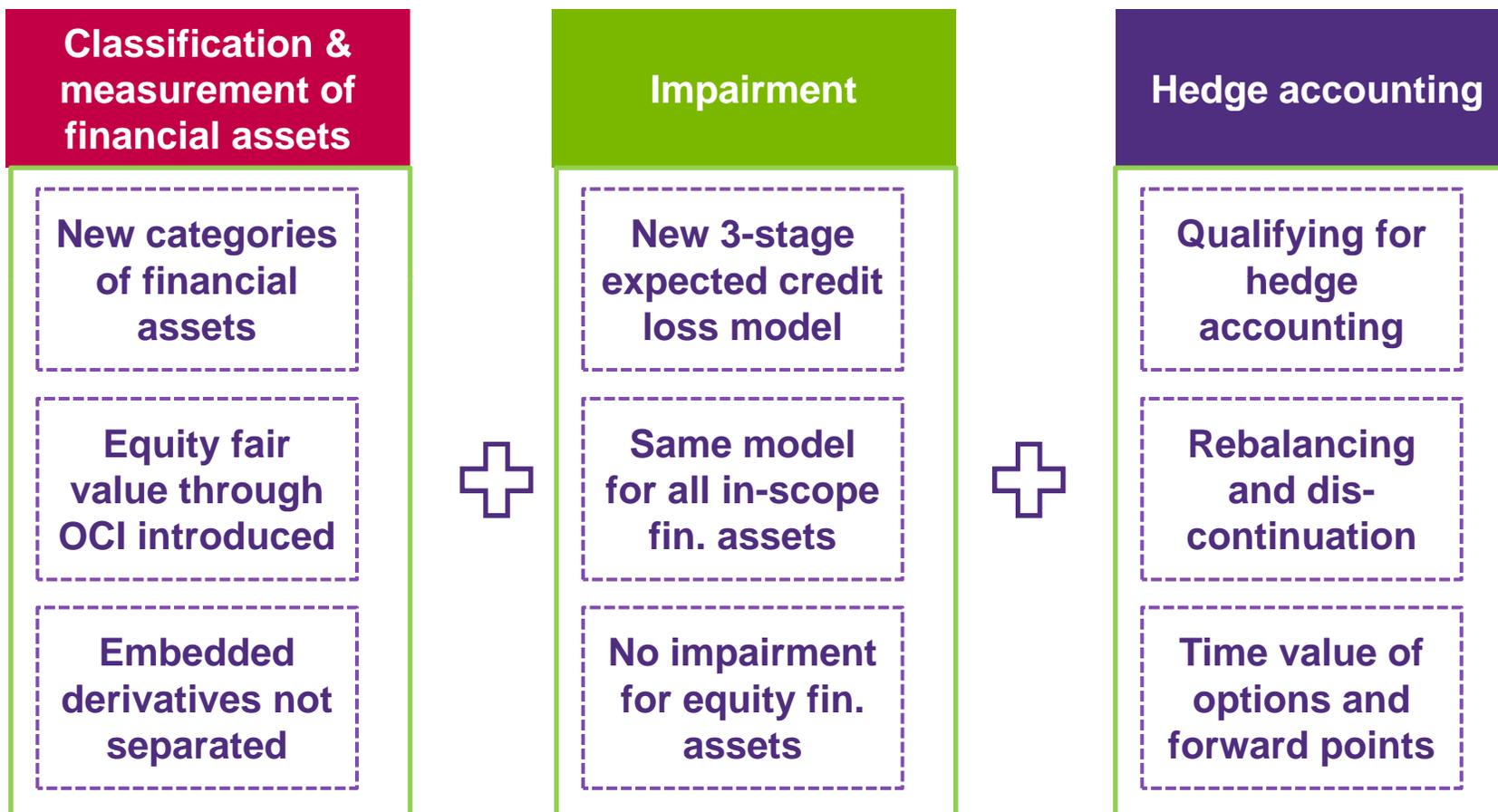
some changes



significant changes



Main changes at a glance



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IFRS Annual improvements and other updates

Annual improvements 2012-2014

Standard	Nature of amendment
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Changes in methods of disposal
IFRS 7 Financial Instruments: Disclosures	Servicing contracts (clarifying "continuing involvement")
	Applicability of the amendments to IFRS 7 to condensed interim financial statements
IAS 19 Employee Benefits	Discount rate (regional market issue)
IAS 34 Interim Financial Reporting	Disclosure of information 'elsewhere in the interim financial report'

Effective for annual periods beginning on or after 1 January 2016

IFRS Annual improvements and other updates

Annual improvements 2013-2015

Standard	Nature of amendment
IFRS 1 Short-term exemptions for first time adopters	Remove certain short-term exemptions after those exemptions have served their intended purpose
IAS 28 Measuring investees at fair value through profit or loss	Clarify whether an entity has an investment-by-investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds

Annual improvements cycle 2014-2016 initiated

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IFRS Annual improvements and other updates

Other narrow-scope amendments

Equity Method Separate F/S
Investment entities
Joint Operations
Depreciation/ amortisation
Bearer Plants
Txns with JV or Associate

Equity Method in Separate F/S (IAS 27)

- In its separate F/S, an entity may account for its investments in subsidiaries, JVs and associates either at cost or in accordance with IFRS 9.
- These amendments restore an entity's ability to apply the equity method in these circumstances (all 3 methods acceptable now)
- Effective date: 1 January 2016

Why it matters

It gives entities more choice

IFRS Annual improvements and other updates

Other narrow scope amendments



Investment Entity Amendments (3)

- With one exception, investment entities ("IEs") must measure investments in subsidiaries at fair value through profit or loss ("FVTPL") in accordance with IFRS 9
- Three narrow scope amendments to IFRS 10, IAS 28 address specific clarifications needed
- All are effective 1 January 2016 (earlier permitted)

IFRS Annual improvements and other updates

Other narrow scope amendments

Equity Method Separate F/S
Investment entities
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1. Consolidation exception available to parent entities that are subsidiaries of IEs preparing F/S in accordance with the IE exception in IFRS 10.31
2. Consolidation exception not available to non-IE subsidiaries providing services related to IE investment activities
3. Relief to non-IE investors by retaining FV measurement basis applied by the IE associates/JVs

Why it matters

Will save some entities the time and expense of preparing consolidated F/S and avoid costly mistakes around consolidation decisions

IFRS Annual improvements and other updates

Other narrow scope amendments

Equity Method Separate F/S
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Accounting for Acquisitions of Interests in Joint Operations (IFRS 11)

- IFRS 11 provided no guidance on accounting for acquisition of an interest in a joint operation that is a business
- Amendment adds new guidance to IAS 28
 - fair value measurement principle
 - purchase price excess = goodwill
 - deferred tax recognition
 - expensing acquisition-related costs
- Effective 1 January 2016

IFRS Annual improvements and other updates

Other narrow scope amendments

Equity Method Separate F/S
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Clarification of Acceptable Methods of Depreciation and Amortisation

- Amendments to IAS 16 prohibit the use of depreciation methods based on revenue (IAS 16.62A)
 - Underlying principle: consumption of future economic benefits
 - Revenue reflects ability to generate benefits from an asset, not the consumption of economic benefits embodied within it
- Amendments to IAS 38 replace prohibition with rebuttable presumption
 - detailed guidance (IAS 38.98A-98C)
- Effective 1 January 2016 (early permitted)

IFRS Annual improvements and other updates

Other narrow scope amendments



Bearer Plants

- Once mature, bearer plants do not undergo further transformation and are similar to PP&E
- Amendment brings bearer plants into scope of IAS 16
 - Treated as self-constructed asset
 - Produce remains within IAS 41

Pick the right Standard!	IAS 16	IAS 41
Christmas trees on a tree farm		✓
Palm trees on an oil plantation	✓	
Cabbage		✓
Tea plant	✓	
Tobacco leaves		✓
Grape vines	✓	
Fruit trees	✓	
Pigs		✓
Dairy cattle		✓
Sugar cane		✓

- Effective 1 January 2016 (early permitted)

IFRS Annual improvements and other updates

Other narrow scope amendments

Equity Method Separate F/S
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Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011)

- Amendments clarify that regardless of whether an asset is housed in a subsidiary:
 - full gain/loss recognised when transaction involves a business
 - partial gain/loss recognised when transaction does not involve a business

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IFRS Annual improvements and other updates

Guidance mandatorily effective in 2014/15

Effective for years ended **31 December 2014 and 31 March 2015**

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

IFRIC 21 Levies

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

For years ended **30 June 2015 and 30 September 2015**

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Annual Improvements to IFRSs 2010-2012 cycle

Annual Improvements to IFRSs 2011-2013 cycle

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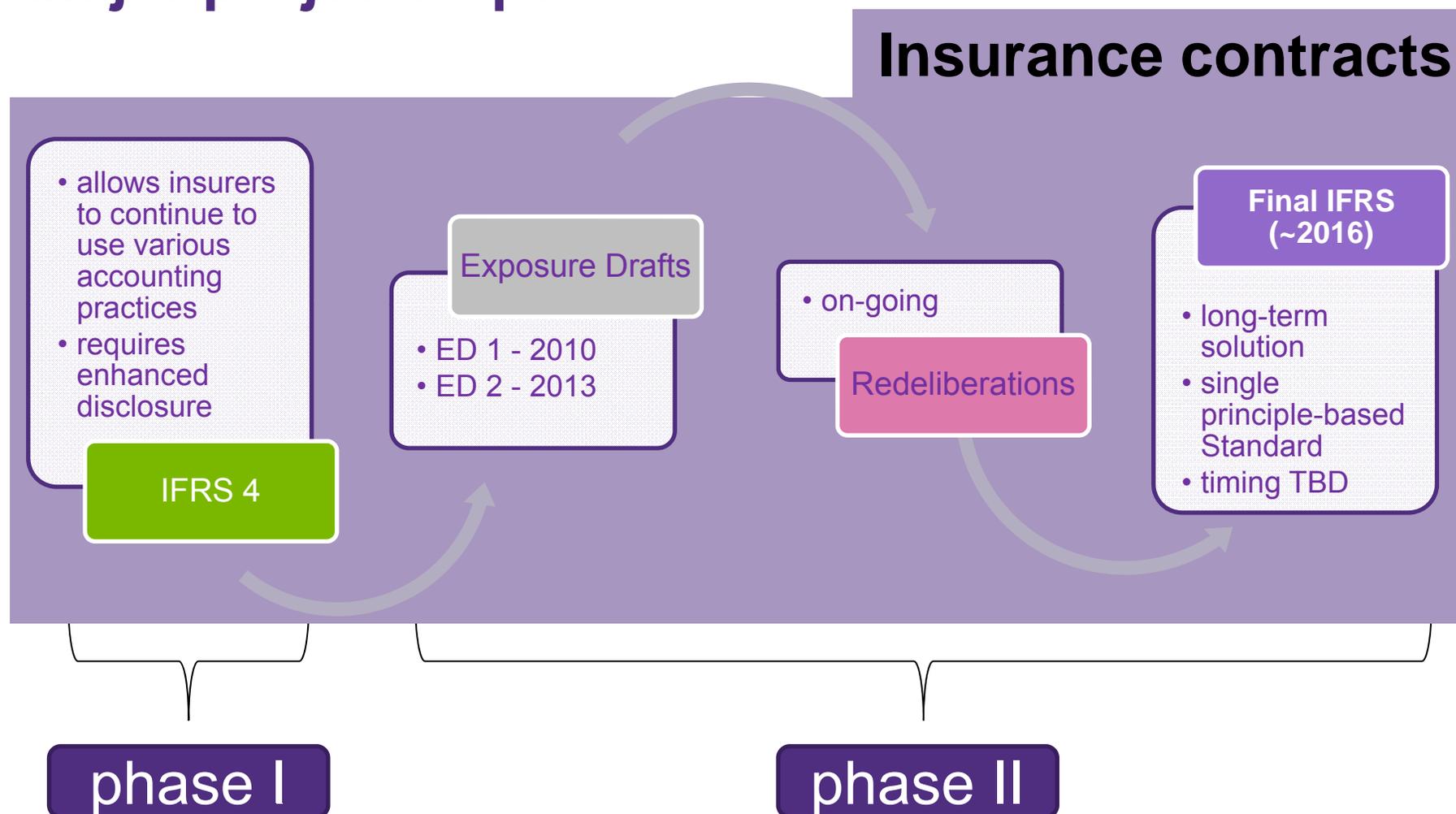
IASB Project Update

Major projects update

Project	Next step	Expected Timing
Insurance Contracts	IFRS	~2016
Leases	IFRS	2015 Q4
IFRS for SME's	IFRS	2015 Q2
Conceptual Framework	ED	2015 Q2
Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging	TBD	Redeliberations of DP – Comment period ended 17 October 2014
Rate Regulated Activities	TBD	Board discussions – Comment period ended 15 January 2015
Disclosure initiative	DP	2015 Q4

IASB Project Update

Major projects update



IASB Project Update

Major projects update

Insurance contracts

Why undertake this project?

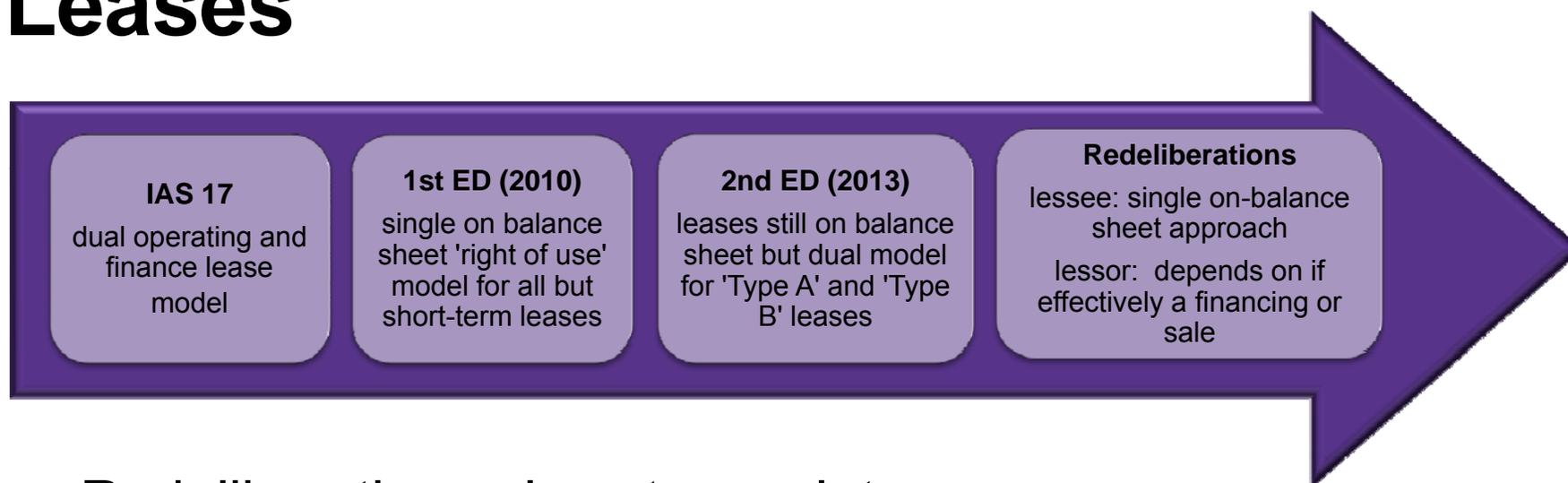
- Little or no comparability between entities that write insurance contracts
- IFRS 4 was intended as an interim measure (allowed users to continue with status quo)
- To ensure accounting reflects economics and risks in a timely manner
- Single unified model



IASB Project Update

Major projects update

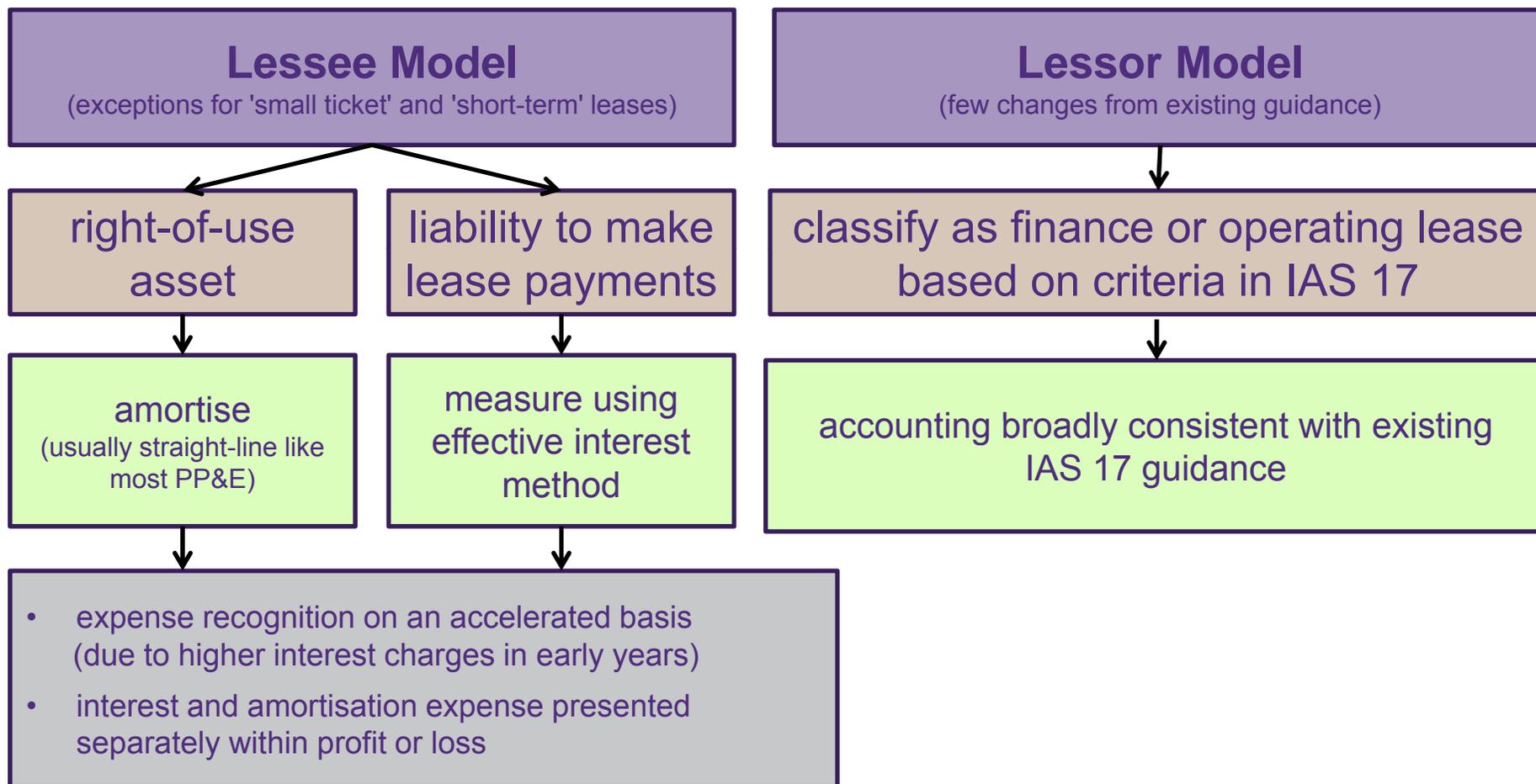
Leases



- Redeliberations almost complete
- Board expects to release final standard before end of 2015
- Effective date still to be decided

IASB Project Update

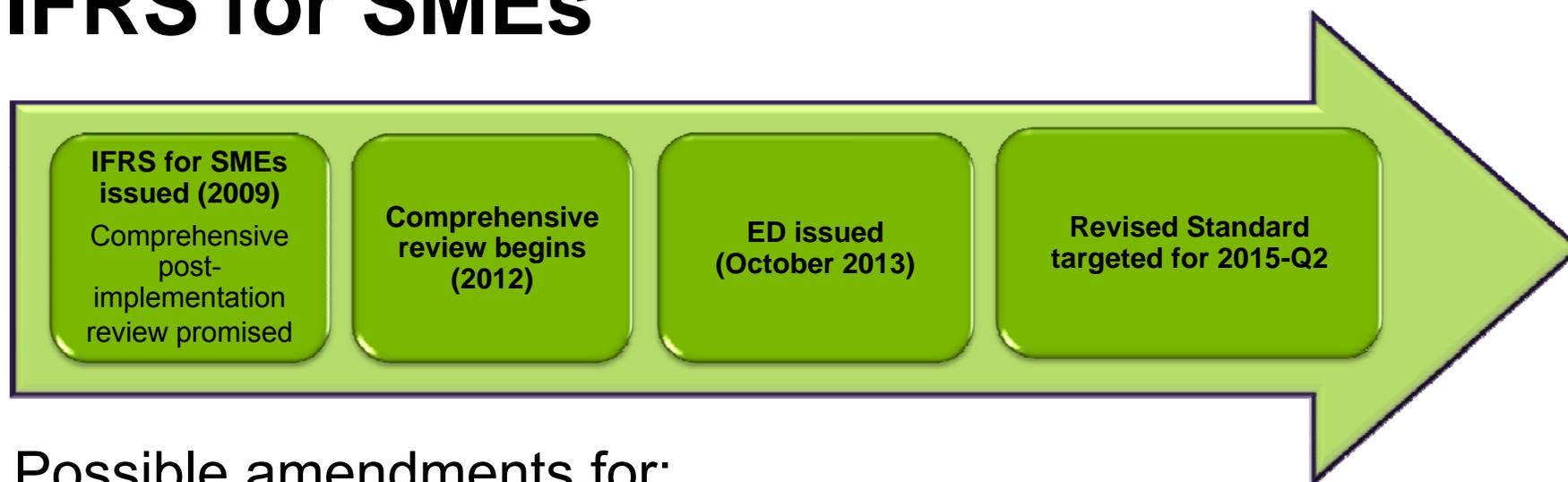
Major projects update



IASB Project Update

Major projects update

IFRS for SMEs



Possible amendments for:

- issues that were addressed in SMEIG Q&As
- new and amended IFRSs issued since July 2009
- other issues identified by constituents (see next slide)

IASB Project Update

Major projects update

IFRS for SME's

What kinds of changes are proposed by the ED?

- Amendments to incorporate new and revised IFRSs (13)
- Changes to requirements in the IFRS for SMEs (5)
- Introduction new guidance (7)
- Amendments that introduce new exemptions (5)
- Incorporating guidance from SMEIG Q&As (3)
- Amendments that simplify disclosure requirements (3)
- Minor clarifications (21)



IASB Project Update

Major projects update

Conceptual framework

Why undertake this project?

- Some parts of existing framework considered missing, unclear, or out-of-date
- To provide a coherent basis for developing future standards
- To help entities interpret Standards and develop appropriate accounting policies



IASB Project Update

Major projects update

Conceptual framework

Project highlights

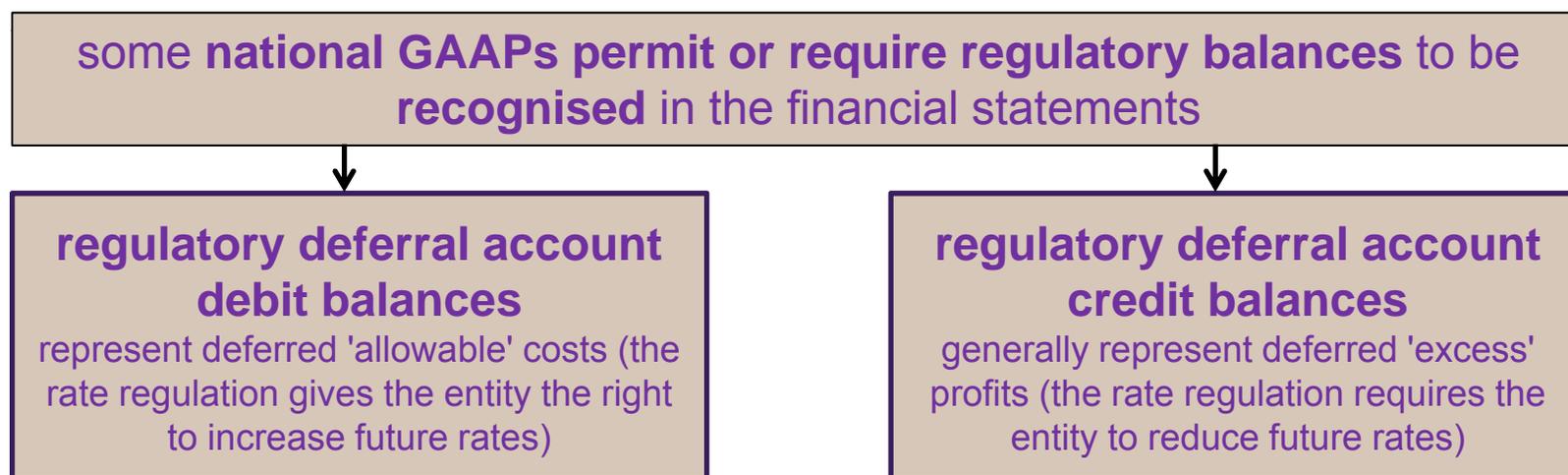
- DP issued July 2013
- Key issues include:
 - definitions of assets and liabilities
 - recognition and derecognition
 - the distinction between equity and liabilities
 - measurement
 - presentation and disclosure
 - other comprehensive income
- ED issued Q2 2015; Comments due October 2015



IASB Project Update

Major projects update

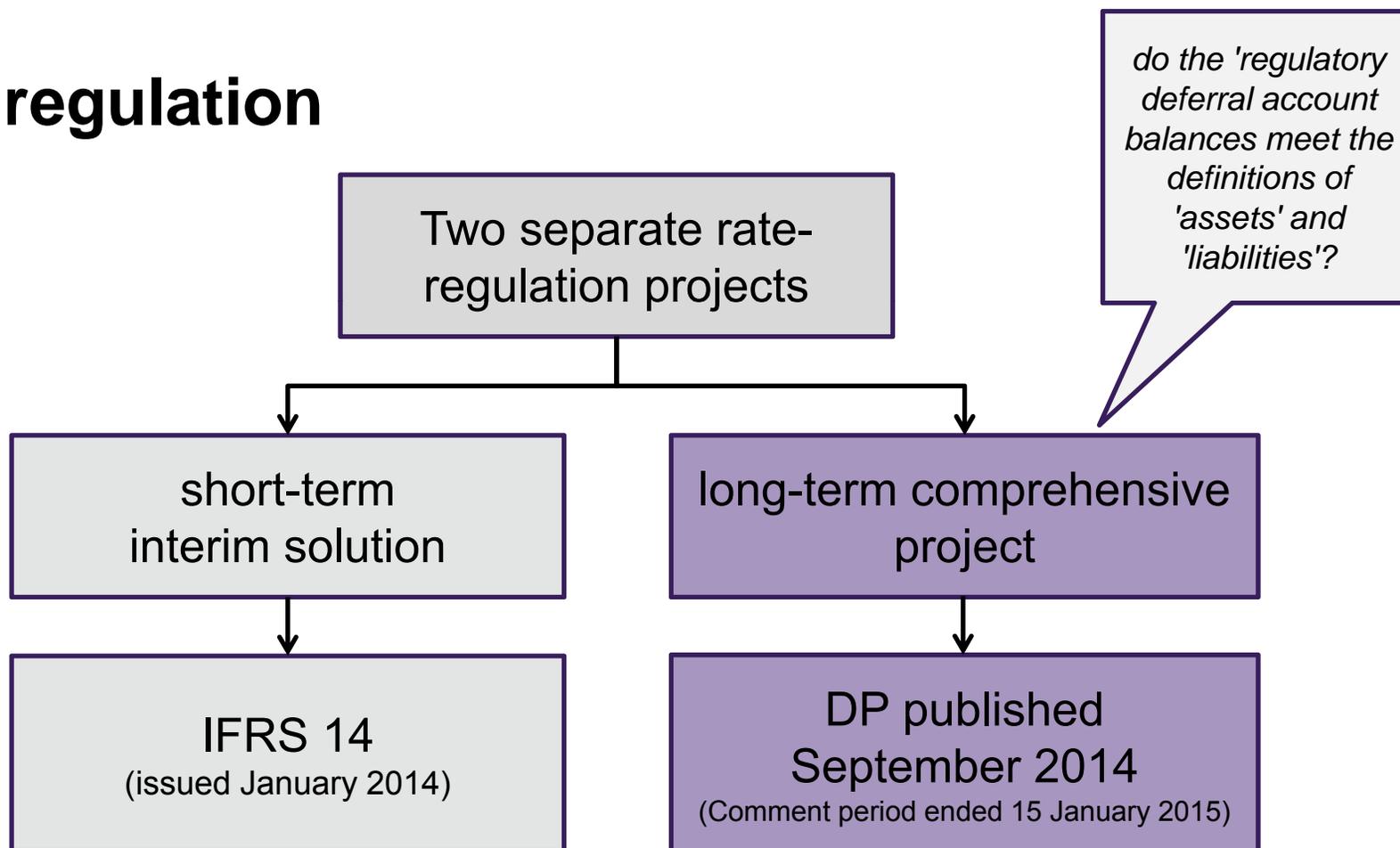
Rate regulation - background



IASB Project Update

Major projects update

Rate regulation



IASB Project Update

Major projects update

Disclosure initiative

What is this project about?

The objective of this research project is to improve existing guidance in IFRS that helps entities determine the basic structure and content of a complete set of financial statements.



IASB Project Update

Major projects update

Disclosure initiative

Segment Disclosures

- IASB proposal for improvements (May 2015)
 - consistency of reporting
 - Chief operating decision maker
 - Disaggregation
- ED expected September 2015



IASB Project Update

Narrow scope amendments

Narrow-scope amendments	2015 Q2	2015 Q3
Annual Improvements 2014–2016	Target ED	
Clarifications of Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2)	Redeliberations	
Clarifications to IFRS 15 <i>Revenue from Contracts with Customers</i> (Issues emerging from TRG discussions)	Target ED	
Classification of liabilities (Proposed amendment to IAS 1)		Redeliberations
Disclosure Initiative		
Amendments to IAS 7 [Comment period ends 17 Apr 2015]	Public consultation	



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IASB Project Update

IFRIC Update

Project	Project
IAS 12 Income Taxes: Uncertainty in income taxes (Draft IFRIC Interpretation)	IAS 40 Investment Property: Transfers of investment property
IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Narrow Scope Amendment)	IFRS 2 Share-Based Payment: Classification and measurement of Share-Based Payment Transactions
IAS 28 Investments in Associates and Joint Ventures: Elimination of gain/loss arising between an Entity and its Associate or JV (Narrow Scope Amendment)	IFRIC 14/IAS 19 Employee Benefits: Availability of refunds from defined benefit plan managed by an independent trustee
IAS 28 Investments in Associates and Joint Ventures: gains/losses on transactions between an Entity and its Associate or JV (Narrow Scope Amendment)	IAS 19 Employee Benefits: Remeasurement at a plan amendment, curtailment or settlement

Questions & feedback



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