Annual Improvements to IFRS Standards *2014-2016 Cycle* and Amendment to IAS 40 *Investment Property*

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STATUS
Final

EFFECTIVE DATE
Periods beginning on or after 1 January 2017 (IFRS 12) and periods beginning on or after 1 January 2018 (IFRS 1, IAS 28 and IAS 40)

ACCOUNTING IMPACT
May be significant

Summary

On 8 December 2016, the IASB issued its annual improvements to IFRS Standards 2014-2016 Cycle. The amendments relate to an exposure draft issued on 19 November 2015 (see IFRB 2015/10).

The Improvements affect three standards as follows:

Standard	Amendments relate to	Effective date
IFRS 1 *First – time Adoption of International Financial Reporting Standards*	– Deletion of short-term exemptions for first – time adopters.	Periods beginning on or after 1 January 2018
IFRS 12 *Disclosure of Interests in Other Entities*	– Clarification of the scope of the disclosure requirements.	Periods beginning on or after 1 January 2017
IAS 28 *Investments in Associates and Joint Ventures*	– Measuring investees at fair value through profit or loss on an investment – by – investment basis.	Periods beginning on or after 1 January 2018

On the same date the IASB also issued an amendment to IAS 40 Investment Property, effective for periods beginning on or after 1 January 2018, to clarify that a change in management's intention is insufficient on its own to justify a previously recognised property from being reclassified to or from the investment property category.

Improvements to IFRS Standards *2014-2016 Cycle*

IFRS 1 *First-time adoption of IFRS*

IFRS 1 has been amended to remove short-term exemptions dealing with IFRS 7 *Financial Instruments: Disclosures*, IAS 19 *Employee Benefits* and IFRS 10 *Consolidated Financial Statements*. The reliefs provided are no longer applicable and had been available to entities for reporting periods that have now passed.

This annual improvement is effective for periods beginning on or after 1 January 2018.

IFRS 12 *Disclosure of Interests in Other Entities*

Amendments have been made to clarify the scope of IFRS 12 in respect of interests in entities within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Specifically it clarifies that entities are not exempt from all of the disclosure requirements in IFRS 12 when entities have been classified as held for sale or as discontinued operations. The standard as amended therefore makes it clear that it is only the disclosure requirements set out in paragraphs B10 – 16 that do not need to be provided for entities within the scope of IFRS 5.

This annual improvement must be applied retrospectively for periods beginning on or after 1 January 2017. No transitional relief is available.

IAS 28 *Investments in Associates and Joint Ventures*

IAS 28 has been amended to clarify that a venture capital organisation, or a mutual fund, unit trust and similar entities (including investment-linked insurance funds) may choose, on an investment by investment basis, to account for its investments in joint ventures and associates at fair value or using the equity method.

The amendment also makes it clear that method chosen for each investment is to be made on initial recognition.

This annual improvement must be applied retrospectively for periods beginning on or after 1 January 2018. No transitional relief is available

Amendment to IAS 40 Investment Property

Effect of Amendment

IAS 40 requires a property to be transferred to, or from, investment property only when there is a change in use. The amendment clarifies that a change in management's intentions for the use of a property does not in isolation provide evidence of a change in use. This is because management's intentions, alone, do not provide evidence of a change in use.

An entity must, therefore, have taken observable actions to support such a change. IAS 40.57 gives the following examples of appropriate sources of evidence (this is not intended to be an exhaustive list):

- commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; and
- inception of an operating lease to another party, for a transfer from inventories to investment property

Effective date

The amendment is effective for periods beginning on or after 1 January 2018.

Transition

An entity may apply the amendment retrospectively to each prior reporting period presented applying IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, but only if it is possible to do so without applying hindsight.

Otherwise it applies the amendment to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application). At the date of initial application, entities will need to reassess the classification of property held at that date and, if applicable, reclassify the property to reflect the conditions that exist at that date.

Where an entity reclassifies property at the date of initial application, it must disclose separately the amounts reclassified to, or from investment property as part of the reconciliation required by IAS 40 of the carrying amount of investment property.

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