

# IFRSs, IFRICs AND AMENDMENTS THAT ARE MANDATORY FOR THE FIRST TIME FOR 31 DECEMBER 2015 YEAR ENDS

## INTERNATIONAL FINANCIAL REPORTING BULLETIN 2015/18



### 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 2015 year ends.

Paragraph 28 in 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 required 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 International website (see below).

The BDO Illustrative Financial Statements for 31 December 2015 are available for download from the BDO International website (see below). The 2015 version has been updated to incorporate relevant changes in accounting treatments as a consequence of the initial application of the various Annual Improvements to IFRSs and one Amendment to IFRSs listed on page 2 below.

### STATUS

Final

### EFFECTIVE DATE

Various

### ACCOUNTING IMPACT

May be significant

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

**BDO IFR Bulletins**

<http://www.bdointernational.com/Services/Audit/IFRS/IFR-Bulletins-2011/Pages/default.aspx>

**BDO Illustrative Financial Statements**

<http://www.bdointernational.com/Services/Audit/IFRS/Model-IFRS-Statements/Pages/default.aspx>

The amendment 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 2015 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 2015) are as follows:

**1. Annual Improvements to IFRSs (2010 - 2012 Cycle)**

- a. IFRS 2 - *Share Based Payments*
- b. IFRS 3 - *Business Combinations*
- c. IFRS 8 - *Operating Segment*
- d. IFRS 13 - *Fair Value Measurement*
- e. IAS 16 - *Property, Plant and Equipment*
- f. IAS 24 - *Related Party Disclosures*
- g. IAS 38 - *Intangible Assets*

**2. Annual Improvements to IFRSs (2011 - 2013 Cycle)**

- a. IFRS 1 - *First-time adoption of IFRS*
- b. IFRS 3 - *Business Combinations*
- c. IFRS 13 - *Fair Value Measurement*
- d. IAS 40 - *Investment Property*

**3. Amendments to IAS 19 - *Defined Benefit Plans: Employee Contributions***

For entities that report in accordance with EU-endorsed IFRS, the effective date of Annual Improvements to IFRSs (2010-2012 Cycle) and Amendments to IAS 19 - *Defined Benefit Plans: Employee Contributions* is annual period beginning on or after 1 February 2015. However, early adoption is permitted and so EU companies can adopt in accordance with the IASB effective date (annual periods beginning on or after 1 July 2014).

IFRS	New IFRSs for 31 December 2015 year ends - IFRSs, IFRICs and Amendments	Effective Date
<b>Annual Improvements to IFRSs (2010 - 2012 Cycle)</b>		
<b>IFRS 2 - Share Based Payments (1)</b>	The definitions of vesting and market conditions have been clarified by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition without themselves specifically being defined.	Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.
<b>IFRS 3 - Business Combinations (1)</b>	The amendment clarifies that the classification of contingent consideration as either a liability or an equity instrument is on the basis of guidance in IAS 32 <i>Financial Instruments: Presentation</i> . Contingent consideration that is not classified as equity is required to be remeasured to fair value at each reporting date, with changes in fair value being reported in profit or loss.	EU endorsement status: mandatory adoption for periods beginning on or after 1 February 2015
<b>IFRS 8 - Operating Segments</b>	When operating segments have been aggregated in determining reportable segments, additional disclosures are required. These set out the judgements that have been made by management in applying the aggregation criteria in IFRS 8 <i>Operating Segment</i> that are used to assess whether the aggregated segments have similar economic characteristics.  A further amendment clarifies that a reconciliation of total reportable segment assets is only required if a measure of segment assets is regularly provided to the chief operating decision maker.	
<b>IFRS 13 - Fair Value Measurement (2)</b>	The amendment clarifies that short term receivables and payables with no stated interest rate can continue to be measured at the invoice amount without discounting, where the effect of discounting is immaterial. A previous amendment had suggested that an existing practical expedient that eliminated the need to discount those items had been removed.	
<b>IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets</b>	The computation of accumulated depreciation when items of property, plant and equipment and intangible assets are revalued has been clarified. The net carrying amount of the asset is adjusted to the revalued amount and either: <ul style="list-style-type: none"> <li>a) the gross and accumulated depreciation/amortisation amounts are adjusted; or</li> <li>b) accumulated depreciation/amortisation is eliminated against the gross carrying amount.</li> </ul>	
<b>IAS 24 - Related Party Disclosures</b>	The amendment clarifies that an entity that provides key management personnel services to the reporting entity (or to the parent of a reporting entity) is a related party of the reporting entity. However, it is not necessary to analyse the total amount paid into the categories set out in IAS 24.17.	

For more information see BDO IFR Bulletin 2013/28 (click [here](#)).

(1) Amendments to IFRS 2 *Share Based Payments* and IFRS 3 *Business Combinations* apply to transactions which occur on or after 1 July 2014.

(2) The amendment to IFRS 13 *Fair Value Measurement* is to the Basis for Conclusions and therefore has no effective date.

IFRS	New IFRSs for 31 December 2015 year ends - IFRSs, IFRICs and Amendments	Effective Date
<b>Annual Improvements to IFRSs (2011 - 2013 Cycle)</b>		
<b>IFRS 1 - <i>First-time adoption of IFRS</i></b> <sup>(1)</sup>	A first-time adopter is required to use accounting policies that comply with 'each IFRS effective at the end of an entity's first reporting period'. The Basis for Conclusions was amended to clarify that there is an option to use either: <ul style="list-style-type: none"> <li>a) the IFRSs that are mandatory at the end of that reporting period; or</li> <li>b) one or more IFRSs that are not yet mandatory, if those IFRSs permit early adoption.</li> </ul>	Mandatory adoption for periods beginning on or after 1 July 2014. Early adoption permitted.  EU endorsement status: mandatory adoption for periods beginning on or after 1 January 2015
<b>IFRS 3 - <i>Business Combinations</i></b>	Certain consequential amendments were not made to IFRS 3 <i>Business Combinations</i> when IFRS 11 <i>Joint Arrangements</i> was issued. These have now been incorporated, meaning that: <ul style="list-style-type: none"> <li>a) the formation of all types of joint arrangement as defined in IFRS 11 <i>Joint Arrangements</i> are excluded from the scope of IFRS 3 <i>Business Combinations</i>; and</li> <li>b) it is clarified that the scope exception applies only to the accounting by the joint arrangement in its own financial statements, and not the accounting by the parties to the joint arrangement for their interests.</li> </ul>	
<b>IFRS 13 - <i>Fair Value Measurement</i></b>	IFRS 13 <i>Fair Value Measurement</i> contains an exception that permits the fair value of a group of financial assets and financial liabilities to be measured on a net basis (the 'portfolio exception'). The amendment clarifies that the portfolio exception applies to all contracts within the scope of the financial instruments standards, including certain contracts for the purchase or sale of non-financial items that are scoped into those standards.	
<b>IAS 40 - <i>Investment Property</i></b>	The amendment clarifies the interrelationship between IFRS 3 <i>Business Combinations</i> and IAS 40 <i>Investment Property</i> when determining whether the acquisition of an investment property constitutes an asset purchase or a business combination. It is noted that judgement is required based on the guidance in IFRS 3 <i>Business Combinations</i> and IAS 40.7-15, and that this judgement is separate from the question of distinguishing between investment property and owner occupied property.	

For more information see BDO IFR Bulletin 2013/29 (click [here](#)).

(1) The amendment to IFRS 1 *First-time adoption of IFRS* is to the Basis for Conclusions and therefore has no effective date.

IFRS	New IFRSs for 31 December 2015 year ends - IFRSs, IFRICs and Amendments	Effective Date
<b>Amendments to IAS 19</b>		
<b>Defined Benefit Employee Contributions</b>	<p data-bbox="360 297 1134 322"><b>Plans:</b> The amendment to IAS 19 introduces a narrow scope amendment that:</p> <ul style="list-style-type: none"> <li data-bbox="496 344 1198 443">a) provides a practical expedient for certain contributions from employees or third parties to a defined benefit plan, but only those contributions that are independent of the number of years of service</li> <li data-bbox="496 445 1198 544">b) clarifies the treatment of contributions from employees or third parties to a defined benefit plan that are not subject to the practical expedient. These are accounted for in the same way that the gross benefit is attributed in accordance with IAS 19.70.</li> </ul> <p data-bbox="448 566 1198 613">Contributions that are independent of the number of years of service include:</p> <ul style="list-style-type: none"> <li data-bbox="496 636 1129 660">a) contributions that are based on a fixed percentage of salary</li> <li data-bbox="496 663 1145 687">b) contributions of a fixed amount throughout the service period</li> <li data-bbox="496 689 1098 714">c) contributions that are dependent on the employee's age.</li> </ul>	<p data-bbox="1227 297 1473 396">Mandatory adoption for periods beginning on or after 1 July 2014 Early adoption permitted.</p> <p data-bbox="1227 418 1473 517">EU endorsement status: mandatory adoption for periods beginning on or after 1 February 2015</p>

For more information see BDO IFR Bulletin 2013/26 (click [here](#)).



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