

IFRS AT A GLANCE

*IFRIC 22 Foreign Currency Transactions
and Advance Consideration*



IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (R)

Effective Date
Periods beginning on or after 1 January 2018

ISSUE

When an entity receives consideration in advance of recognising the associated revenue in the income statement, it recognises both the consideration received and a non-monetary liability (deferred income or contract liability) in the statement of financial position at the spot rate of exchange in accordance with IAS 21 The effects of Changes in Foreign Exchange. When the deferred income is subsequently recognised in the income statement as revenue the question arises as to whether its measurement should reflect:

- the amount at which the deferred income was originally recognised, i.e. when the consideration was originally received; or
- the amount of consideration received translated at the exchange rate applicable on the date the non-monetary item is released to the income statement as revenue, with a foreign exchange gain or loss reflecting the difference between the amount of consideration received translated at (i) the prevailing spot rate when received and (ii) the prevailing spot rate when recognised in the income statement as revenue or a cost.

SCOPE

IFRIC 22 applies to foreign currency transactions that result in the recognition of a non-monetary asset (or liability) arising from the payment (or receipt) of consideration before the entity recognises the related asset or expense (or income), except for payments and receipts relating to:

- income taxes; and
- insurance contracts (including reinsurance contracts) that it issues or reinsurance contracts that it holds.

CONSENSUS

IFRIC 22 specifies that the date of a transaction for the purpose of determining the exchange rate to use on initial recognition of related asset, expense or income (or part of it) on the derecognition of non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration, is the date on which that non-monetary asset or liability was initially recognised. Therefore, the related income, expense or asset is not remeasured for changes in exchange rates occurring between the date of initial recognition of the advance consideration and the date of recognition of the transaction to which that consideration relates.

SCOPE

On initial application, an entity may apply IFRIC 22:

- retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; or
- prospectively to transactions recognised on or after:
 - (i) the beginning of the reporting period in which the entity first applies the Interpretation; or
 - (ii) the beginning of a prior period presented as comparative information in the financial statements of the reporting period in which the entity first applies the Interpretation.

CONTACT

For further information about how BDO can assist you and your organisation, please get in touch with one of our key contacts listed below.

Alternatively, please visit www.bdo.global where you can find full lists of regional and country contacts.

EUROPE

Anne Catherine Farlay	France	annecatherine.farlay@bdo.fr
Jens Freiberg	Germany	jens.freiberg@bdo.de
Teresa Morahan	Ireland	tmorahan@bdo.ie
Ehud Greenberg	Israel	ehudg@bdo.co.il
David Cabaleiro	Spain	david.cabaleiro@bdo.es
Reidar Jensen	Norway	reidar.jensen@bdo.no
Maria Sukonkina	Russia	m.sukonkina@bdo.ru
René Krügel	Switzerland	rene.kruegel@bdo.ch
Brian Creighton	United Kingdom	brian.creighton@bdo.co.uk

ASIA PACIFIC

Wayne Basford	Australia	wayne.basford@bdo.com.au
Zheng Xian Hong	China	zheng.xianhong@bdo.com.cn
Fanny Hsiang	Hong Kong	fannyhsiang@bdo.com.hk
Khoon Yeow Tan	Malaysia	tanky@bdo.my

LATIN AMERICA

María Eugenia Segura	Argentina	msegura@bdoargentina.com
Luis Pierrend	Peru	lpierrend@bdo.com.pe
Ernesto Bartesaghi	Uruguay	ebartesaghi@bdo.com.uy

NORTH AMERICA & CARIBBEAN

Armand Capisciolto	Canada	acapisciolto@bdo.ca
Wendy Hambleton	USA	whambleton@bdo.com

MIDDLE EAST

Arshad Gadit	Bahrain	arshad.gadit@bdo.bh
Antoine Gholam	Lebanon	agholam@bdo-lb.com

SUB SAHARAN AFRICA

Nigel Griffith	South Africa	ngriffith@bdo.co.za
----------------	--------------	--

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact your respective BDO member firm to discuss these matters in the context of your particular circumstances. Neither BDO IFR Advisory Limited, Brussels Worldwide Services BVBA, BDO International Limited and/or BDO member firms, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

Service provision within the international BDO network of independent member firms ('the BDO network') in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Brussels.

Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and the member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and/ or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2017 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved..

www.bdo.global

1705-06