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IASB includes:
- Revision of IFRS Framework completed
- IFRS 17 “Insurance Contracts” published
- IASB publishes exposure draft on Annual Improvements to IFRS Standards 2015-2017 Cycle
- Exposure draft on IFRS 8 “Operating Segments” published
- Published exposure draft on IFRS 9 “Financial Instruments”
- IASB publishes exposure draft on IAS 16 “Property, plant and equipment”
- IFRIC 23 “Uncertainty over Income Tax Treatments” published.

EU Endorsement includes:
- EU Endorsement Status Report.

ESMA includes:
- ESMA issues report on the application of IFRS 13 “Fair Value Measurement”
- ESMA issues Q & A on the Guidelines on Alternative Performance Measures
- ESMA – Enforcement decisions published.
After the IASB and FASB originally commenced a joint comprehensive project on the Conceptual Framework in 2004, which was temporarily postponed, the IASB has continued to advance this project on its own since 2012.

The IFRS Framework project comprises the elements of financial statements, measurement, reporting entity, presentation and disclosure. Two exposure drafts, ED/2015/3 “Conceptual Framework for Financial Reporting” and ED/2015/4 “Updating References to the Conceptual Framework” were published in 2015. The comments received on the exposure drafts were discussed by the Board on several occasions.

In June 2017, the IASB completed its discussions of the exposure drafts and published a summary of the preliminary decisions. The IASB intends to publish the revised Framework in the fourth quarter of 2017.

Note: The project progress and the summary of the decisions to date are available on the IASB website.

On 18 May 2017, the IASB published IFRS 17 “Insurance Contracts”, which is to replace IFRS 4 “Insurance Contracts”. The objective of the new standard is, by means of consistent and principles-based financial reporting, to provide relevant information for users of financial statements and to ensure uniform presentation and measurement of insurance contracts. The new recognition, measurement and presentation rules must be applied by companies with:

• insurance contracts and reinsurance contracts it issues
• reinsurance contracts it holds
• investment contracts with discretionary participation features that a company issues, provided the company also issues insurance contracts.

If the primary purpose of a contract that meets the definition of an insurance contract under IFRS 17 is the provision of services for a fixed fee, IFRS 15 “Revenue from Contracts with Customers” can be used for the financial reporting instead of IFRS 17.

Revision of IFRS Framework completed

On 12 January 2017, the IASB issued Exposure Draft ED/2017/01 on the “Annual Improvements to IFRS Standards 2015-2017 Cycle”. The proposed amendments relate to three IFRS standards:

IAS 12 “Income Taxes”
Under the existing wording, there was uncertainty surrounding the timing and presentation of income tax consequences of dividends. This uncertainty is to be eliminated with a new paragraph (IAS 12.58A).
This will clarify that the recognition of the income tax consequences of dividends, set out in existing paragraph IAS 12.52B, applies to all income tax consequences of dividends. Without such clarification, there could be an impression that the existing rule in IAS 12.52B refers only to the cases listed in IAS 12.52A, where there are different tax rates for distributed and undistributed profits.

Note: The period for comments ended on 12 April 2017. No effective dates for the proposed amendments to IAS 12 and IAS 23 are set out in ED/2017/1. The amendment to IAS 28 is to take effect to coincide with the first-time adoption of IFRS 9, i.e. as of 1 January 2018.

IAS 17 “Insurance Contracts” published

IAS 23 “Borrowing Costs”
IAS 23.14 regulates the determination of borrowing costs eligible for capitalization when a company has borrowed funds generally and used them to obtain a qualifying asset. The proposed amendment now clarifies that, once the asset is ready for its intended use or sale, any outstanding borrowing originally made specifically for that qualifying asset must be treated as part of the funds borrowed generally.

Note: IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. The date of expected EU endorsement has not yet been set in EFRAG’s EU-Endorsement Status Report.

IAS 28 “Investments in Associates and Joint Ventures”
This involves clarification that IFRS 9 “Financial Instruments” applies to all other financial instruments that constitute long-term interests in an associate or joint venture and to which the equity method is not applied. In addition to the rules on classification and measurement, this also involves application of the impairment model pursuant to IFRS 9.

Note: IFRS 17 “Insurance Contracts” was published as an Exposure Draft in 2015. The IASB has continued to advance this project on its own since 2012. The IFRS Framework project comprises the elements of financial statements, measurement, reporting entity, presentation and disclosure. Two exposure drafts, ED/2015/3 “Conceptual Framework for Financial Reporting” and ED/2015/4 “Updating References to the Conceptual Framework” were published in 2015. The comments received on the exposure drafts were discussed by the Board on several occasions.

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• insurance contracts and reinsurance contracts it issues
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If the primary purpose of a contract that meets the definition of an insurance contract under IFRS 17 is the provision of services for a fixed fee, IFRS 15 “Revenue from Contracts with Customers” can be used for the financial reporting instead of IFRS 17.
In connection with the proposed amendments to IFRS 8, there are also plans to amend IAS 14 “Interim Financial Reporting” in relation to the composition of a company’s reportable segments. The IASB is proposing that, in the first interim report after a change in the composition of a company’s reportable segments, the company must present restated segment information for all interim periods both of the current year and of prior years. 

Note: The effective date of the amendments has not yet been specified, but early adoption is to be permitted if the amendments to IFRS 8 and IAS 34 are adopted in parallel. The period for comments ended on 31 July 2017.

On 21 April 2017, the IASB published Exposure Draft ED/2017/73 on amendments to IFRS 9 “Financial Instruments”. This exposure draft contains narrow-scope adjustments for the assessment of the classification of financial assets.

The background to the adjustment is that under IFRS 9 certain prepayment options would preclude instruments that otherwise only feature contractual cash flows that are solely payments of principal and interest on the principal amount outstanding from being measured at amortized cost or fair value through other comprehensive income.

Under IFRS 9, a financial asset in the form of a debt instrument must be measured either at amortized cost or at fair value through other comprehensive income. The prerequisite for this measurement is that the cash flows of the asset are solely payments of principal and interest on the principal amount outstanding (SPPI criterion). Assessment of the criterion must also account for contractual terms that lead to a change in the amount or timing of the contractual cash flows.

Published exposure draft on IFRS 9 “Financial Instruments”

Based on the current rules in IFRS 9, the SPPI criterion was only fulfilled in the case of prepayment if the prepayment amount substantially represented unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination, payable by the party exercising the option.

The proposed amendments make it possible to measure at amortized cost or at fair value through other comprehensive income even if the party exercising the option receives additional compensation. In such cases, the SPPI criterion must also be fulfilled and the “prepayment feature” should have an insignificant fair value upon initial recognition of the debt instrument.

The IASB intended for the amendments to take effect for annual periods beginning on or after 1 January 2018.

Note: The period for comments ended on 24 May 2017.

On 20 June 2017, the IASB published Exposure Draft ED/2017/4 “Property, Plant and Equipment – Proceeds before Intended Use: Proposed amendments to IAS 16”. This exposure draft deals with the accounting for proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended.

The exposure draft proposes to prohibit deducting these proceeds from the cost of an item of property, plant, and equipment. Instead, a company should recognize the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The exposure draft does not contain an effective date, as the IASB does not intend to decide on a date until during the discussions. The IASB has concluded that earlier application would be permitted.

In reaction to the exposure draft, EFRAG published a statement on the IASB’s proposals. Based on that statement, EFRAG is predominantly supportive of the IASB proposals, but considers the explanation of terms (e.g. “test runs”) to be essential.

IFRS 8 “Operating Segments” published

On 29 March 2017, the IASB published Exposure Draft ED/2017/2, which contains clarifications for the following areas:

- Aggregation criteria for operating segments
- Disclosures required in reconciliation statements
- Definitions of the chief operating decision maker

Other novelties in the Exposure Draft ED/2017/2 relate to disclosures in the notes regarding identifying the chief operating decision maker, and providing an explanation of the reasons if the reportable segments in the financial statements differ from the segments in other part of the company’s reporting.

The background to the exposure draft was the finding, after the post-implementation review of IFRS 8, that overall the standard achieves its objective but that a number of issues could be considered for improvement.

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EU Endorsement

The following table contains standards and interpretations that have not yet been adopted by the EU and those that have been adopted since the last edition of novus IFRS (endorsement). These are based on the EU Endorsement Status Report issued by EFRAG on 6 July 2017.

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ESMA

ESMA issues report on the application of IFRS 13 “Fair Value Measurement”

On 12 July 2017, ESMA issued the report “Review of Fair Value Measurement in the IFRS financial statements”. The report presents the result of reviewing 78 IFRS financial statements in terms of their application of IFRS 13 “Fair Value Measurement” and the corresponding disclosures necessary for European issuers.

Based on the findings of the review by ESMA, IFRS 13 was generally applied appropriately in the financial statements of the issuers. At the same time, the report highlights the potential for improvement in the application of IFRS 13 and in the comparability thus sought.

The findings from the report are to contribute to the post-implementation review (PIR) of IFRS 13.

ESMA issues Q & A on the Guidelines on Alternative Performance Measures

On 27 January 2017, ESMA (European Securities and Markets Authority) published Questions and Answers (Q & A) on the Guidelines on Alternative Performance Measures issued in June 2015. Listed companies must observe these Guidelines in their financial reporting, in ad hoc notices and/or in prospectuses.

The purpose of the newly published Q & A is to promote uniform regulatory approaches and practice in the implementation of these Guidelines.

Note: The Q & A are available on the ESMA website.
ESMA – Enforcement decisions published

The national European enforcers audit the financial statements of companies with securities traded on a regulated market in Europe or in the process of admission to the market. The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) and reviewed to determine the extent to which they comply with the IFRSs and other applicable reporting requirements, including the authoritative national legal requirements.

The European Securities and Markets Authority (ESMA) has developed a confidential database of implementation decisions made by the individual European enforcers as a source of information in order to promote the appropriate application of IFRSs and thus provide companies using IFRS and their auditors with insights into the decision-making process of the European enforcers.

The following overview shows the most recent publications (the twentieth so far). The publications are available on the ESMA website.

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