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Assignment



IFRS 1: First-time Adoption of International Financial Reporting Standards.

Overview: Sets out the procedures when an entity adopts IFRS Standards for the first time as the basis for preparing its general purpose financial statements.

Selection of accounting policies: An entity that adopts IFRS Standards for the first time in its annual financial statements for the year ended 31 Dec 2019 would be required to select accounting policies based on IFRS Standards effective at 31 Dec 2019 (with the early application of any new IFRS Standard not yet mandatory being permitted).

Presentation of financial statements: The entity presents an opening statement of financial position that is prepared at 1 Jan 2018. That opening statement of financial position is entity's first IFRS financial statements. Therefore, at least, three statements of financial position are presented.

A first time adopter can report selected financial data on an IFRS basis for periods prior to 2018.

As long as they do not purport to be full financial statements, the opening IFRS statement of financial position would still be 1 Jan 2018.

. The opening statement of financial position, the financial statements for the 2019 financial year and the comparative information for 2018 are prepared as if the entity had always used the IFRS accounting policies it has selected - However, IFRS 1 contains some exceptions and relief from full retrospective application that an entity can elect to apply.

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Interpretations: None

Changes effective this year: None.

Pending changes: A proposal to simplify the first-time application of IFRS Standards by subsidiary will be included in the next Annual Improvements ED.

History: The original IFRS 1 was issued in 2003. It was restructured and this version was issued in 2008, effective for first IFRS financial statements for periods beginning on or after 1 July 2009.

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# IFRS 2: Share-based Payment.

Overview: Sets out the accounting for transactions in which an entity receives or acquires goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on price of its shares or other equity instruments.

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Share-based payments: All share-based payments transactions are recognised in the financial statements, using a fair value measurement basis.

An expense is recognised when the goods or services received are consumed (including transactions for which the entity cannot specifically identify some or all of the goods or services received).

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Fair value: Transactions in which goods or services are recieved are measured at the fair value of goods or services received. However, if the fair value of the goods or services can not be measured reliably, the fair value of equity instruments is used.

Transactions with employees and others providing similar services are measured at the fair value of the equity instruments granted, because it is typically not possible to estimate reliably the fair value of employee services received.

Fair value is defined as the "amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between

knowledgeable, willing parties in an arm's length transactions." 4
Because this definition differs from that in IFRS 13, the specific guidance in IFRS 2 is followed.

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Measurement date: The fair value of the equity instruments granted (such as transactions with employees) is estimated at grant date, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement.

The fair value of the goods or services received is estimated at the date of receipt of those goods or services.

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Equity-settled share based payments: Equity settled share-based payment transactions are recorded by recognising an increase in equity and the corresponding goods or services received at the measurement date.

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Cash-settled share based payments: A cash settled share based payment transaction is a share-based payment transaction in which the entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of equity instruments (including shares or share options) of the entity or another group entity.

Cash-settled share-based payment transactions are recorded by recognising a liability and the corresponding goods or services received at fair value at the

measurement date. Until the liability is settled, it is measured at the fair value at the end of each reporting period and at the end of settlement, with any changes in fair value recognised in profit or loss for the period.

Vesting conditions: IFRS 2 uses the notion of vesting conditions for service conditions and performance conditions only. If a condition does not meet the definition of these two types of conditions but nevertheless needs to be satisfied for the counterparty to become entitled to the equity instruments granted, this condition is called a non-vesting condition.

A service condition requires the counterparty to complete a specified period of service to the entity.

Performance conditions require the completion of a specified period of service and specified performance targets to be met that are defined by reference to the entity's own operations or activities (non-market conditions) or the price of the entity's equity instruments (market conditions). The period for achieving the performance target must not extend beyond the end of the service period.

When determining the grant date fair value of the equity instruments granted, the vesting conditions (other than market conditions) are not taken into account subsequently by adjusting the number of equity instruments included in the measurement of the transaction.

Market-based vesting conditions and non-vesting conditions are taken into account when estimating the fair value of the shares or options at the relevant measurement date, with no subsequent adjustments made in respect of such conditions.

Group transactions: IFRS 2 includes specific guidance on the accounting for share-based payment transactions among group entities.

Interpretations: None.

Changes effective this year: None.

Pending changes: None.

History: IFRS 2 was issued in 2004, effective for annual periods beginning on or after 1 Jan 2005. It was amended to incorporate the guidance contained in two related Interpretations (IFRIC 8 Scope of IFRS 2 and IFRC 11 IFRS 2 - Group and Treasury Share Transactions). The amendments applied for annual periods beginning on or after 1 Jan 2010.

# IFRS 3: Business Combinations

Overview: An acquirer of a business recognises the assets acquired and liabilities assumed at their acquisition-date fair values and discloses information that enables users to evaluate the nature and financial effects of the acquisition.

Business Combination: A business combination is a transaction or event in which an acquirer obtains control of one or more businesses.
A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants.

Recognition of assets and liabilities: The acquisition method is used for all business combinations.
The acquirer recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest (NCI) in the acquiree.
Intangible assets, including in-process research and development, acquired in a business combination are recognised separately from goodwill if they arise as a result of contractual or legal rights, or if they are separable from the business. In these circumstances the recognition criteria are always considered to be satisfied.

Measurement: Assets and liabilities are measured at their fair values at the date the entity obtains control of the acquiree. If the initial accounting for a

business combination can be determined only provisionally by the end of the first reporting period, the combination is accounted for using provisional values. Adjustments to provisional values relating to facts and circumstances that existed at the acquisition date are permitted within one year.

The acquirer can elect to measure the components of NCI in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in liquidation either at fair value or at the NCI's proportionate share of the net assets.

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<u>Contingent consideration</u>: Among the items recognised will be the acquisition-date fair value of contingent consideration. Changes to contingent consideration resulting from events after the acquisition date are recognised in profit or loss.

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<u>Goodwill and bargain purchases</u>: If the consideration transferred exceeds the net of the assets, liabilities and NCI, that excess is recognised as goodwill. If the consideration is lower than the net assets acquired, a bargain purchase is recognised in profit or loss.

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<u>Acquisition costs</u>: All acquisition-related costs (e.g finder's fees professional or consulting fees, costs of internal acquisition department) are recognised in profit or loss except for costs to issue debt or equity, which are recognised in accordance with IFRS 9 and IAS 32.

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<u>Business combinations achieved in stages</u>: If the acquirer increases an existing equity interest so as to achieve

control of the acquiree, the previously held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Other guidance: IFRS 3 includes guidance on business combinations achieved without the transfer of consideration, reverse acquisition identifying intangible assets acquired, un-replaced and voluntarily replaced share-based payment awards, pre-existing relationships between the acquirer and the acquiree (e.g reacquired rights); and the reassessment of the acquiree's contractual arrangements at the acquisition date.

Interpretations: None.

Changes effective this year: Amendments to clarify that, when an entity gets control of a joint operation that is a business, any previously held interest is remeasured. Those amendments are effective for annual periods beginning on or after 1 Jan 2019.

Pending changes: As a result of the PIR of IFRS 3 the Standard has been amended for a revised definition of a business. This amendment will be effective for annual periods beginning on or after 1 Jan 2020, with earlier application permitted.
In addition, the IASB currently has a project on business combinations under common control.

History: The IASB issued the original version of IFRS 3 in 2004, effective for periods beginning on or after 1 Jan 2005.

That version of IFRS 3 was replaced in 2008 by a version developed jointly with the FASB and applied to business combinations in periods beginning on or after 1 July 2009.

# IFRS 4 : Insurance Contracts

Overview: Prescribes the financial reporting for insurance contracts put in place pending the application of IFRS 17.

Recognition and measurement: This Standard applies to insurance contracts that an entity issues.
Insurers are exempted from applying the IASB Framework and some Standards.
Catastrophe reserves and equilization provisions are prohibited.
The Standard requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets.
Insurance liabilities may not offset against related reinsurance assets.
Accounting policy changes are restricted. Some disclosers are required.

Financial guarantees: Financial guarantee contracts are outside the scope of IFRS 4 unless the issuer had previously (prior to initial adoption of IFRS 4) asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts. In such circumstances, the issuer may elect to apply either IAS 32, IFRS 7 and IFRS 9 or IFRS 4, on a contract-by-contract basis. The election is irrevocable.

Interpretations: None.

Changes effective this year: None.

Pending changes: IFRS 4 will be superseded upon application of IFRS 17, which is effective for annual periods begining on or after 1 January 2021. Until IFRS 17 comes into effect, IFRS 4 provides special concessions in relation to the application of IFRS 9.

History: The IASB issued IFRS 4 in 2004 for inclusion in the original set of Standards effective for annual periods begining on and after 1 Jan 2005.

# IFRS 5 : Non-current Assets Held for Sale and Discontinued Operations.

Overview: Sets out the accounting for non-current assets held for sale and the presentation and disclosure of discontinued operations.

Non-current assets held for sale: Non-current assets are 'held for sale' either individually or as part of a disposal group when the entity has the intention to sell them, they are available for imediate sale and disposal within 12 months is highly probable.

A disposal group is a group of assets to be disposed off in a single transaction, including any related liabilities that will also be transfered.

Assets and liabilities of a subsidiary are classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether, the entity will retain a non-controlling interest after the sale.

IFRS 5 applies to a non-current asset (or disposal group that is classified as held for distribution to owners.

Discontinued operations: A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale. It must represent a seperate major line of business or major geographical area of operations, be part of single coordinated plan to dispose of a major line of business or geographical area of operations.

**Measurement:** Non-current assets 'held for sale' are measured at the lower of the carrying amount and fair value less costs to sell (or cost to distribute). The non-current assets are no longer depreciated.
Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the assets and liabilities in the group are measured in accordance with applicable IFRS Standards.

**Statement of comprehensive income:** When there are discontinued operations, the statement of comprehensive income is divided into continuing and discontinued operations.
The sum of the post-tax profit or loss from discontinued operations for the period and the post-tax gain or loss arising on the disposal of discontinued operations (or on their reclassification as held for sale) is presented as a single amount.

**Statement of financial position:** Non-current assets, and the assets and liabilities in a disposal group, are presented seperately in the statement of financial position.

**Relationship with other Standards:** IFRS 5 has its own disclosure requirements. Consequently, disclosures in other Standards do not apply to such assets (or disposal groups) unless those Standards specifically require disclosures or the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of the measurement requirements of IFRS 5.

Interpretations: None.

Changes effective this year: None.

Pending changes: The IASB has announced that it plans to undertake a PIR of IFRS 5.

History: The IASB adopted the 1998 version of IAS 35 Discontinuing Operations as part of its original set of Standards. The IASB replaced IAS 35 with IFRS 5 in 2004, for annual periods beginning on or after 1 Jan 2005.

# IFRS 6: Exploration for and Evaluation of Mineral Resources.

Overview: Prescribes the financial reporting for the exploration for and evaluation of mineral resources until the IASB completes a comprehensive project in this area.

Continued use of existing policies: An entity can continue to use its existing accounting policies provided that they result in information that is reliable and is relevant to the economic decision-making needs of users. It does not require or prohibit any specific accounting policies for the recognition and measurement of exploration and evaluation assets.
The Standard gives a temporary exemption from applying IAS 8: 11-12 - which specify a hierarchy of sources of authoritative guidance in the absence of a specific IFRS Standard

Impairment: Exploration and evaluation assets must be assessed for impairment when there is an indication that their carrying amount exceeds their recoverable amount. Exploration and evaluation assets must also be tested for impairment before they are reclassified as development assets.
IFRS 6 allows impairment to be assessed at a level higher than the 'cash-generating unit' under IAS 36, but requires measurement of the impairment in accordance with IAS 36 once it is assessed.

Disclosure: IFRS 6 requires disclosure of information that identifies and explains amounts arising from exploration and evaluation of mineral resources.

Interpretations: None

Changes effective this year: None.

Pending changes: In 2018, the IASB started a project on Extractive Activities with the objective of replacing IFRS 6. This is a long-term project.

History: Issued for annual periods beginning on or after 1 Jan 2006.

# IFRS 7: Financial Instruments : Disclosures.

Overview: Prescribes disclosures to help the primary users of the financial statements evaluate the significance of financial instruments to the entity, the nature and extent of their risks and how the entity manages those risks.

Significance of financial instruments: Requires disclosure of information about the significance of financial instruments to an entity's financial position and performance, including its accounting policies and application of hedge accounting.

Financial position: Entities must disclose information about financial assets and financial liabilities by category; special disclosures when the fair value option or fair value through OCI option is used; reclassifications; offsetting of financial assets and liabilities; collateral; allowance accounts; compound financial instruments with embedded derivatives; defaults and breaches and transfers of financial assets.

Financial performance: Information must be disclosed about financial instruments-related recognised income, expenses, gains and losses; interest income and expense; fee income; and impairment losses.

Other disclosures: The significant accounting policies on financial instruments must be disclosed. When hedge accounting is applied, extensive information about risk management strategy,

the amount, timing and uncertainity of future cash flows and the effects of hedge accounting on financial position and performance must be disclosed. This information is required regardless of whether an entity has applied hedge accounting in accordance with IAS 39 or IFRS 9. Fair values must be disclosed for each class of financial instrument and IFRS 13 also requires information to be disclosed about the fair values.

Risk: Entities must disclose the nature and extent of risks arising from financial instruments. This includes qualitative information about exposures to each class of risk and how those risks are managed. are required for credit risk to assess expected credit losses. This includes reconcillations of the loss allowance and gross carrying amounts and information about credit quality. Additional disclosure requirements relate to liquidity risk and market risk.

Interpretations: None.

Changes effective this year: None.

Pending changes: None.

History: The IASB adopted the 1990 version of IAS 30 as part of the original set of standards effective for periods beginning on or after 1 Jan 2005.
IFRS 7 replaced IAS 30 & brought together all financial statements disclosures creating general financial instrument disclosure Standard for annual periods beginning on or after 1 Jan 2007.

# IFRS 8 : Operating Segments

Overview : Require entities to disclose segmental information that is consistent with how its reported internally to the chief operating decision maker.

Scope : This standard applies only to entities with dept or equity instruments traded in a public market or is in the process of issuing instruments in public market.

Operating segments : An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

Generally, seperate information is required if the revenue, profit or loss, or assets of a segment are 10% or more of the equivalent total for all of the operating segments.
Atleast 75% of the entity's revenue must be included in reportable segments.

Disclosure : A measure of profit or loss and a measure of total assets and liabilities must be presented for each reportable segment. Additional measures such as revenue from external customers, interest revenue and expense, depreciation and amortisation expense and tax is required to be presented if they are included in the measure of profit or loss reviewed by the chief operating decision maker or provided to them seperately.

The segment information need not be be prepared in conformity with the accounting policies adopted for the entity's financial statements.

Entity-wide disclosures: Some entity-wide disclosures are required even when an entity has only one reportable segment. These include information about each product and service or groups of products and services, geographical areas, major customers (10 % or more of the entity's revenue) and judgements made by management in applying the aggregation criteria for operating segments.
Analysis of revenues and some non-current assets by geographical area are required from all entities - with an expanded requirement to disclose revenues/non-current assets by individual foreign country (if material), irrespective of how the entity is organised.

Reconciliation: A reconciliation of the total assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision maker.

Interpretations: None.

Changes effective this year: None.

Pending changes: None. The IASB completed its PIR of IFRS 8 in 2018 and decided that the Standard is operating as intended.

## History:



The IASB adopted the 1997 version of IAS 14 Segment Reporting as part of the original set of Standards effective for periods beginning on or after 1 January 2005.
IAS 14 was replaced by IFRS 8 in 2006, for annual periods beginning on or after 1 January 2009.

# IFRS 9 : Financial Instruments.

Overview: Set out requirements for recognition and measurement of financial instruments, including impairment, derecognition and general hedge accounting.

Initial measurement: All finicial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs.

Equity investments: Equity investments held are measured at fair value. Changes in the fair value are recognised in profit or loss (FVTPL). However, if an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to recognise the fair value changes in OCI (FVTOCI) with only dividend income recognised in profit or loss. There is no reclassification to profit or loss on disposal.
The impairment requirements do not apply to equity instruments.

Classification of financial assets: Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flows test) are classified according to the objective of the business model of the entity. If the objective is to hold the financial assets to collect the contractual cash flows, they are measured at amortised cost, unless the entity applies the fair value option. Interest

revenue is calculated by applying the effective interest rate to the immortised cost (which is the gross carrying amount minus any loss allowance) for credit-impaired financial assets while for all other instruments, it is calculated based on the gross carrying amount.

Fair value option : An entity may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial liabilities : Financial liabilities held for trading are measured at FVTPL.

All other financial liabilities are measured at amortised cost unless the fair value option is applied. The fair value option can be elected at initial recognition if doing so eleminates or significantly reduces an accounting mismatch. In addition, financial liabilities can be designation as at FVTPL if a group of financial instruments is managed on a fair value basis or if the designation is made in relation to embeded derivatives that would otherwise be de bifurcated from the liability host.

Changes in fair value attributable to changes in credit risk of the liability designated as at FVTPL are presented in OCI (and there is no reclassification to profit or loss).

**Derivatives:** All derivatives in the scope of IFRS 9, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

**Embedded derivatives:** The contractual cash flows of a financial asset are assessed in their entirety, including those of an embedded derivative that is not closely related to its host. The financial asset as a whole is measured at FVTPL if the contractual cash flow characteristics test is not passed.

For financial liabilities, an embedded derivative not closely related to its host is accounted for seperately at fair value in the case of financial liabilities not designated at FVTPL.

For other non-financial asset host contracts, an embedded derivative not closely related to its host is accounted for seperately at fair value.

**Hedge accounting:** The hedge accounting requirements in IFRS 9 are optional. If the eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on hedging instruments with losses or gains on the risk exposures they hedge.

There are three types of hedging relationships: (i) fair value hedge (ii) cash flow hedge (iii) hedge of a net investment in foreign operation.

A hedging relationship qualifies for hedge accounting only if the hedging relationship is formally designated and documented at inception and the hedging relationship is effective.

To be effective there must be an economic relationship b/w the hedged item and the hedging instrument, the effect of credit risk must not dominate the value changes that result from that economic relationship must be the same as that actually used in the economic hedge.

Impairment: The impairment model in IFRS 9 is based on expected credit losses. It applies to financial assets measured at amortised cost or FVTOCI, lease receivables, contract assets within the scope of IFRS 15 and specified written loan commitments (unless measured at FVTPL) and financial guarantee contracts (unless they are contacted for in accordance with IFRS 4 or IFRS 17).

Expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses. If the credit risk has increased significantly since initial recognition of the financial instrument, full lifetime expected credit losses are recognised. This is equally true for credit-impaired financial assets for which interest income is based on amortised cost rather than gross carrying amount.

IFRS 9 requires expected credit losses to reflect an unbiased and probability-weighted amount, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Interpretations: IFRIC 6 Hedges of a Net Investment in a Foreign Operation clarifies that the presentation currency does not create an exposure to which an entity may apply hedge accounting. A parent entity may designate as a hedge accounting risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

The hedging instruments can be held by any entity within the group as long as the designation, effectiveness and documentation requirements are satisfied.

On derecognition of a foreign operation, IFRS 9 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, while IAS 21 must be applied in respect of the hedged item.

Changes effective this year: An amendment to IFRS 9 that extends the measurement at amortised cost to some prepayable financial assets with so-called negative compensation is effective for annual periods beginning on or after 1 Jan 2019.

Pending changes: A proposal to clarify which fees and costs to include when assessing derecognition (the '10% test') will be included in the next Annual Improvements ED.

IFRS 9 did not replace the requirements for portfolio fair value hedge accounting for interest rate risk. The IASB is continuing to work on that project.

History: Issued in July 2014, IFRS 9 is the replacement of IAS 39 Financial Instruments: Recognition and Measurement. The IASB developed IFRS 9 in phases, adding to the Standard as it completed each phase.
The version of IFRS 9 issued in 2014 superseded all previous versions and became effective for annual periods beginning on or after 1 Jan 2018.

## IFRS 10: Consolidation Financial Statements.

Overview: Sets out the requirements for determining whether an entity (a parent) controls another entity (a subsidiary).

Control: An investor controls an investee when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.
An investor has power when it has existing rights that give it the current ability to direct the relevant activities of the investee - the activities that significantly affect the investee's returns.
Sometimes assessing power is straightforward, such as when power over an investee is obtained directly and solely from the voting rights granted by equity instruments such as shares, and can be assessed by considering the voting rights from those shareholdings. It is possible to have control with less than half the voting rights (refered to as de-facto control).
In other cases, the assessment will be more complex and require more than one factor to be considered, for example

when power results from one or more contractual arrangements.
The Standard includes guidance on distinguishing between rights that give the holder power and rights that are intended to protect the investor's interest in the entity. Protective rights might include a right to vote on major transactions such as significant asset purchases or to approve borrowings above a specific level. Distinguishing between rights that give power and rights that are protective requires an understanding of the relevant activities of the entity.
Sometimes an entity will delegate its power to an agent. The Standard emphasises the importance of identifying when a party that appears to have control over an entity is only exercising power as an agent of principal.

Consolidated financial statements:
When a parent-subsidiary relationship exists, consolidated financial statements are required. These are financial statements of a group (parent and subsidiaries) presented as those of a single economic entity.
There are two exceptions to this requirement. If, on acquisition, a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5, it is accounted for under that Standard. The other exception is for investment entities.

Investment entities: An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services; commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation

investment income, or both; and measures and evaluates the performance of substantially all of its investments on a fair value basis is an investment entity.

An investment entity does not consolidate its subsidiaries. Instead it measures the investment at fair value through profit or loss in accordance with IFRS 9.

Consolidation procedures: Intragroup balances, transactions, income and expenses are eliminated.

All entities in the group use the same accounting policies and, if practicable, the same reporting date.

Non-controlling interests (NCI) are reported in equity seperately from the equity of the owners of the parent. Total comprehensive income is allocated between NCI and the owners of the parent even if this results in the NCI having a deficit balance.

Changes in the ownership interest: A change in the ownership interest of a subsidiary, when control is retained, is accounted for as an equity transaction and no gain or loss is recognised.

Partial disposal of an investment in a subsidiary that results in loss of control triggers remeasurement of the residual holding to fair value at the date control is lost. Any difference between fair value and carrying amount is gain or loss on the disposal, recognised in profit or loss.

Interpretations: None

Changes effective this year: None

Pending changes: Amendments issued is Sep 2014 were intended to clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed are a business. The IASB decided in Dec 2015 to defer indefinitely the effective date of the amendments, although entities may elect to apply them.

The IASB will undertake a PIR of IFRS 10.

History: The IASB included IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries in the set of improved Standards effective for annual periods beginning on or after 1 Jan 2005. IFRS 10 replaced most of IAS 27 and was effective for annual periods beginning on or after 1 Jan 2013. For periods beginning on or after 1 Jan 2014 an exemption from consolidating investment entities was introduced.

## IFRS 11: Joint Arrangements.

Overview: sets out principles for identifying whether an entity has a joint arrangements, and if it does whether it is a joint venture or joint operation.

Definitions: A joint arrangement is one in which two or more parties have joint control over activities.

A joint venture is a joint arrangement in which the ventures have rights to the net assets of the venture.

A joint operation is a joint arrangement in which the each joint operator has rights to assets and obligations for the liabilities of the operation.
The distinction between a joint operation and a joint venture requires assessment of the structure of the joint arrangement, the legal form of any seperate vehicle, the terms of the contractual arrangement and any other relevant facts and circumstances.

Accounting: A joint venturer applies the equity method, as described in IAS 28, except joint ventures where the investor is a venture capital firm, mutual fund or unit trust, and it elects or is required to measure such investments at fair value through profit or loss in accordance with IFRS 9.
A joint operator accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRS applicable to the particular asset, liabilities, revenue and expenses.
The acquisition of an interest in a joint operation in which the activity constitutes a business should be accounted for using the principles of IFRS 3.

Interpretations: None.

Changes effective this year: Amendments to clarify that when an entity obtains joint control of a joint operation that is a business, any previously held interest in that operation is not remeasured are effective for annual periods

beginning on or after 1 Jan 2019.

Pending changes: The IASB will undertake a PIR of IFRS 11.

History: The IASB included IAS 31 Interests in Joint Ventures in the set of improved standards effective for annual periods beginning on or after 1 Jan 2005.
IFRS 11 replaced IAS 31 and was effective for annual periods beginning on or after 1 Jan 2013.

## IFRS 12: Disclosure of Interest in Other Entities:

Overview: Requires an entity to disclose information to help users of its financial statements evaluate the nature of, and risk associated with, its interests in other entities as well as the effects of those interests on its financial position, financial performance and cash flows.

Judgement: Significant judgements and assumptions such as how control, joint control and significant influence has been determined.

Subsidiaries: Details of the structure of the group, the risk associated with consolidated entities such as restrictions on the use of assets and settlement of liabilities.
Some summarised financial information is required to be presented for each subsidiary that has non-controlling interests that are material to the group.

Joint arrangements and associates: Details of the nature, extent and financial effects of interests in joint arrangements and

associates.



The name and summarized financial information is required for each subsidiary that has non-controlling interests that are material to the group.

Structured entities: The nature and extent of interests in structured entities, particularly the extent of potential support the parent might be required to provide.

Investment entities: Information about significant judgements and assumptions it has made in determining that it is an investment entity, and information when an entity becomes, or ceases to be, an investment entity.

Interpretations: None.

Changes effective this year: None.

Pending changes: The IASB will undertake a PIR of IFRS 12.

History: Issued for annual periods beginning on or after 1 Jan 2013, as part of the package of Standards revising control (consolidation) and joint control (joint arrangements).

# IFRS 13: Fair value Measurement.

Overview: Defines fair value and provides guidance, how to estimate it and the required disclosures about fair value measurements.

Fair value: Fair value is the price that would be recieved to sell an asset or paid to transfer a liability in an orderly transaction between market participants, under current market conditions.

Fair value hierarchy: When an entity estimates fair value, the estimate is classified on the basis of the nature of the inputs the entity has used.
Level 1 inputs are quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.
Level 2 inputs are those other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 2 inputs include quoted prices for similar assets and interest rates and yield curves observable at commonly quoted intervals.
Level 3 inputs are unobservable for the assets or liability.
Examples include an entity using its own data for forecast the cash flows of a cash-generating unit (CGU) or estimating future votality on the basis of historical volatility.
Entities are required to use valuation techniques that maximise the use of relevant observable inputs and minimize the use of unobservable inputs. However, the objective of estimating the exit price at the measurement date remains the same regardless of the extent to which unobservable inputs are used.

Disclosure: This disclosures depend on the nature of the fair value measurement (e.g whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.
The disclosure requirements are most extensive when level 3 inputs are used, including sensitivity analysis.

Interpretations: None.

Changes effective this year: None.

Pending changes: None. The IASB completed its post-implementation review of IFRS 13 in 2018 and decided that the Standard is operating as intended.

History: Issued for annual periods beginning on or after 1 Jan 2013. It was developed to be aligned with FASB's equivalent guidance.

## IFRS 14: Regulatory Deferral Accounts.

Overview: The Standard permits an entity that adopts IFRS Standards after IFRS 14 was issued to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP.
IFRS 14 was issued as a temporary solution pending a more comprehensive review of rate regulation by the IASB.

Regulatory deferral account balances: Regulatory deferral account balances relate to the provision of goods or services to customers at a price or rate that is subject to rate regulation. Regulatory deferral account balances are presented seperately in the statement of financial position and movements in these account balances must also be presented seperately in the statement of profit or loss and other comprehensive income. Specific disclosures are also required.
The requirements of other IFRS Standard are required to be applied to regulatory deferral account balances, subject to specific exceptions, exemptions and additional requirements as noted in the Standard.

Interpretations: None.

Changes effective this year: None.

Pending changes: The IASB is developing a new accounting model to give users of financial statements better information about a company's incremental rights and obligations arising from its rate-regulated activities, with the objective of either publishing a second Discussion Paper or an Exposure Draft.

History: Issued to be available for the first annual IFRS financial statements beginning on or after 1 Jan 2016 with earlier application permitted.

# IFRS 15: Revenue from Contracts with Customers.

Overview: Prescribes the accounting for revenue from sales of goods and rendering of services to a customer.
The Standard applies only to revenue that arises from a contract with a customer. Other revenue such as from a contract with a customer - Other revenue such as from dividends recieved would be recognised in accordance with other Standards.

Contract with a customer: A contract with customer is within the scope of this Standard when it has commercial substance, the parties have approved it, the rights of the parties regarding the goods or services to be transferred and the payment terms can be identified, the parties are committed to perform their obligations and enforce their rights and it is probable that the entity will collect the consideration to which its entitled.

Core Principle: The standard uses a controlled model.
An entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Five Steps: The Standard sets out five steps an entity applies to meet the core principle.
Step #1: Identify the contract with a customer. It is the contract that creates enforceable rights and obligations b/w the entity and its customer.

Step 2: Identify the performance obligations in the contract. Each promise to transfer to a customer a good or service that is distinct is a performance obligation and is accounted for seperately.

Step 3: Determine the transaction price. The transaction price is the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to the customer. It could be fixed or variable amount or in form of other cash. The transaction price is adjusted for the effects of the time value of money if the contract includes a significant financing component.

Step 4: Allocate the transaction price to the performance obligations in the contract. The transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or services promised in the contract. If stand-alone selling price is not observable, an entity estimates it.

Step 5: Recognise revenue when the entity satisfies a performance obligation. Revenue is recognized when the performance obligation is satisfied & the customer obtains control of that good or service.

Application guidance: The Standard includes application guidance for specific transactions such as performance obligations satisfied over time, methods for measuring progress of

performance obligations, sales with right of return, warranties, principal versus agent considerations, customer options for additional goods or services, non-refundable upfront fees, bill and hold arrangements & customer unexercised rights, licensing, repurchase agreements, consignment arrangements and customer acceptance.

The Standard also includes guidance on variable consideration & time value of money & specific disclosure requirements.

Interpretations: None.

Changes effective this year: None.

Pending Changes: None.

History: Issued in 2014 for annual periods beginning on or after 1 January 2018, IFRS 15 replaced IAS 11 Construction Contracts and IAS 18 Revenue and related Interpretations, including IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

Some clarifications were issued in April 2016, with the same effective date.

# IFRS-16 : Leases.

Overview: Set out the recognition, measurement, presentation and disclosure requirements for leases.

A lessee recognises a leased asset and lease obligation for all leases. lessors continue to distinguish between operating and finance leases.

Summary: A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed when the customer has right to direct the identified asset use and to obtain substantially its economic benefits from that use.

Accounting by a lessee: The Standard has a single lessee accounting model, requiring lessees to recognise a right-of-use assets and a lease liability. The right-of-use asset is measured initially at the amount of the lease liability plus any initial direct costs incurred by the lessee.

After lease commencement, the right-of-use asset is accounted for in accordance with IAS 16.

When lease payments are variable the lessee does not include those when measuring the right-of-use asset and the lease liability, but instead recognises the amount payable as they fall due. The exception is variable payments that depend on an index or a rate, which are included in the initial measurement of a lease liability & the right-of-use asset.

There are optional recognition exemptions when the lease term is 12 months or less or when the the underlying asset has a low value when new. If applied, the lease payments are recognised on a basic that represents the pattern of the lessee's benefit [Eg straight-line over the lease term].

Accounting by a lessor: If IFRS 16 approach to lessor accounting is substantially unchanged from its predecessor, IAS 17.

Lessore classify each lease as an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an undying asset. Otherwise a lease is classified as an operating lease.

A lessor recognises assets held under a finance lease as a receivable at an amount equal to the net investment in the lease upon lease commencement.

For sale & leaseback transactions, the seller is required to determine whether the transfer of an asset is a sale by applying the requirements of IFRS 15. If it is a sale, the seller measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right of use

retained. As a result, the seller only recognises the amount of gain or loss that relates to the rights transferred to the buyer.

Interpretations: None.

Changes effective this year: This is a new Standard. It replaces IAS 17 Leases and related Interpretations, including IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Pending changes: The IASB is planning to include an amendment to an Illustrative Example in IFRS 16 in the next Annual Improvement Cycle. The example relates to lease incentives.

History: Issued in 2016 and effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. It was developed with the FASB, but the IASB and FASB diverged on some aspects of their new standards.

# IFRS 17: Insurance Contracts.



Overview: Establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

Insurance and reinsurance contracts:

IFRS 17 specifies how an entity recognises, measures, presents and discloses insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

An insurance contract is one in which the issuer accepts significant insurance risk by agreeing to compensate the policy holder for the insured event.

A reinsurance contract is an insurance contract issued by the reinsurer to compensate another entity for claims arising from one or more insurance contracts it holds as an issuer.

Aggregation of insurance contracts:

An entity must identify portfolios of insurance contracts, being those contracts that have similar risks and are managed together, such as within a product line.

Each portfolio is divided into groups of insurance contracts on the basis of, at a minimum, those that

at initial recognition are onerous, have no significant possibility of becoming onerous subsequently or do not fall into either category.

Recognition: A group of insurance contracts is recognised from the earlier of the beginning of its coverage period or the date when the first payment from a policyholder in the group becomes due, or for a group of onerous contracts, when the group becomes onerous.

Initial Measurement: On initial recognition, an entity measured a group of insurance contracts at the total of the group's fulfilment cash flows (FCF) and the contractual service margin (CSM).

The FCF comprises an estimate of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows and an adjustment for non-financial risk.

The CSM is the unearned revenue of the group of insurance contracts that the entity will recognise as it provides services in the future. It is measured on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from the initial recognition of the FCF, the derecognition at the date of any asset or

liability recognised for insurance acquisition cash flows and any cash flows arising from the contracts in the group at that date.

Subsequent Measurement: The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.
The CSM is adjusted at the end of each reporting period to reflect the profit on group of insurance contracts that relates to the future service to be provided.
For groups of contracts with a coverage period of less than one year, or where it is reasonably expected to produce a liability measurement that would not differ materially from the general approach under IFRS 17, a simplified Premium Allocation Approach can be applied.
Specific measurement requirements apply to onerous insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

Presentation in the statement of financial performance:
Amounts recognised in the statement of financial

performance are disaggregated into an insurance service result and insurance finance income or expenses.

Insurance finance income or expenses reflects changes from the effect of the time value of money and financial risk. Entities can choose to present all insurance finance income or expenses in profit or loss only an amount determined by systematic allocation of the expected total insurance finance income or expenses over the duration of a group of contracts. If the latter option is taken, the remaining insurance finance income or expense is presented in other comprehensive income.

Presentation in the statement of financial position:
Seperate presentation is required of insurance and reinsurance contracts issued, further seperated into those that are assets and those that are liabilities.

Disclosure: Quantitative and qualitative information is required about the amounts recognised in the financial statements that arise from insurance contracts, the significant judgements, and changes in those judgements, made when applying IFRS 17 and the nature and extent of risks arising from insurance contracts.

Pending Changes: The IASB is discussing stakeholder concerns and implementation challenges raised since IFRS 17 was issued and is considering whether there is need to amend the Standard. This includes the effective date of the Standard.

History: Issued in 2017, it's effective for annual periods beginning on or after 1 January 2021, and replaces IFRS 4 Insurance Contracts. Earlier application is permitted