

Hot topics: IFRS Interpretation Committee

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World
Standard-setters
Conference
2019

#WSS_2019

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Agenda

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Overview

Recent agenda decisions

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Appendix: Resources



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Overview



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Why we support consistent application

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Objective in supporting the Standards

We...

help stakeholders obtain a **common understanding** of the requirements - ie what they are aiming for

In order to...

support **consistent application** of IFRS Standards

Because it...

protects IFRS Standards as a single set of **global Standards** for the benefit of users of financial statements



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Our role versus the role of others

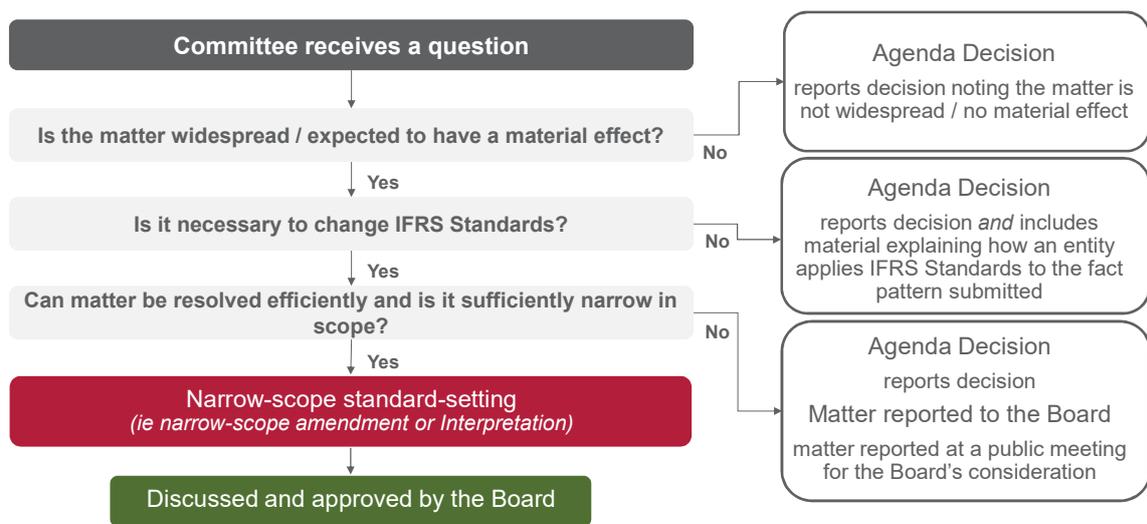
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The Committee's process

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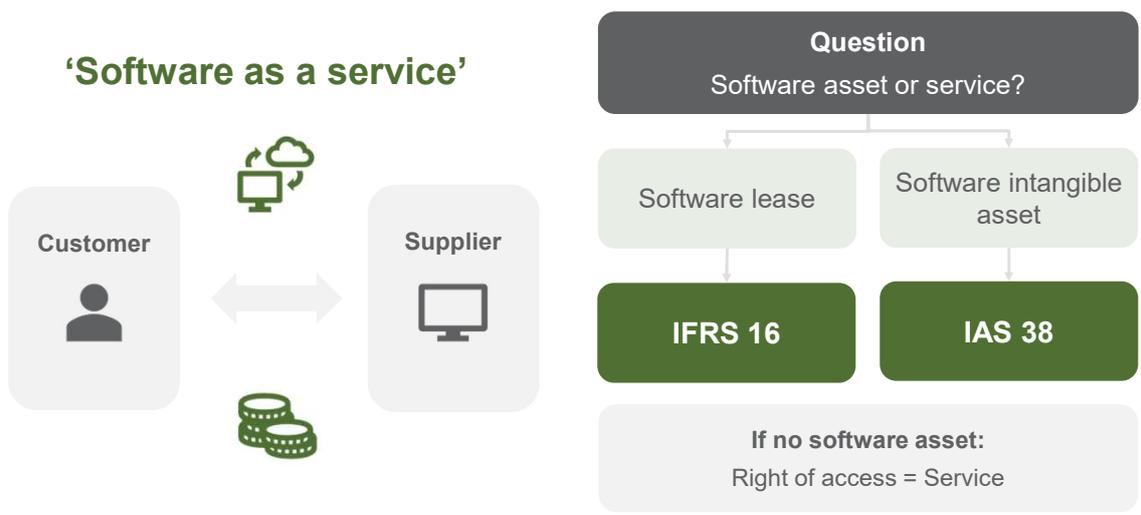
Recent agenda decisions



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Cloud computing arrangements (IAS 38)

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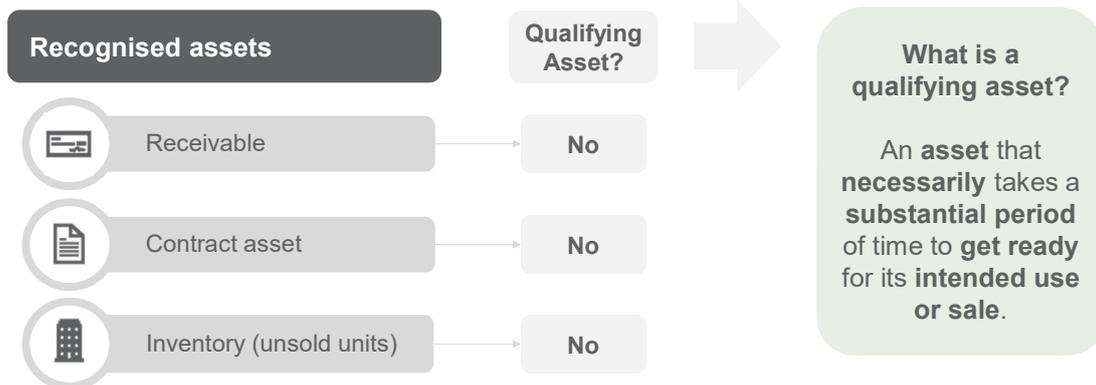


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Over time transfer of constructed good (IAS 23)

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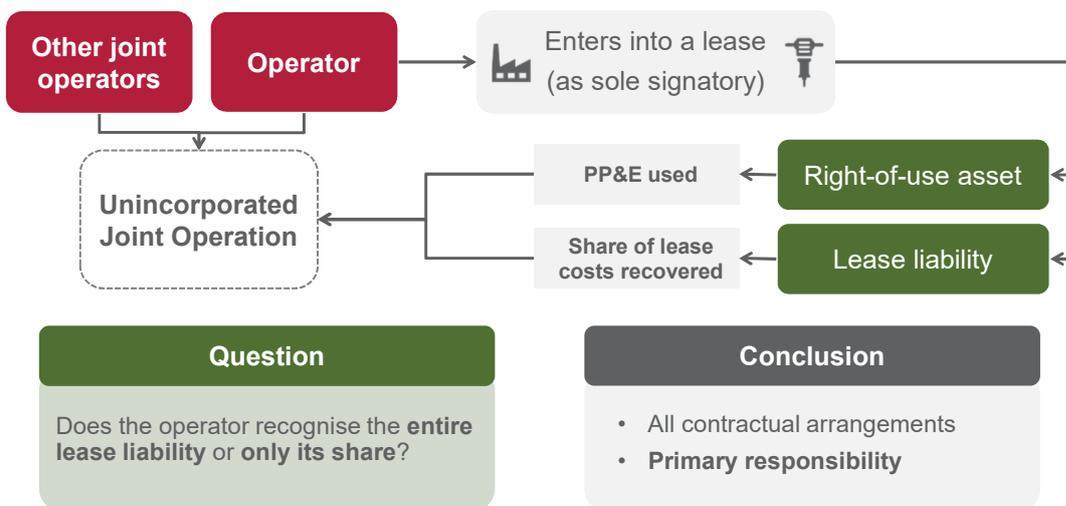
Does an entity capitalise borrowing costs in relation to construction of residential real estate units transferred to the customer over time?



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Lease liabilities in joint operations (IFRS 11)

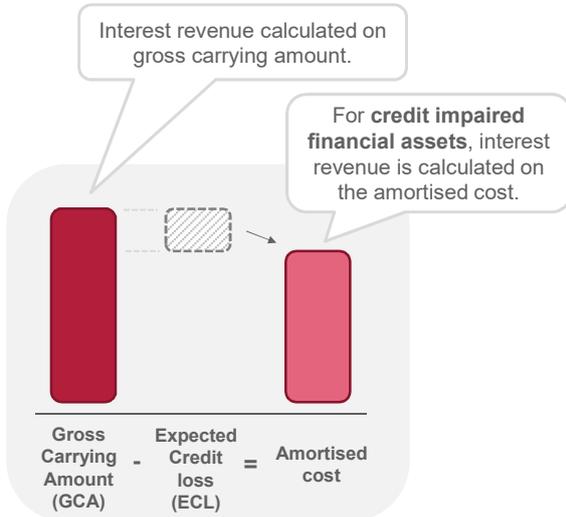
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Curing of a credit-impaired financial asset (IFRS 9)

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A credit-impaired financial asset subsequently cures (ie paid in full or no longer credit-impaired)

$$\text{Interest (GCA)} - \text{Interest (Amortised cost)} = \text{Difference when curing}$$

Question

How should an entity present the difference?

Interest revenue

x

or

Reversal of impairment loss

✓

IFRS

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Physical settlement of contracts to buy or sell a non-financial item (IFRS 9)

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Contracts fail the own-use scope exception in IFRS 9

Accounted for as derivatives at FVPL

Example of fact pattern (purchase)

- Contract to buy a commodity in the future for CU100.
- On settlement, FV of the derivative is (CU10).



Question

Should an entity reverse the loss of CU10 from the derivative liability on physical settlement?

Inventory

Cash paid
+
Settlement of derivative

Revenue

Cash received
+
Settlement of derivative

No reversal of FV gains or losses on derivative

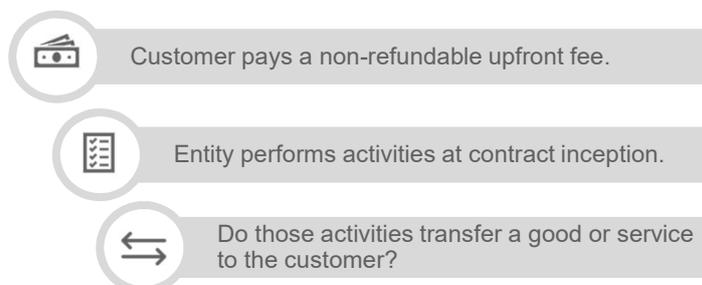
IFRS

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Assessment of promised goods or services (IFRS 15)

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Does a contract include an initial service that is separate from the ongoing service promised in the contract?



Fact pattern in the request

Stock exchange charges:
Non-refundable upfront fee
and an **ongoing listing fee**.

Undertakes activities to **enable admission to the exchange**.

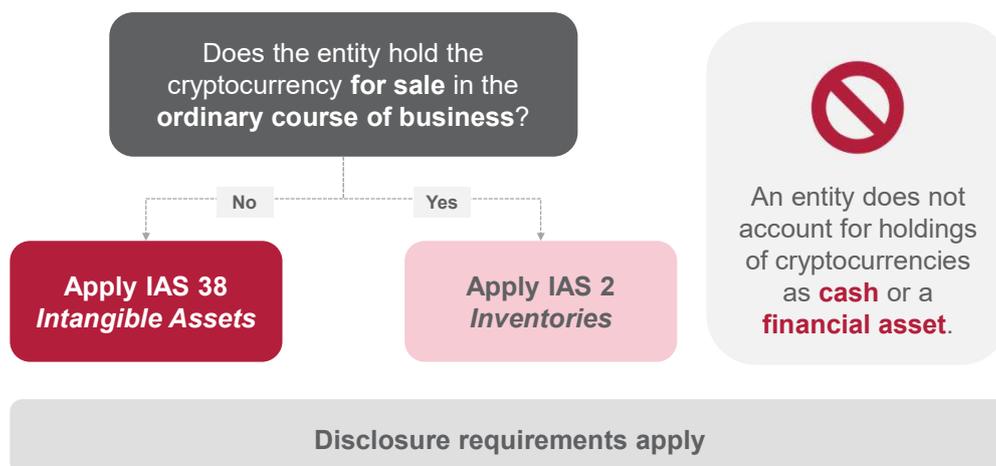
Conclusion: Stock exchange does not promise to transfer any service other than the service of being listed on the exchange.



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Holdings of cryptocurrencies

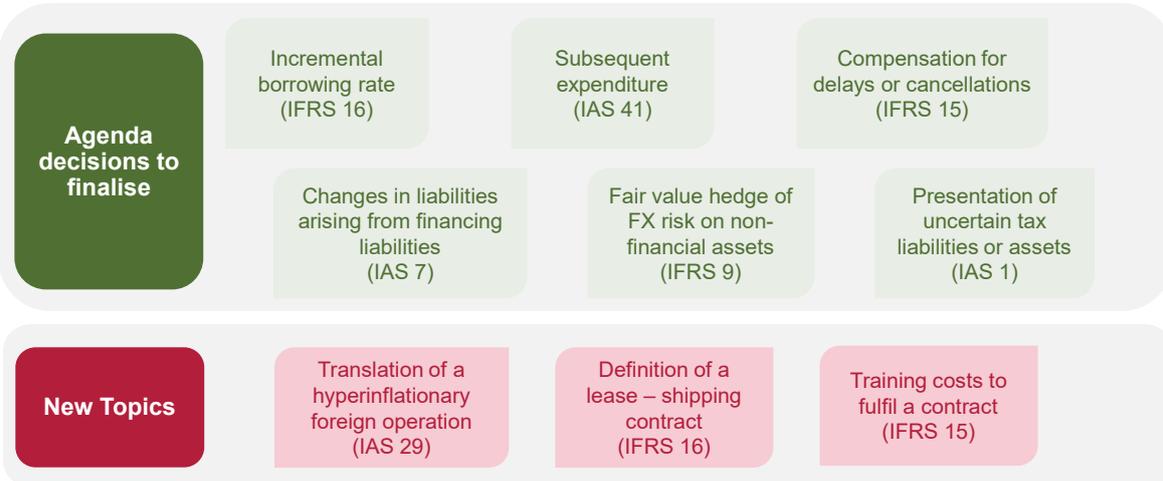
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Committee's September meeting

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Note: The Committee will discuss the tentative agenda decision on 'Lease term on cancellable leases (IFRS 16)' at its November 2019 meeting.



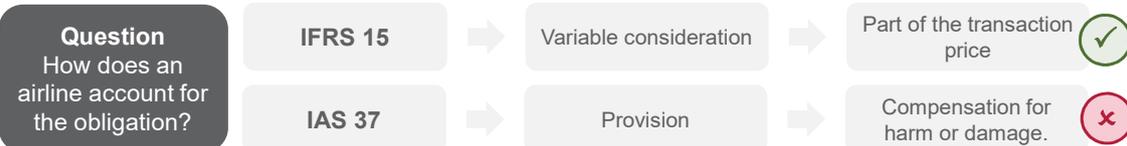
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Compensation for delays or cancellations (IFRS 15)

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Airline's obligation to compensate customers for delayed or cancelled flights

Summary of the fact pattern



Conclusion: The compensation relates to the entity's promise to transport the customer from one specified location to another within a specified time period after the scheduled flight time. Therefore, the compensation gives rise to **variable consideration**.

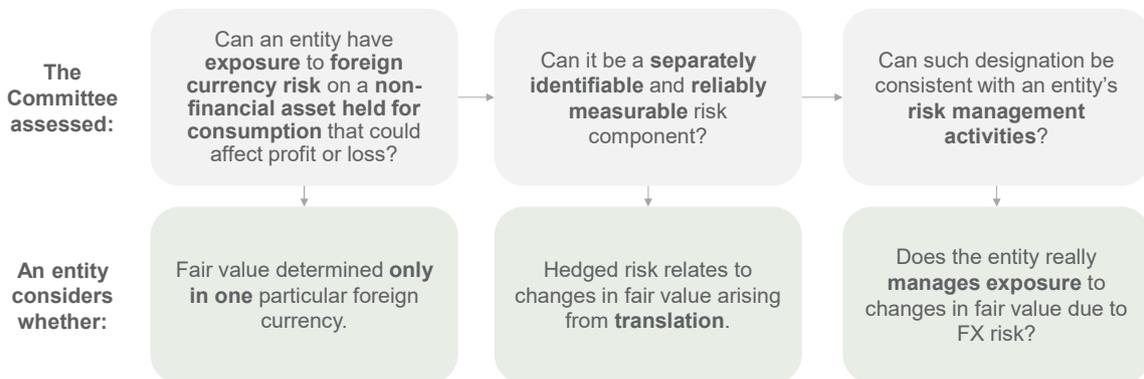


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Fair value hedge of FX risk on non-financial assets (IFRS 9)

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Fair value hedge of FX risk on non-financial assets held for consumption



Also consider all other applicable requirements in IFRS 9, including those related to the **designation of hedging instruments** and **hedge effectiveness**.

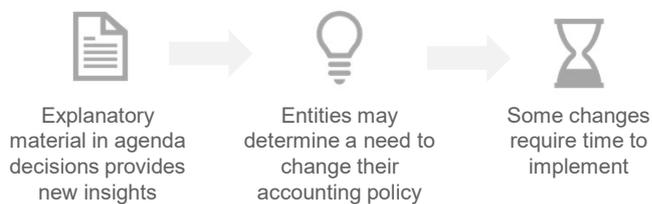


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Sufficient time for implementing agenda decisions

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Agenda decisions provide new insights



Board's view

The Board expects companies to be entitled to sufficient time to implement changes in accounting policy that result from an agenda decision.

How the Board is trying to help?

New rubric in IFRIC Update

Feature: Agenda decisions—time is of the essence

More information on our website: [ifrs.org](https://www.ifrs.org)



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Narrow-scope amendments

Onerous Contracts—Costs of Fulfilling a Contract

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Identified problem

Diverse views on which costs to include in the cost of fulfilling a contract when assessing whether a contract is onerous.

Exposure Draft *Onerous Contracts—Cost of Fulfilling a Contract* (Proposed amendments to IAS 37)

Proposals



1. Specify that when assessing whether a contract is onerous, the cost of fulfilling the contract includes both:

- ✓ the **incremental costs**; and
- ✓ an **allocation of other costs** that relate directly to contract activities.



2. Include **examples** of costs that relate and do not relate directly to a contract.

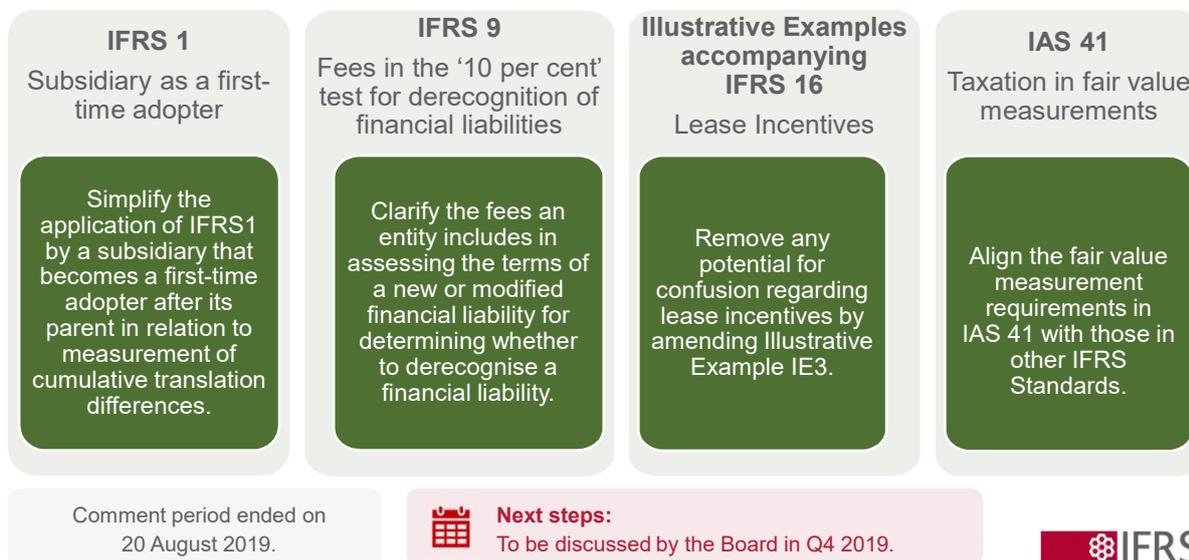
Next steps



- To be discussed by the Board in September 2019.

Annual Improvements to IFRS Standards 2018 – 2020

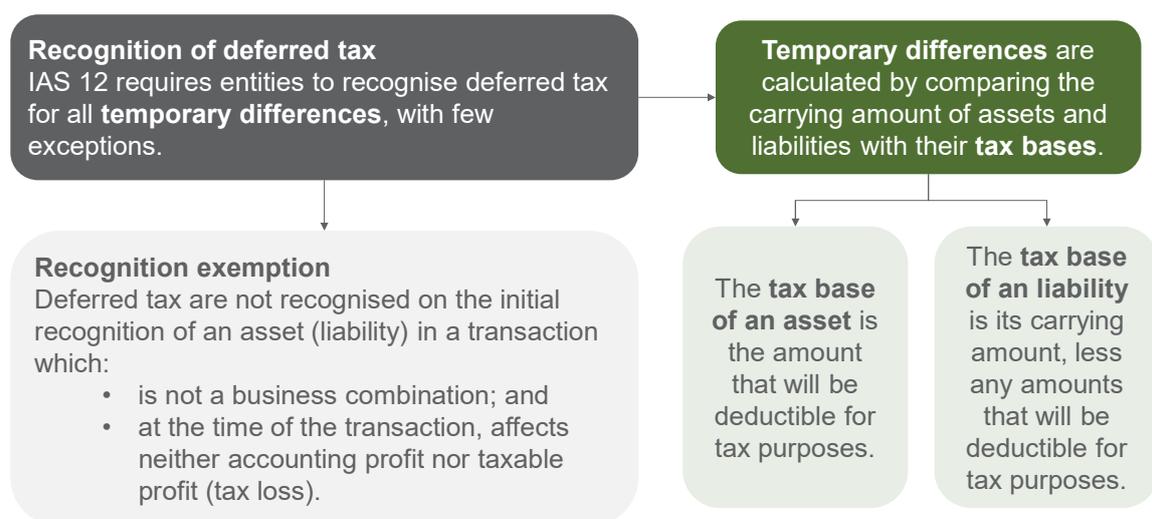
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Deferred tax related to assets and liabilities arising from a single transaction

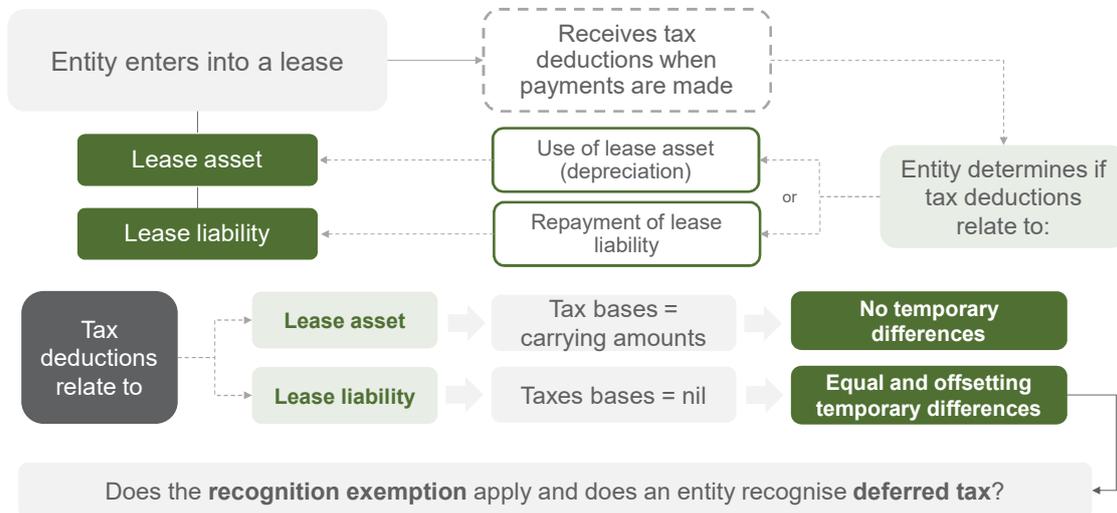
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Deferred tax related to assets and liabilities arising from a single transaction

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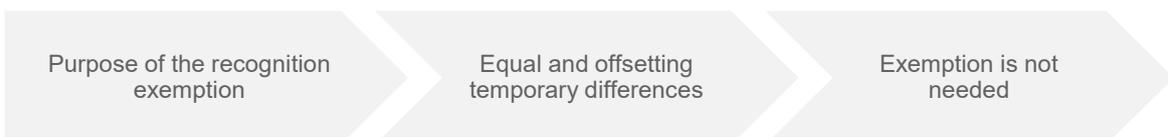


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Deferred tax related to assets and liabilities arising from a single transaction

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Board proposes to amend IAS 12 *Income Taxes*



Narrowing the scope of the recognition exemption

An entity recognises deferred tax **to the extent** that the transaction gives rise to **equal amounts of deferred tax assets and liabilities**.

Reasons for the amendment

- Faithful representation
- Reduce diversity
- Narrow in scope

Share your views

- Comment letter deadline: 14 November 2019



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Research: Lack of exchangeability (IAS 21)

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Research

The exchange rate an entity uses when a currency's exchangeability is lacking.

Staff proposals

Narrow-scope amendments to IAS 21

Identify the circumstances in which exchangeability is lacking

Require estimation of spot exchange rate.

Provide disclosures

Next steps



- To be discussed by the Board in Q4 2019.



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Questions?

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Get involved

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