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IFRS News

IFRS News is your quarterly update on all things relating to International Financial Reporting Standards. We'll bring you up to speed on topical issues, provide comment and points of view and give you a summary of any significant developments.

We begin this third edition of the year by looking at the amendments that have been made to the International Financial Reporting Standard for Small and Medium-sized Entities following the completion of the IASB's first comprehensive review of the Standard. We then move on to look at items in the IASB's pipeline, including plans to defer the adoption of IFRS 15; IFRS-related news at Grant Thornton; and a general round-up of financial reporting developments.

You can find out about the implementation dates of newer Standards that are not yet mandatory towards the end of the document, as well as a list of IASB publications that are out for comment.

Amendments to the IFRS for SMEs

The IASB has published Amendments to the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), completing its first comprehensive review of the Standard.

The IFRS for SMEs is a self-contained standard, which is a simplified version of full IFRS aimed at the needs of private companies. At the time of its publication, the IASB envisaged that it would review the Standard after it had been in use for a few years.

The Amendments issued are a result of its first comprehensive review, which commenced in 2012, three years after the Standard's release in 2009. The aim of the review was to consider whether the IFRS for SMEs needed amending for any implementation issues identified or for any changes made to full IFRS.

After consulting widely with constituents, the IASB concluded that the IFRS for SMEs was working well in practice. This, together with the fact that the IFRS for SMEs is still relatively new, led the IASB to conclude that only a few substantive changes were required. While a total of 56 amendments have been made (see table for more detail), the majority of these affect only a few paragraphs, and in many cases a few words of the Standard. As a result we expect the majority of amendments are unlikely to have a significant effect on financial reporting practices or financial statements.

The Amendments do, however, contain three changes which will have a more significant impact. These are:

Measurement of property, plant and equipment

The amendments allow entities reporting under the IFRS for SMEs to choose between measuring their property, plant and equipment at cost, or at fair value using the 'revaluation model' (the Standard had previously permitted only the cost model). With this change, entities using the IFRS for SMEs now have the same choice available to them that entities reporting under full IFRS have under IAS 16 'Property, Plant and Equipment'.

Recognition and measurement of deferred income tax assets and liabilities

The original Section 29 'Income Tax' of the IFRS for SMEs was based on a 2009 Exposure Draft that was expected to amend IAS 12 'Income Taxes', but was never finalised by the IASB. The Amendments therefore align the accounting requirements for deferred tax with IAS 12. This means that entities applying the IFRS for SMEs and those reporting under full IFRS will now follow the same basic principles when determining when to recognise deferred tax assets and liabilities and the amount at which they must be measured.

Exploration for and evaluation of mineral resources

These amendments provide entities reporting under the IFRS for SMEs with additional flexibility that was previously available only to those reporting under full IFRS. The Amendments align the main recognition and measurement requirements for exploration and evaluation (E&E) assets with IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Entities will now be allowed to make a policy choice as to which expenditures will be included in E&E assets, and will use more favourable guidance when identifying whether an E&E asset might be impaired.

Effective date and transition

The Amendments must be applied retrospectively, with the following exceptions:

- if an entity chooses to apply the revaluation model to any classes of property, plant and equipment, it must apply the related requirements prospectively from the beginning of the period
- an entity is permitted to apply the revised income tax requirements prospectively from the beginning of the period
- for business combinations, an entity must apply the clarified terminology relating to "date of transition" prospectively from the beginning of the period.

The new version of the Standard will be applied for accounting periods beginning on or after 1 January 2017. Early adoption is permitted provided that all the changes are applied at the same time.

Grant Thornton International Ltd comment

We welcome these Amendments which should prove uncontroversial. The most significant Amendment, as the Board itself has noted, relates to accounting for deferred tax. We agree here with the Board's alignment of the requirements of the IFRS for SMEs with those in IAS 12 'Income Taxes'. The revised requirements are simpler and will be of particular help within groups that apply full IFRS in their consolidated financial statements and the IFRS for SMEs in the individual statements.

The following table provides an overview of the Amendments to each of the sections of the IFRS for SMEs:

Section		Description of Amendment
1.	**Small and Medium-sized entities**	• clarifies the publicly accountable criteria • adds clarifying guidance on the use of the IFRS for SMEs in the parent's separate financial statements
2.	**Concepts and pervasive principles**	• adds clarifying guidance on the undue cost or effort exemption
4.	**Statement of financial position**	• adds the requirement to present investment property measured at cost less accumulated depreciation and impairment separately on the face of the statement of financial position • provides relief from the requirement to disclose comparative information for the reconciliation of the opening and closing number of shares outstanding
5.	**Statement of comprehensive income and income statement**	• clarifies the presentation of discontinued operations • includes a requirement regarding grouping items in other comprehensive income
6.	**Statement of changes in equity and statement of income and retained earnings**	• clarifies the information to be presented in the statement of changes in equity
9.	**Consolidated and separate financial statements**	• provides clarifying guidance on: – subsidiaries being disposed – group entities with non-coterminous year ends – cumulative exchange differences in relation to foreign subsidiaries • adds an accounting policy option to use the equity method in separate financial statements, when accounting for subsidiaries, associates and joint ventures • modifies the definition of 'combined financial statements'
11.	**Basic financial instruments**	• makes a number of clarifications as follows: – the interaction of the scope of Section 11 with other sections – the application of the criteria for basic financial instruments to simple loan arrangements – guidance for when an arrangement would constitute a financing transaction – guidance on fair value measurement in this section including when the best estimate of fair value is a binding sale agreement • adds an undue cost or effort exemption from the requirement to measure investments in equity instruments at fair value
12.	**Other financial instruments issues**	• clarifies the scope of this section with other sections in the Standard • clarifies the requirements for hedge accounting

Overview of the Amendments to each of the sections of the IFRS for SMEs (cont.)

Section	Description of Amendment
17. Property, plant and equipment	• adds an accounting policy option to use the revaluation model for property, plant and equipment as discussed above • simplifies the accounting requirements for when part of an item of property, plant and equipment is replaced • aligns the wording with IAS 16 'Property, Plant and Equipment' regarding the classification of spare parts, stand-by equipment and servicing equipment as property, plant and equipment or inventory
18. Intangible assets other than goodwill	• modifies the requirement on what to do when the useful life of goodwill cannot be established reliably. Previously, in this case the life was assumed to be ten years, now the useful life is determined by using management's best estimate but cannot exceed ten years
19. Business combinations and goodwill	• provides a couple of minor amendments which clarify guidance and terms • adds an undue cost or effort exemption from the requirement to recognise intangible assets separately in a business combination
20. Leases	• provides additional clarifications on the scope of this section and what constitutes a lease
22. Liabilities and equity	• adds clarifying guidance on classifying financial instruments as equity or liability • adds an exemption from the initial measurement requirements for equity instruments issued as part of a business combination • aligns the section with IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' and IAS 32 'Financial Instruments: Presentation' for minor guidance • adds an undue cost and effort exemption for measuring the liability to pay a non-cash dividend at the fair value of the assets to be distributed • modifies how to account for a liability component of a compound financial instrument • adds an exemption from the requirements for the distributions of non-cash assets ultimately controlled by the same parties before and after the distribution
26. Share-based payment	• aligns the scope of this section with IFRS 2 'Share Based Payment' • adds several minor clarifications
27. Impairment of assets	• clarifies that this section does not apply to assets arising from construction contracts
28. Employee benefits	• clarifies the accounting requirements for other long term employee benefits • removes the requirement to disclose the accounting policy for termination benefits

The IFRS Team will release a Special Edition of IFRS News covering these amendments in more detail and the Standard in general, in the near future.

Overview of the Amendments to each of the sections of the IFRS for SMEs (cont.)

Section	Description of Amendment
29. Income tax	• aligns the main principles for the recognition and measurement of deferred income tax with IAS 12 'Income Taxes' • adds an undue cost or effort exemption from the requirement to offset income tax assets and liabilities
30. Foreign currency translation	• clarifies the scope requirements in relation to financial instruments within this section
33. Related party disclosures	• aligns the definition of related parties with IAS 24 'Related Party Disclosures'
34. Specialised activities	• provides disclosure relief for comparative information in relation to some biological asset information • aligns the recognition and measurement requirements for exploration and evaluation assets with IFRS 6 'Exploration for and Evaluation of Mineral Resources'
35. Transition	• adds three additional options for first-time adopters as follows: – permits this section to be used more than once – permits the use of an event-driven fair value measurement as 'deemed cost' – permits an entity to use the previous GAAP carrying amount of items of property, plant and equipment or intangible assets used in operations subject to rate regulation • adds an exception that an entity does not need to apply the requirements of the IFRS for SMEs retrospectively for government loans that exist at the date of transition • adds guidance – firstly, for entities emerging from severe hyperinflation that are applying the IFRS for SMEs for the first time, which gives entities the option to use fair value on the date of transition as deemed cost – and secondly, simplifies the wording used in the exemption from the restatement of financial information on first time adoption

IASB consults on pushing back the effective date of IFRS 15

Following on from the US Financial Accounting Standards Board's (FASB) tentative decision to defer the effective date of its version of the new global revenue Standard for one year (see last quarter's edition of IFRS News), the IASB has now issued similar proposals.

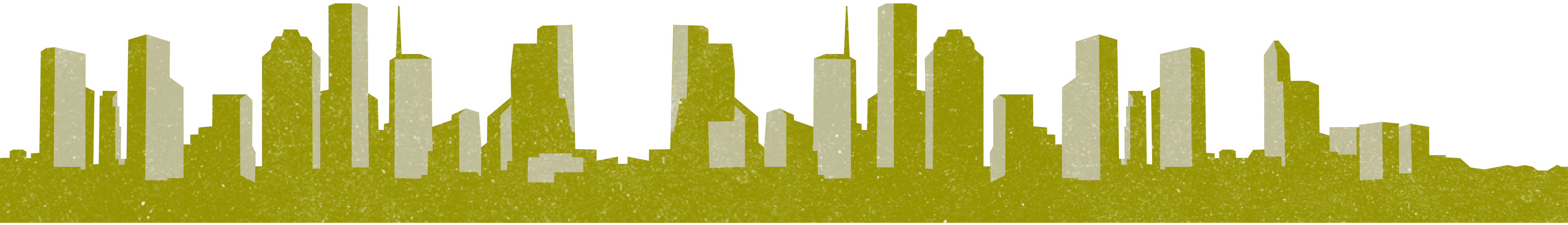
The IASB's Exposure Draft 'Effective Date of IFRS 15 – Proposed amendments to IFRS 15) would require entities to apply IFRS 15 for annual reporting periods beginning on or after 1 January 2018 rather than being required to apply IFRS 15 for annual reporting periods beginning on or after 1 January 2017 (earlier application of IFRS 15 would continue to be permitted).

It seems that the IASB will propose further targeted amendments to IFRS 15 later in 2015 to clarify certain aspects of the Standard that have been raised by the joint Transition Resource Group. These include clarifying the guidance on licences and adding examples illustrating the guidance on identifying performance obligations. The IASB also plans to discuss possible clarifications to the guidance on principal versus agent considerations.

Grant Thornton International Ltd comment

On balance we support the proposed deferral of IFRS 15. While we feel that most companies would be able to implement the Standard by the original effective date, some companies face considerable challenges to meet that deadline for a number of reasons.

For example, IFRS 15 is likely to have a greater impact outside of the accounting function (eg compensation, contracting, broad policies and systems) than most significant new standards, and even those entities that have worked hard to prepare for transition would no doubt benefit to some extent from more time. Accordingly, we believe that a one-year deferral will increase the likelihood of a successful transition by all entities.



IASB looks to change its Conceptual Framework

The IASB has issued an Exposure Draft setting out proposals for a revised Conceptual Framework for Financial Reporting (the 'Conceptual Framework').

The Conceptual Framework describes the objective of, and the concepts for, general purpose financial reporting. It is a practical tool that assists:

- the IASB to develop Standards that are based on consistent concepts
- preparers to develop consistent accounting policies when no Standard applies to a particular transaction or event, or when a Standard allows a choice of accounting policy
- others to understand and interpret the Standards.

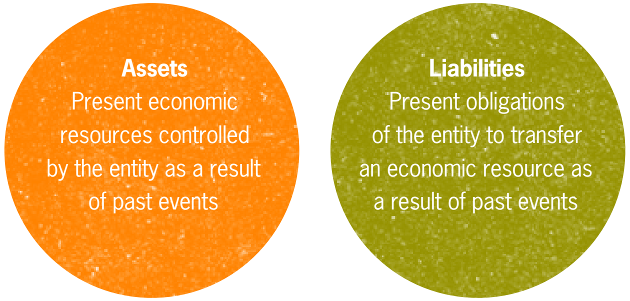
The current Conceptual Framework has been criticised for a number of different reasons including a lack of clarity, failing to address some important concepts and for not reflecting the IASB's current thinking. The IASB and the US Financial Accounting Standards Board (FASB) had previously looked to revise the Conceptual Framework, launching a project a little over ten years ago. This project led to some limited amendments being made, however, the project was subsequently abandoned. In 2013, the IASB launched a new project with a Discussion Paper covering all aspects of the framework project. This has now led to the publication of Exposure Draft ED 2015/3 'Conceptual Framework for Financial Reporting'.

The Exposure Draft looks to address some of the shortcomings of the existing Conceptual Framework by:

- addressing the following areas that are either not covered, or not covered in enough detail, in the existing Conceptual Framework:
  - measurement
  - financial performance (including the use of other comprehensive income)
  - presentation and disclosure
  - derecognition
  - the reporting entity
- clarifying some aspects of the existing Conceptual Framework. For example by:
  - clarifying that the information needed to meet the objective of financial reporting includes information that can be used to help assess management's stewardship of the entity's resources
  - explaining the roles of prudence and substance over form in financial reporting
  - clarifying that a high level of measurement uncertainty can make financial information less relevant
  - clarifying that important decisions on, for example, recognition and measurement, are driven by considering the nature of the resulting information about both financial performance and financial position
  - providing clearer definitions of assets and liabilities and more extensive guidance to support those definitions
- updating the parts of the existing Conceptual Framework that are out of date. For example, by clarifying the role of probability in the definitions of assets and liabilities.

The Exposure Draft is organised into eight chapters. We set out the main proposals contained in these chapters in the table. The main ED is accompanied by a separate Exposure Draft containing proposals regarding references to the Conceptual Framework in other IASB pronouncements.

Proposed definitions of assets and liabilities



Proposed Conceptual Framework for Financial Reporting

Chapter	Title	Main points
1.	The objective of general purpose financial reporting	Limited amendments are proposed as this chapter was only issued in 2010, as part of the IASB's joint project with the FASB. The main change is the proposed introduction of the term 'stewardship'. This proposal is intended to emphasise the importance of providing information that is needed to assess management's stewardship of the entity's resources.
2.	Qualitative characteristics of useful financial information	Again limited amendments are proposed as this was the other chapter developed as part of the previous joint project with the FASB. The main change is the proposed inclusion of the term 'prudence'. The IASB had previously viewed this characteristic as being inconsistent with that of neutrality in the financial statements and had therefore removed it from the Conceptual Framework. However following feedback from commentators, the IASB has decided to re-instate the term. The Exposure Draft describes prudence as caution when making judgements under conditions of uncertainty, and states that prudence is important for achieving neutrality. The Exposure Draft also proposes to state explicitly that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form.
3.	Financial statements and the reporting entity	This section defines a reporting entity as an entity that chooses, or is required, to present general purpose financial statements. It does not have to be a legal entity and can comprise only a portion of an entity or two or more entities. The section discusses the boundary of a reporting entity, stating that when one entity has control over another entity, the boundary of the reporting entity can be determined by either direct control only (leading to unconsolidated financial statements) or by direct and indirect control (leading to consolidated financial statements).
4.	The elements of financial statements	The IASB is proposing amendments to the definition of assets and liabilities to explain more clearly: • that an asset is an economic resource, and a liability is a present obligation • that for the definition of an asset or a liability to be met, inflows of economic benefits from an asset (or outflows from a liability) do not have to be certain. The definitions of income and expenses would be updated so that they remain consistent with definitions of an asset and of a liability. As can be seen here, the IASB has decided not to retain the notion of an 'expected inflow or outflow of resources'. This reflects concerns over different ways in which the term 'expected' was being interpreted.

Proposed Conceptual Framework for Financial Reporting (cont.)

Chapter	Title	Main points
5.	Recognition and derecognition	Changes are proposed to the current criteria for recognition due to concerns that the application of the probability criterion is inconsistently applied across standards. The Exposure Draft therefore proposes recognition criteria based on the qualitative characteristics of useful financial information. Under this proposal, an entity recognises an asset or liability if such recognition provides users of the financial statements with a) relevant information about the asset or liability; b) a faithful representation of the asset or liability and of any resulting income and expenses; and c) information that results in benefits exceeding the cost of providing that information. Those criteria may not always be met when one or more of the following applies: • it is uncertain whether an asset or liability exists; • there is only a low probability of future inflows (outflows) of economic benefits from the asset (liability); or • the level of measurement uncertainty is so high that the resulting information has little relevance. The Exposure Draft proposes to fill a gap in the existing Conceptual Framework by providing guidance on derecognition. The Exposure Draft proposes that derecognition principles should aim to provide a faithful representation of: a) the assets and liabilities retained after a transaction or other event that led to derecognition; and b) the change in the entity's assets and liabilities as a result of that transaction or other event. The discussion in the Exposure Draft concentrates on more difficult derecognition decisions where the two aims described above conflict with each other.

Proposed Conceptual Framework for Financial Reporting (cont.)

Chapter	Title	Main points
6.	Measurement	This section discusses different measurement bases (historical cost and current value), the information that they provide and their advantages and disadvantages; and factors to consider when selecting a measurement basis. The IASB's overall conclusion is that a multiple measurement approach is more appropriate than the use of a single measurement basis.
7.	Presentation and disclosure	This section contains high level presentation and disclosure concepts. Specific objectives and principles discussed include: • establishing the correct balance between providing entities with flexibility to provide relevant information and comparability across entities and reporting periods • avoiding the duplication of material in different sections of the financial statements • making disclosures entity specific. The IASB will develop these concepts further as part of its Disclosure Initiative. The IASB also proposes in the Exposure Draft (for the first time) to provide conceptual guidance on whether to present income and expenses in profit or loss or in other comprehensive income (OCI). Under these proposals: • there is a rebuttable presumption that income and expenses are included in profit or loss • income and expenses are included in OCI only if that enhances the relevance of profit or loss and if they relate to assets or liabilities remeasured to current values • there is a rebuttable presumption that income and expenses included in OCI in one period are subsequently included in profit or loss (recycling).
8.	Concepts of capital and capital maintenance	The proposals in this section have been carried over from the existing Conceptual Framework with minor changes for consistency of terminology.

IASB proposes changes to IAS 19 and IFRIC 14

The IASB has issued an Exposure Draft containing proposals relating to IAS 19 'Employee Benefits' and IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. The proposals had originally been submitted separately to the IFRS Interpretations Committee (IFRIC) but the IASB has combined them in a single Exposure Draft as both proposals relate to IAS 19 and it will be easier to respond to them at the same time.

Proposed amendment to IAS 19

The first proposed amendment addresses the accounting when a defined benefit plan is amended, curtailed or settled during a period. The Exposure Draft proposes that when the net defined benefit liability (or asset where appropriate) is remeasured as a result of one of these transactions:

- the current service costs and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement
- an entity determines the net interest for the remaining period based on the remeasured net defined benefit liability (asset).

The Exposure Draft also proposes that the current service cost and the net interest in the current reporting period before a plan amendment, curtailment or settlement are not affected by, or included in, the past service cost or a gain or loss on settlement.

Proposed amendment to IFRIC 14

The proposed amendment to IFRIC 14 addresses whether other parties' power to enhance benefits for plan members or wind up a plan affects the availability of a refund to the reporting entity.

The Exposure Draft proposes here that the amount of the surplus an entity recognises as an asset on the basis of a future refund should not include amounts that other parties (eg the plan trustees) can use for other purposes (eg to enhance benefits for plan members) without the entity's consent. It also proposes that an entity should not assume a gradual settlement of the plan as the justification for the recognition of an asset, if other parties can wind up the plan without the entity's consent.

The IASB also proposes to address the interaction between the asset ceiling and the past service cost or a gain or loss on settlement. The proposals here would clarify that if a plan amendment, curtailment or settlement occurs, the past service cost or gain or loss on settlement, would be measured and recognised in profit or loss excluding the effect of the asset ceiling. Changes in the effect of the asset ceiling would be recognised in other comprehensive income, as a result of the effect of the ceiling on the updated surplus.

If accepted, the amendments would be applied retrospectively. There would however be an exemption for adjustments of the carrying amount of assets outside the scope of IAS 19 (eg where employee benefit expenses have been included in inventories).

Grant Thornton responds to proposed amendments to IAS 1

The Grant Thornton International Ltd IFRS Team has submitted its response to the IASB Exposure Draft ED/2015/1 'Classification of Liabilities – Proposed amendments to IAS 1'.

The Exposure Draft proposes to clarify the Standard's guidance on whether a liability should be classified as either current or non-current by:

- clarifying that the classification is based on the entity's rights at the end of the reporting period
- making clear the link between the settlement of the liability and the outflow of resources from the entity.

In our letter, we support the IASB's objectives in launching the Exposure Draft and the guiding principle that only rights in place at the reporting date should affect the classification of a liability. While we believe that the proposed amendments will provide additional clarity overall, we note a few areas where the guidance might be improved and suggest that additional illustrative examples should be provided to address some of the challenges that have arisen in practice. Ultimately however, we feel that classification of liabilities is a topic which would benefit from a more comprehensive review in due course.

Grant Thornton partner speaks at event in Venezuela

Eric Sierra Salgado, a partner in Grant Thornton Venezuela, recently spoke on the differences between the accounting for tax under full IFRS and the accounting under the IFRS for SMEs (see our opening article for recent developments in this area). The event was held in partnership with the Institute of Chartered Accountants of Miranda.

IFRS training

The Grant Thornton International Ltd IFRS Team has started to deliver its 2015 IFRS global training updates for our firms around the world, aimed at IFRS champions and technical staff. The 2015 programme covers:

- IFRS 15 'Revenue from Contracts with Customers'
- the latest version of IFRS 9 'Financial Instruments'
- other recent developments and emerging application issues with some established Standards.

This global approach to IFRS updates helps ensure the consistency of training messages around the world.

Oman managing partner updates ACCA members on IFRS

Our member firm in Oman, Grant Thornton Abu Timam, recently held a joint event with the ACCA on the challenges of applying IFRS.

Mr Nasser Al Mughairy, Managing Partner of Grant Thornton Abu Timam, gave a presentation for ACCA members on recent changes to IFRS with particular focus on IFRS 10 'Consolidated Financial Statements' and IFRS 15 'Revenue from Contracts with Customers'.

With more than fifty attendees from leading businesses in Oman, the event proved to be highly popular and gave ACCA members unique access to expertise that will help them to contribute to the ongoing economic success of the country.

Spotlight on the IFRS Interpretations Group

Grant Thornton's IFRS Interpretations Group (IIG) consists of a representative from each of our member firms in the United States, Canada, Australia, South Africa, India, Brazil, the United Kingdom, Ireland, France, Sweden and Germany as well as members of the Grant Thornton International Ltd IFRS team. The Group meets in person twice a year to discuss technical matters which are related to IFRS.

Each quarter we throw a spotlight on one of the members of the IIG. This quarter we focus on the representative from Brazil.

Octavio Zampirollo Neto, Brazil

Octavio is an assurance partner with Grant Thornton Brazil. As well as holding Bachelor's degrees in Accounting Sciences and Business Administration, Octavio has almost twenty years of professional experience providing accounting services for public and private companies. His experience covers servicing a wide variety of sectors, including manufacturing and assembling of aircrafts and cars, call centres, airlines, food processors, gas distributors, retail, and real estate.

Octavio has also participated in capital market transactions and audit work relating to the US market, having participated in 2006 and 2007 in an International Audit Exchange Program in the USA (Chicago, Illinois).

Round-up

IASB completes post-implementation review of IFRS 3

The IASB has completed its post-implementation review of IFRS 3 'Business Combinations'. The review aimed to determine whether the Standard has achieved its objectives, was functioning as anticipated, and whether it has improved financial reporting.

The results overall showed general support for the accounting requirements in the Standard but there were some areas where further research will be undertaken. For instance some investors expressed mixed views on aspects of the current accounting for goodwill, with some preferring a return to periodic amortisation of goodwill.

Taking account of the evidence collected, the IASB has added two projects to its research agenda to explore further the key findings. These projects will focus on the following issues:

- the effectiveness and complexity of testing goodwill for impairment on an annual basis
- the subsequent accounting for goodwill
- challenges in applying the definition of a business
- identification and fair value measurement of intangible assets such as customer relationships and brand names.

European Commission report on the use of IFRS in the EU

The European Commission has adopted a report on the evaluation of its Regulation on the application of IFRS which has been applicable to the consolidated financial statements of listed companies in the European Union since 2005.

The key findings showed that IFRS was successful in creating a common accounting language for capital markets. Companies were mostly positive about their experience of using IFRS and in most cases, benefits outweighed costs. Investors also largely supported IFRS for improving the transparency and comparability of financial statements.

The report does identify room for improvement in some areas. For instance it finds that the process for EU endorsement could be enhanced to improve timeliness and to allow for a more holistic consideration of standards with other aspects of EU law.

Impairment Transition Resource Group meets

The Transition Resource Group for Impairment of Financial Instruments (ITG), on which Grant Thornton is represented, met on 22 April 2015 at the IASB offices in London.

The Group, which was established to provide support for the IASB's stakeholders who are implementing the new expected credit loss requirements in IFRS 9 'Financial Instruments' (2014), considered eight implementation issues submitted by constituents.

The IASB staff published a summary of the discussions in June 2015.

ICAEW publishes report on lessons learned from the adoption of IFRS

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a report highlighting the lessons that can be learned from Europe's experience of adopting IFRS. It aims to provide practical insights and recommendations for policy-makers, regulators, standard-setters and other interested parties in jurisdictions that have recently adopted IFRS, or are considering introducing or extending the application of IFRS reporting. Among the lessons learned are the following:

- the benefits of IFRS outweigh the costs
- companies listed on regulated markets should be required to use IFRS, others should not
- local variants of IFRS should be kept to a minimum
- sometimes complexity is unavoidable
- national standard-setters and regional groupings are important
- strong national enforcement is critical
- endorsement underpins legitimacy.

IASB looks to provide additional guidance on materiality

The IASB has announced plans to release an Exposure Draft entitled 'Practice Statement Application of Materiality to Financial Statements' in Q3 of 2015 as part of its 'Disclosure Initiative' (a portfolio of projects designed to improve how information is presented and disclosed in financial reports). The Practice Statement would not have the same status as a Standard but would aim to illustrate the types of factors that management should think about when considering whether and how to disclose information.

The IASB is also planning to align the definition of materiality in IAS 1 and provide additional clarifying paragraphs on the key characteristics of materiality. The suggested new wording will be included in a 'Principles of Disclosure' Discussion Paper.

EFRAG requests a public fatal flaw review of the forthcoming Leases Standard

EFRAG has sent a letter to the IASB requesting a public fatal flaw review of the forthcoming Leases Standard.

In the letter, EFRAG express their belief that significant judgment will be needed to apply the forthcoming Leases Standard and, unless entities are able to properly understand and apply the new requirements including the definition of a lease, there will be a significant and wasteful use of time debating possible interpretations, which will lead to a real risk of divergent application.

EFRAG add in their letter that the objective of the public review would not be to re-open the discussion on the fundamental principles but to ensure that constituents understand the requirements and how to apply them.

AOSSG releases study on Islamic financial institutions

The Asian-Oceanian Standard-Setters Group (AOSSG) has completed a study of the financial statements of Islamic financial institutions (IFIs) from 31 jurisdictions.

The results found that 46% of the IFIs surveyed applied IFRS principles as opposed to the standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. In addition, the results identified the following three areas as possessing the most common differences:

- treatment of lease accounting (ijarah)
- classification of customer investment accounts
- recognition and measurement of finance income.

Grant Thornton responds to EU Green Paper on Capital Markets Union

In a recent 'Green Paper' setting out proposals for harmonising the EU's capital markets, the European Commission asked whether there is value in developing a European-level accounting standard for smaller quoted companies listed on non-regulated markets. Right now, some of these markets require the use of IFRS, some require national GAAP and some permit an option.

In responding to this question, Grant Thornton argues that more research is needed to assess the relative costs and benefits of harmonisation for this sector. If the evidence supports harmonisation, we favour the use of IFRS rather than a European-level accounting standard as the means to achieve it.

ESMA finalises its guidance on Alternative Performance Measures

The European Securities and Markets Authority (ESMA) has published its Final Guidelines on Alternative Performance Measures (APMs) for listed issuers.

The final guidelines set out the principles that issuers should follow when presenting APMs in documents which qualify as regulated information and address their labelling, calculation, presentation and comparability. Commonly used APMs include EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation), free cash flow, and underlying profit or net-debt. By publishing these guidelines, ESMA is seeking to improve the comparability, reliability and comprehensibility of APMs.

Included among the guidelines are the following points:

- APMs should be reconciled to the most relevant amount presented in the financial statements, with each reconciling item being separately identified and explained
- APMs should be accompanied by comparatives for the corresponding previous periods
- the definition and calculation of an APM should be consistent over time.

The guidelines will apply to issuers with securities traded on regulated markets, and persons responsible for drawing up a prospectus.

In order to enable sufficient time for issuers to prepare for applying these guidelines, the guidelines are effective from 3 July 2016.

Transition Resource Group for new revenue recognition standards meets

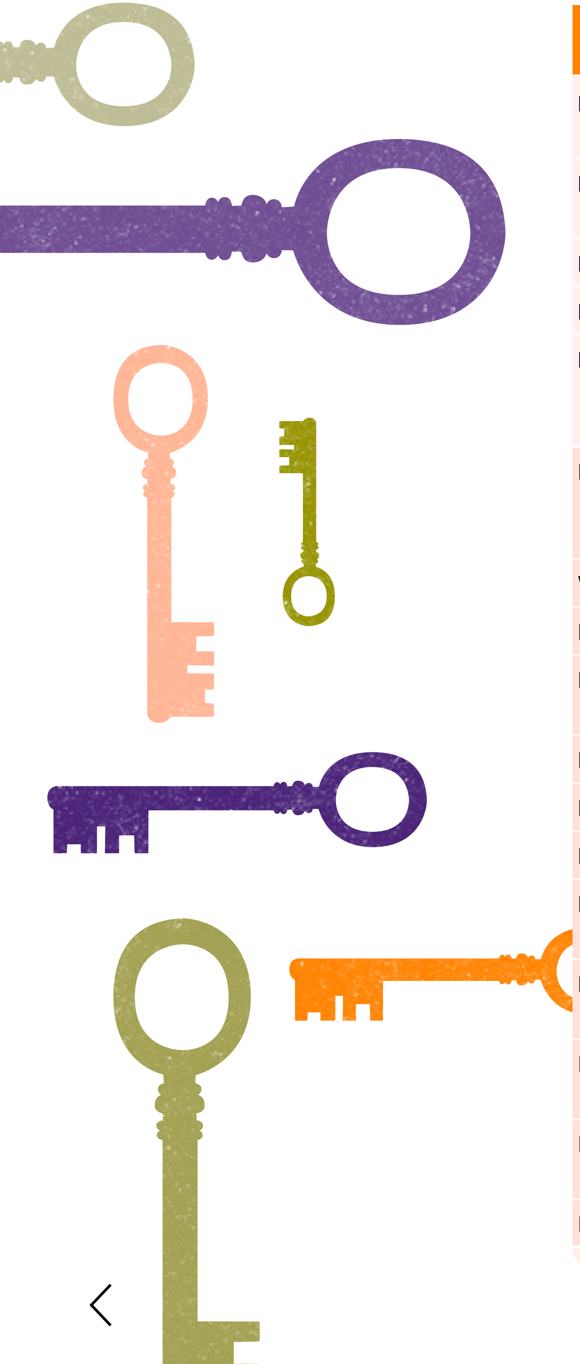
The joint IASB and FASB Transition Resource Group (TRG) on the new revenue recognition standard has been continuing its work. The TRG, which includes Jake Green from Grant Thornton UK, met for the 5th time on 13 July 2015 to discuss eight implementation issues raised by constituents.

Effective dates of new standards and IFRIC interpretations

The table below lists new IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2013. Companies are required to make certain disclosures in respect of new Standards and Interpretations under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2013

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS 9	Financial Instruments (2014)	1 January 2018	Yes (extensive transitional rules apply)
IFRS 15	Revenue from Contracts with Customers	1 January 2017	Yes
IFRS for SMEs	Amendments to the International Financial Reporting Standard for Small and Medium Sized Entities	1 January 2017	Yes
IAS 1	Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2016	Yes
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016	Yes
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016	Yes
Various	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	Yes
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	Yes
IAS 16 and IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016	Yes
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	Yes
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	Yes
IFRS 14	Regulatory Deferral Accounts	1 January 2016	Yes
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014	Yes
Various	Annual Improvements to IFRSs 2011-2013 cycle	1 July 2014	Yes
Various	Annual Improvements to IFRSs 2010-2012 cycle	1 July 2014	Yes



New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2013

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014	Yes
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014	Yes (but only when IFRS 13 is applied)
IFRIC 21	Levies	1 January 2014	Yes
IFRS 10, 12 and IAS 27	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014	Yes
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	Yes (but must also make the disclosures required by Disclosures – Offsetting Financial Assets and Financial Liabilities)
IFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013	Yes
Various	Annual Improvements 2009-2011 Cycle	1 January 2013	Yes
IFRS 1	Government Loans (Amendments to IFRS 1)	1 January 2013	Yes
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	Not stated (but we presume yes)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	Yes
IFRS 13	Fair Value Measurement	1 January 2013	Yes
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013	Yes
IFRS 11	Joint Arrangements	1 January 2013	Yes (but must apply IFRS 10, IFRS 12, IAS 27 and IAS 28 at the same time)
IFRS 10	Consolidated Financial Statements	1 January 2013	Yes (but must apply IFRS 11, IFRS 12, IAS 27 and IAS 28 at the same time)
IAS 28	Investments in Associates and Joint Ventures	1 January 2013	Yes (but must apply IFRS 10, IFRS 11, IFRS 12 and IAS 27 at the same time)
IAS 27	Separate Financial Statements	1 January 2013	Yes (but must apply IFRS 10, IFRS 11, IFRS 12 and IAS 28 at the same time)
IAS 19	Employee Benefits (Revised 2011)	1 January 2013	Yes

Open for comment

This table lists the documents that the IASB currently has out to comment and the comment deadline. Grant Thornton International Ltd aims to respond to each of these publications.

Current IASB documents

Document type	Title	Comment deadline
Exposure Draft	Conceptual Framework for Financial Reporting	26 October 2015
Exposure Draft	Updating References to the Conceptual Framework	26 October 2015
Exposure Draft	Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)	19 October 2015