Editorial correction:
urgent technical correction

Date posted: May 2016

Compilations of editorial corrections are published three times a year: before A Guide through IFRS, IFRS (Blue Book) and IFRS (Red Book) are issued.

These corrections only affect mandatory and core non-mandatory text (ie Basis for Conclusions, Illustrative Examples and Implementation Guidance). Corrections to other sections, including Introductions, will not be publicly logged. The Editorial department keeps a track of all the changes made so if a specific change that is not publicly logged is requested, please contact the department.

Urgent technical corrections are published ad-hoc.

If you find an error that you think we should include in the next issue of Editorial corrections, please contact editorial@ifrs.org.

The Editorial team
Corrections to consequential amendments

The following editorial corrections are consequential amendments that appeared in the Illustrative Examples booklet but should have been included in the stand-alone Standards at the time of publication. Corrections are not needed to *A Guide through IFRS 2015, 2016 IFRS (Blue Book)* and *2016 IFRS (Red Book)*. However, these corrections may need to be made to other, including translated, versions of IFRS Standards that are based on the stand-alone IFRS 16 Standard booklet. Deleted text is struck through and new text is underlined.

- **IFRS 16 Leases**

**IFRS 16 Leases**

*IFRS 16 Leases* made consequential amendments to the Application Guidance on IAS 32 *Financial Instruments: Presentation* and IAS 39 *Financial Instruments*, starting on pages 53 and 55 of the Illustrative Examples booklet. Those amendments should have been included in the Standard booklet and are reproduced here. Please take on the corrections as if they were included in the Standards booklet of IFRS 16 *Leases*, issued January 2016.

**IAS 32 Financial Instruments: Presentation**

In the Application Guidance, paragraphs AG9 and AG10 are amended.

---

**Financial assets and financial liabilities**

...  

**AG9** Under IAS 17 *Leases* a finance lease is regarded as primarily a lease contract rather than the leased underlying asset itself that is subject to the finance lease. Accordingly, a lessor regards a finance lease as a financial instrument. An operating lease, on the other hand, is regarded as primarily an uncompleted contract committing the lessor to provide the use of an asset in future periods in exchange for consideration similar to a fee for a service. Under IFRS 16, a lessor does not recognise its entitlement to receive lease payments under an operating lease. The lessor continues to account for the leased underlying asset itself rather than any amount receivable in the future under the contract. Accordingly, a finance lease is regarded as a financial instrument and an operating lease is not regarded as a financial instrument (except as regards individual payments currently due and payable) a lessor does not regard an operating lease as a financial instrument, except as regards individual payments currently due and payable by the lessee.

**AG10** Physical assets (such as inventories, property, plant and equipment), leased right-of-use assets and intangible assets (such as patents and trademarks) are not financial assets. Control of such physical assets, right-of-use assets and intangible assets creates an opportunity to generate an inflow of cash or another financial asset, but it does not give rise to a present right to receive cash or another financial asset.

...
In the Application Guidance, paragraph AG33 is amended for an entity that has not adopted IFRS 9 *Financial Instruments*. The Application Guidance is not amended for an entity that has adopted IFRS 9.

**Embedded derivatives (paragraphs 10–13)**

... 

AG33 The economic characteristics and risks of an embedded derivative are closely related to the economic characteristics and risks of the host contract in the following examples. In these examples, an entity does not account for the embedded derivative separately from the host contract.

(a) ... 

(f) An embedded derivative in a host lease contract is closely related to the host contract if the embedded derivative is (i) an inflation-related index such as an index of lease payments to a consumer price index (provided that the lease is not leveraged and the index relates to inflation in the entity’s own economic environment), (ii) contingent rentals variable lease payments based on related sales or (iii) contingent rentals variable lease payments based on variable interest rates.

(g) ...