

# 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

Narrow-scope amendments

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...

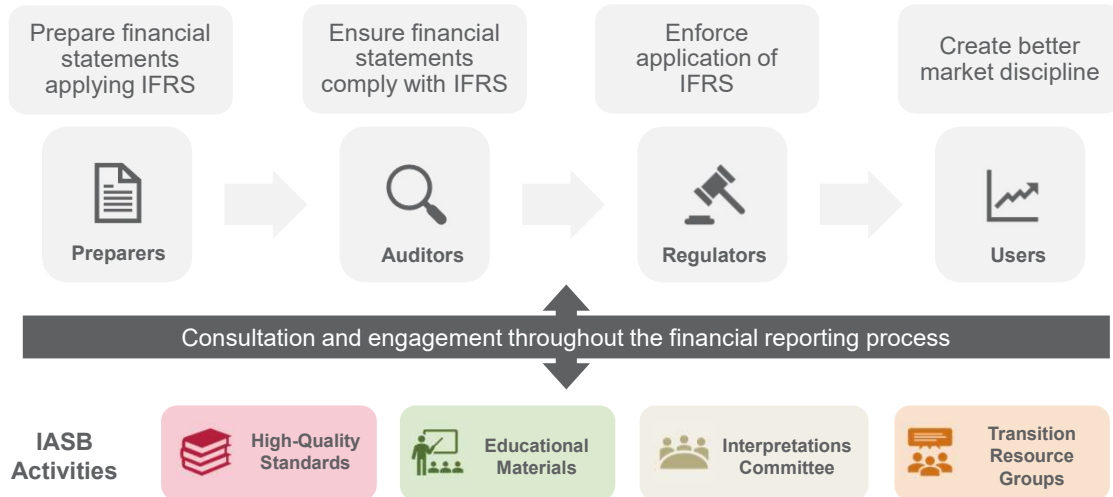
protects IFRS Standards as a single set of **global Standards** for the benefit of users of financial statements



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## Our role versus the role of others

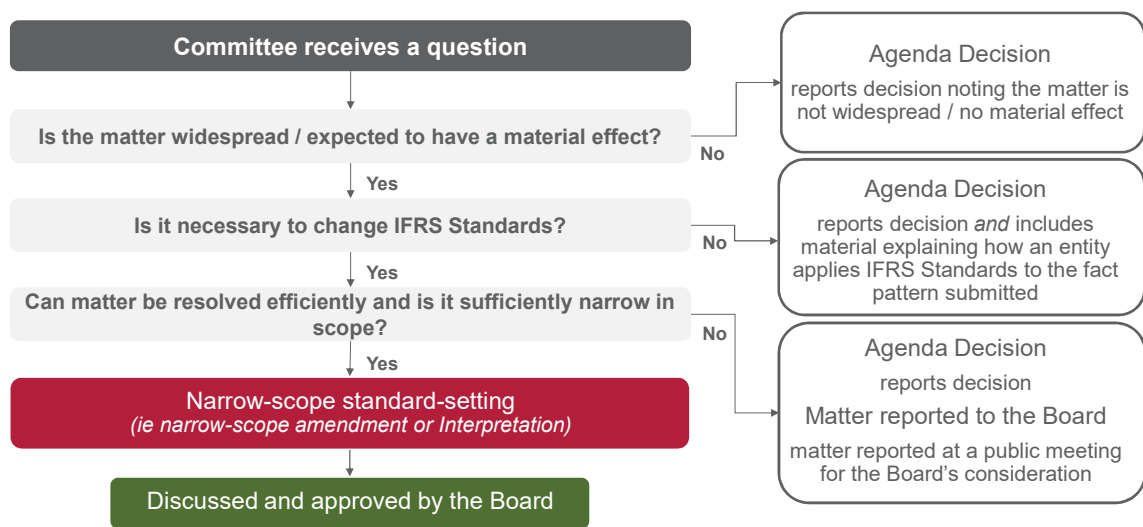
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## The Committee's process

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## Recent agenda decisions

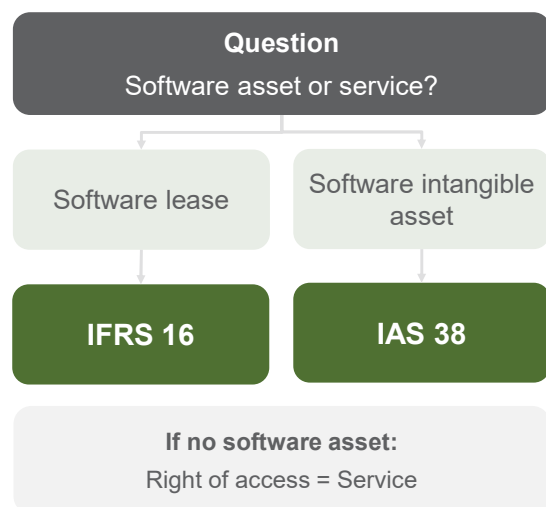


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## Cloud computing arrangements (IAS 38)

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### 'Software as a service'

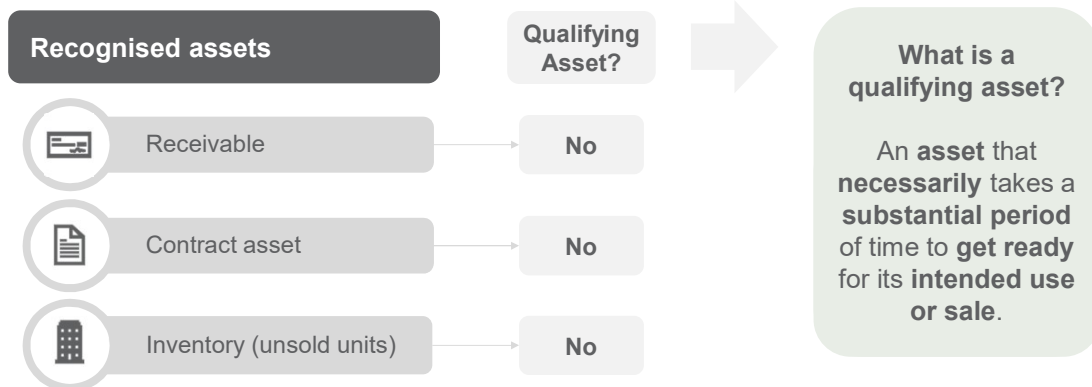


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## Over time transfer of constructed good (IAS 23)

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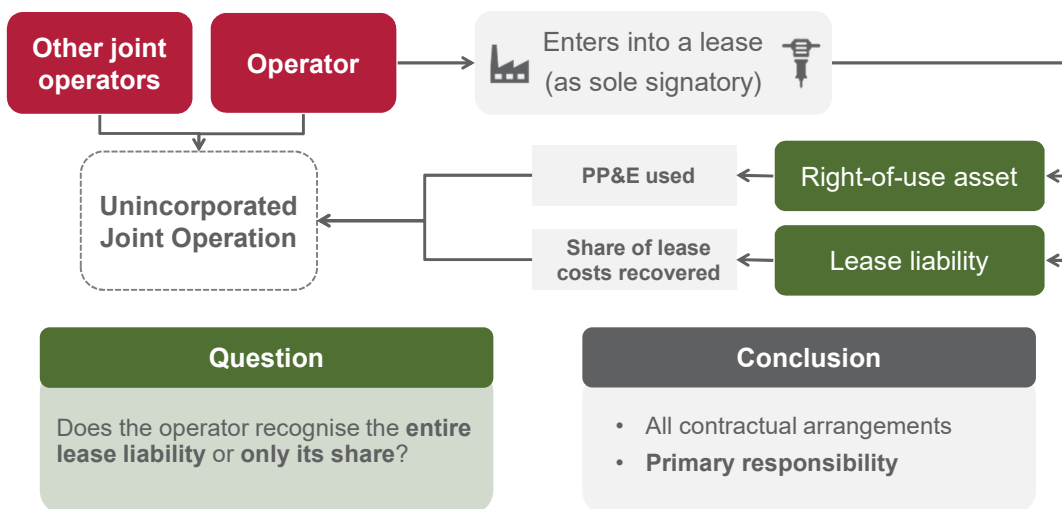
Does an entity capitalise borrowing costs in relation to construction of residential real estate units transferred to the customer over time?



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## Lease liabilities in joint operations (IFRS 11)

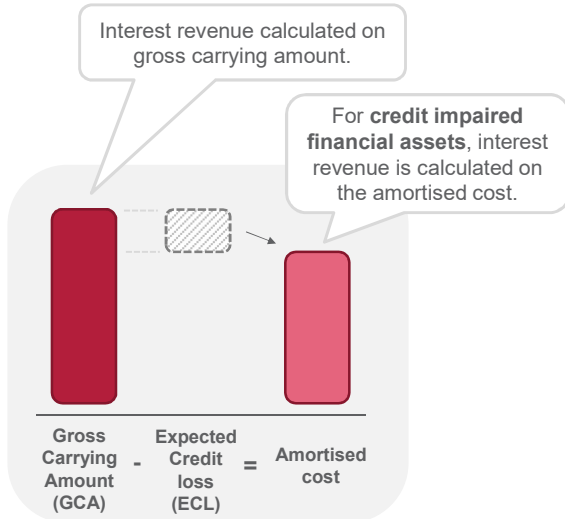
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## Curing of a credit-impaired financial asset (IFRS 9)

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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

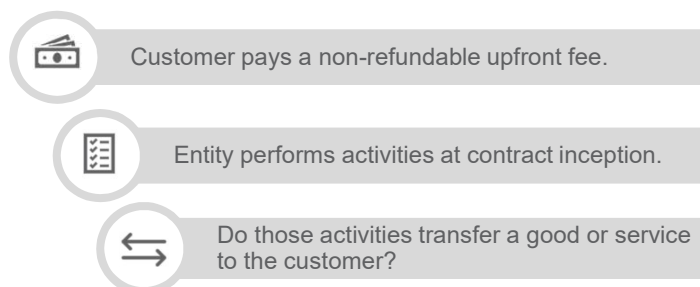
IFRS

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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**.

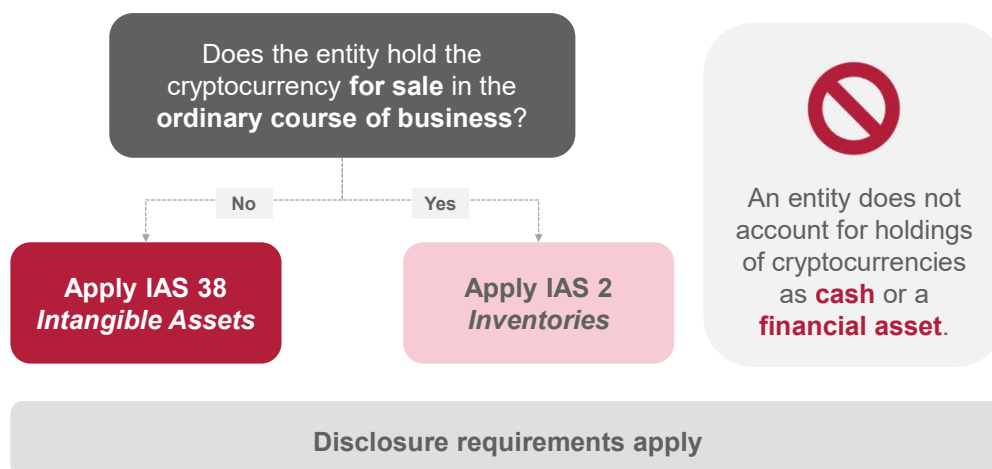
**Conclusion:** Stock exchange does not promise to transfer any service other than the service of being listed on the exchange.



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## Holdings of cryptocurrencies

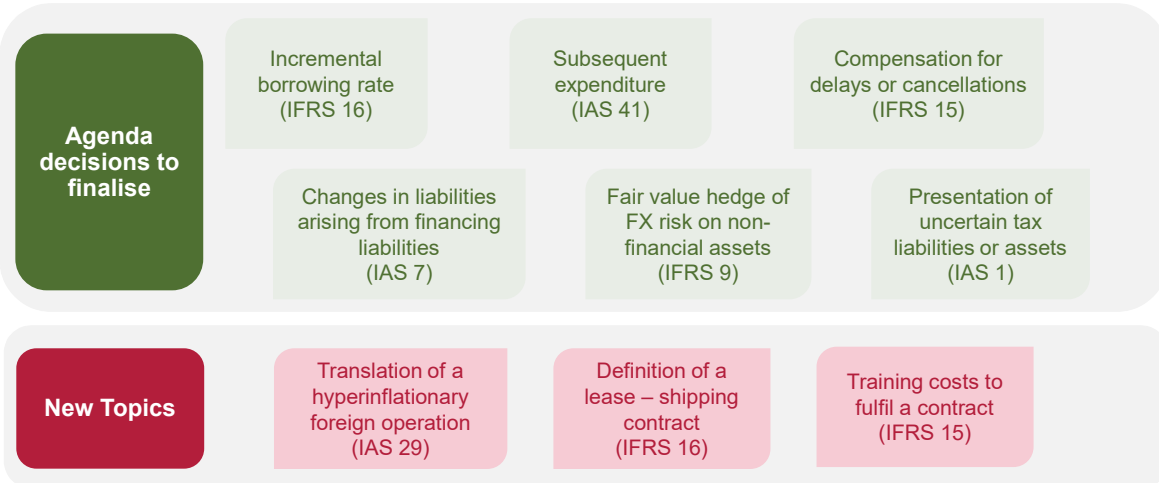
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## Committee's September meeting

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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.



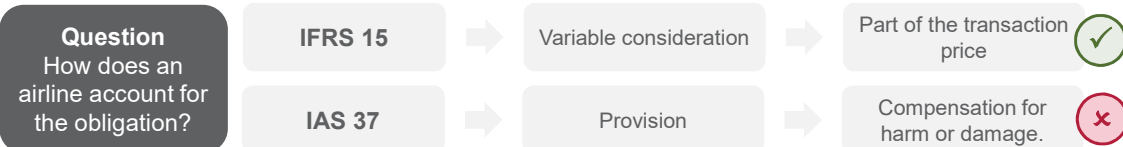
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## Compensation for delays or cancellations (IFRS 15)

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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**.



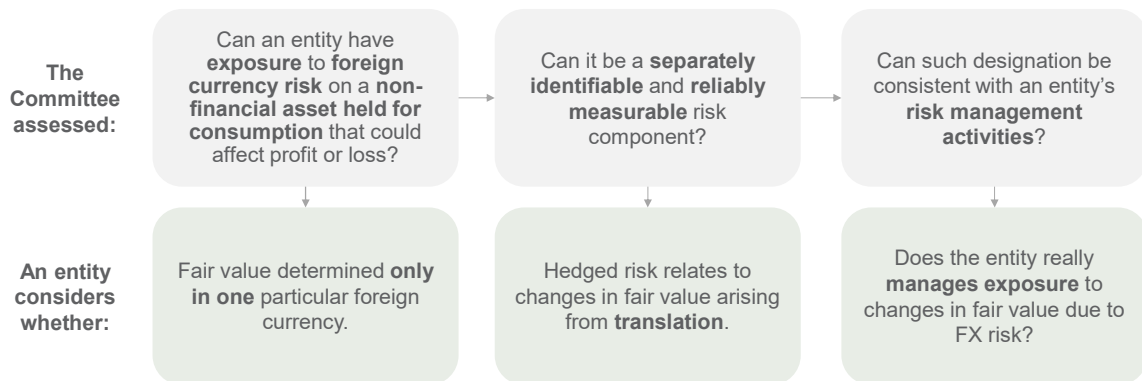
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## Fair value hedge of FX risk on non-financial assets (IFRS 9)

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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**.

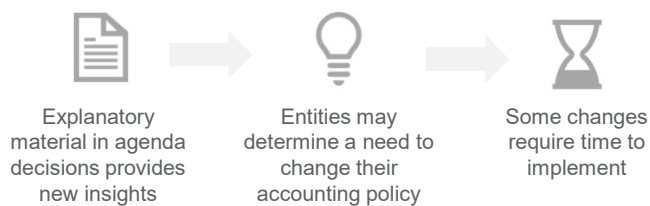


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## Sufficient time for implementing agenda decisions

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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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### IFRS 1 Subsidiary as a first-time adopter

Simplify the application of IFRS1 by a subsidiary that becomes a first-time adopter after its parent in relation to measurement of cumulative translation differences.

### IFRS 9 Fees in the '10 per cent' test for derecognition of financial liabilities

Clarify the fees an entity includes in assessing the terms of a new or modified financial liability for determining whether to derecognise a financial liability.

### Illustrative Examples accompanying IFRS 16

#### Lease Incentives

Remove any potential for confusion regarding lease incentives by amending Illustrative Example IE3.

### IAS 41 Taxation in fair value measurements

Align the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

Comment period ended on 20 August 2019.



#### Next steps:

To be discussed by the Board in Q4 2019.



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

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### Recognition of deferred tax

IAS 12 requires entities to recognise deferred tax for all **temporary differences**, with few exceptions.

### Recognition exemption

Deferred tax are not recognised on the initial recognition of an asset (liability) in a transaction which:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

### Temporary differences are calculated by comparing the carrying amount of assets and liabilities with their **tax bases**.

The **tax base of an asset** is the amount that will be deductible for tax purposes.

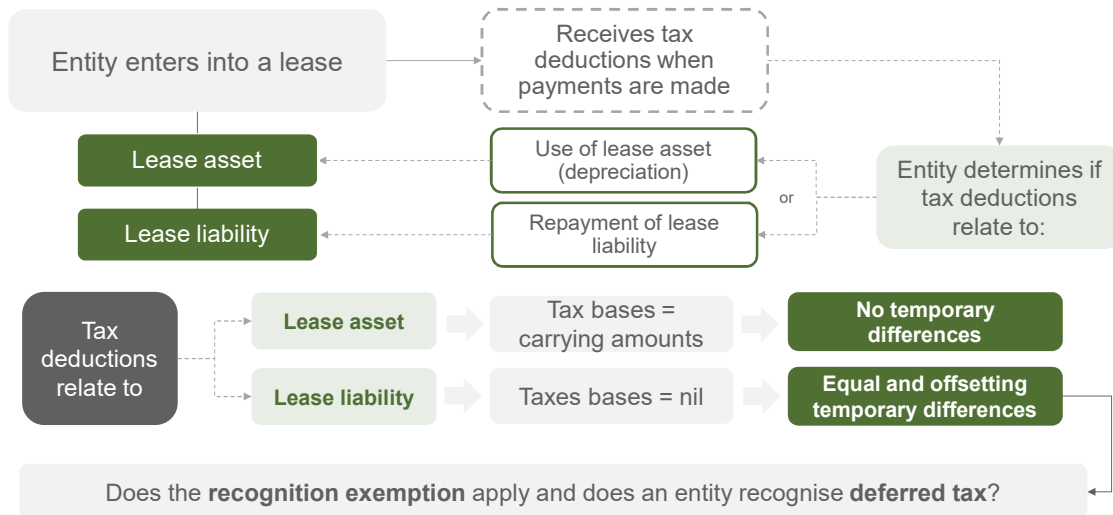
The **tax base of a liability** is its carrying amount, less any amounts that will be deductible for tax purposes.



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

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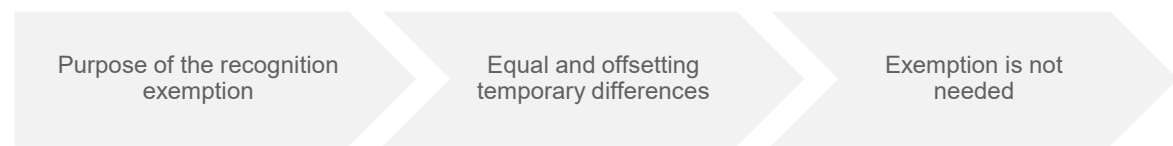


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## Deferred tax related to assets and liabilities arising from a single transaction

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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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