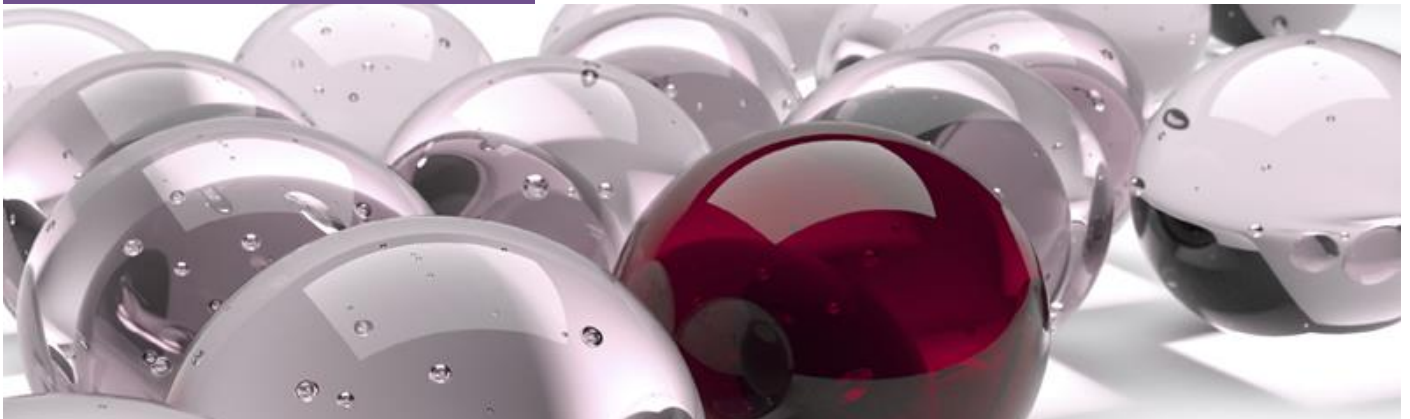


Beyond the GAAP

Mazars' newsletter on accounting standards

NEWSLETTER / No. 116 – November 2017



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Editorial

Over the past decade, the IASB has been working on the process of converging IFRS with US GAAP, and this month saw EU endorsement of the remaining resulting standards. With implementation now set to go ahead, this marks the end of a chapter. The one remaining major standard awaiting endorsement – namely IFRS 17 - *Insurance Contracts* – was not a joint project with the FASB, and moreover is not scheduled for endorsement until the end of next year.

After summarising the regulators' recommendations for you in last month's issue, our 'A Closer Look' feature this month provides further assistance with year-end preparations. It presents our traditional overview of all the standards and interpretations applicable for 2017 financial statements.

Enjoy your reading!

Edouard Fossat

Isabelle Grauer-Gaynor

European highlights

EU endorses standards and amendments

On 9 November 2017, the Official Journal of the European Union announced endorsement of the following five IFRS texts.

IFRS 16 - Leases

This standard (see 'A Closer Look' in Beyond the GAAP no. 96, January 2016) becomes mandatory for financial periods commencing on or after 1 January 2019. EU endorsement means that entities may opt for early application of the standard from 1 January 2018, alongside IFRS 15 - *Revenue from Contracts with Customers*. It can also be applied to this year's financial statements, subject to early application of IFRS 15 at the same time.

Clarifications to IFRS 15 - Revenue from Contracts with Customers

The clarifications relate to the accounting treatment of licences of intellectual property; identification of distinct goods or services; and principal versus agent considerations (see our study in Beyond the GAAP no. 99, April 2016). The endorsement of these clarifications puts the finishing touches to IFRS 15, which becomes mandatory for financial periods commencing on or after 1 January 2018.

Amendments to IAS 7 - Statement of Cash Flows

These amendments form part of the IASB's project to improve communication in financial reporting (see 'IFRS Highlights' in Beyond the GAAP no. 96, January 2016).

The amendments require additional disclosures to explain changes in financing liabilities. They become mandatory for financial periods commencing on or after 1 January 2017.

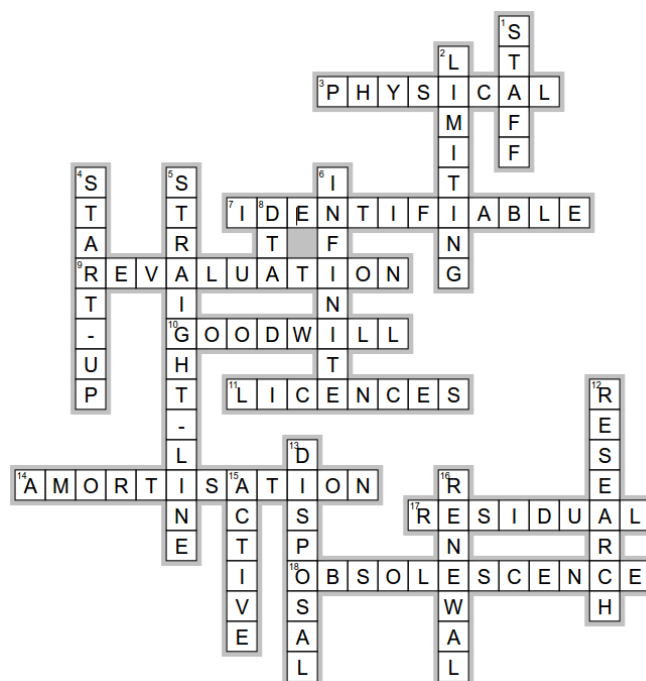
Amendments to IFRS 4 - Insurance Contracts

These amendments allow some insurance entities to defer application of IFRS 9 - *Financial Instruments* from 1 January 2018 until the implementation of the new IFRS 17 insurance contracts standard on 1 January 2021. Alternatively, any entity that undertakes insurance activities may use the so-called 'overlay' approach (see 'A Closer Look' in Beyond the GAAP no. 103, September 2016). The endorsement of this text by the EU also provides insurance entities that form part of financial conglomerates with the option of deferring application, subject to certain conditions (see 'European Highlights' in Beyond the GAAP no. 113, July-August 2017).

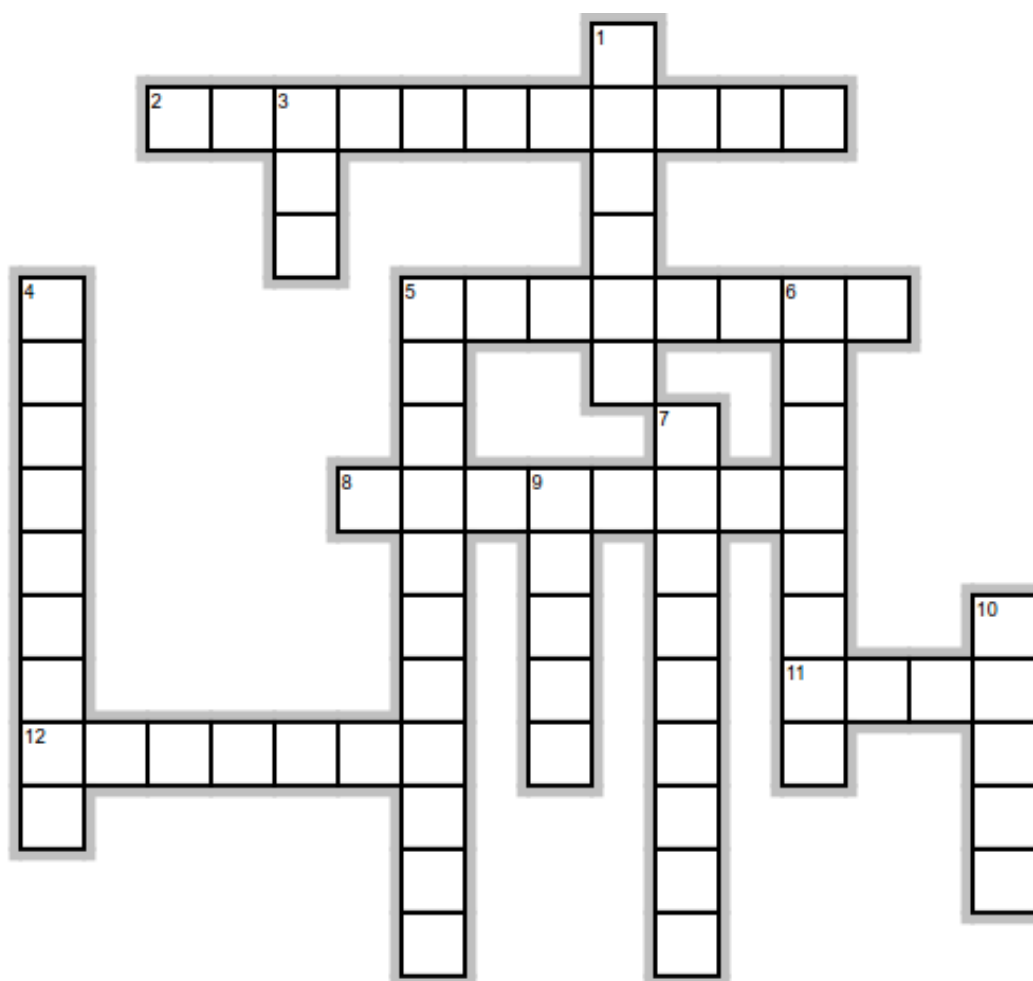
Amendments to IAS 12 - Income Taxes

These amendments relate to the recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value (see 'IFRS Highlights' in Beyond the GAAP no. 96, January 2016). These amendments become mandatory for financial periods commencing on or after 1 January 2017.

Crossword: last month's solution



Crossword: YE 2017 recommendations



Across:

2. Term used to describe the level of detail of information provided
5. If an entity uses this retrospective approach for IFRS 16 transition, it may not restate comparative financial information
8. This type of assessment of credit risk shall be carried out to determine whether there has been a significant increase
11. The acronym denoting the European market regulator
12. Revenue is recognised in line with its transfer

Down:

1. A compound word denoting the UK's exit from the European Union
3. The acronym denoting the French market regulator
4. Entities that predominantly undertake activities in this sector may defer application of IFRS 9 to 1 January 2021
5. Issuers are encouraged to pay attention to this concept, and to consider in its light the amount of information that is required in the financial statements
6. The IFRS 9 impairment model is based on these types of losses
7. If a contract has such a significant component, IFRS 15 requires the entity to adjust the revenue
9. The term used for a third party that provides goods or services but is not a principal 10. BANKS — The regulators made specific recommendations for these institutions regarding the implementation of IFRS 9

A Closer Look

Standards and interpretations applicable at 31 December 2017

Now that accounts are being finalised for 31 December 2017, Beyond the GAAP presents an overview of the IASB's most recent publications. For each text, we clarify whether it is mandatory for this closing of accounts, or whether early application is permitted, based on the EU endorsement status report (Position as at 27 November 2017):

<http://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FEFRAG%2520Endorsement%2520Status%2520Report%252027%2520November%25202017.pdf>

As a reminder, the following principles govern the first application of the IASB's standards and interpretations:

1. The IASB's draft standards cannot be applied as they do not form part of the published standards.
2. The IFRS IC's draft interpretations may be applied if the two following conditions are met:
 - The draft does not conflict with currently applicable IFRSs;
 - The draft does not modify an existing interpretation which is currently mandatory.
3. Standards published by the IASB but not yet adopted by the European Union at 31 December may be applied if the European adoption process is completed before the date when the financial statements are authorised for issue by the relevant authority (i.e. usually the board of directors).

4. Interpretations published by the IASB but not yet adopted by the European Union at the date when the financial statements are authorised for issue may be applied unless they conflict with standards or interpretations currently applicable in Europe.

It should also be noted that the notes of an entity applying IFRSs must include the list of standards and interpretations published by the IASB but not yet effective that have not been early applied by the entity. In addition to this list, the entity must provide an estimate of the impact of the application of those standards and interpretations.

As relates to minor amendments and interpretations, it seems relevant to limit such list to only those amendments and/or interpretations which are likely to apply to the entity's activities.

1. Situation of European Union adoption process for standards and amendments published by the IASB

Standard	Subject	Effective date according to the IASB	Date of publication in the Official Journal	Application status at 31 December 2017
IFRS 9	Financial Instruments (issued on 24 July 2014)	1/01/2018 Early application permitted	29 November 2016 Effective for annual periods beginning on or after 1 January 2018	Permitted
Amendments to IFRS 9	Prepayment Features with Negative Compensation (issued on 12 October 2017)	1/01/2019 Early application permitted	Awaiting endorsement by the EU (expected in 2018)	Not permitted
IFRS 15	Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15: Effective date (issued on 11 September 2015)	1/01/2018 Early application permitted	29 October 2016 Effective for annual periods beginning on or after 1 January 2018	Permitted
Amendments to IFRS 15	Clarifications to IFRS 15 (issued on 12 April 2016)	1/01/2018 Early application permitted	9 November 2017 Effective for annual periods beginning on or after 1 January 2018	Permitted
IFRS 16	Leases (issued on 13 January 2016)	1/01/2019 Early application permitted	9 November 2017 Effective for annual periods beginning on or after 1 January 2019	Permitted (if and only if IFRS 15 is early applied)

1. Situation of European Union adoption process for standards and amendments published by the IASB (end)

Standard	Subject	Effective date according to the IASB	Date of publication in the Official Journal	Application status at 31 December 2017
IFRS 17	Insurance Contracts (issued on 18 May 2017)	1/01/2021 Early application permitted	Awaiting endorsement by the EU (date not yet announced)	Not permitted
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)	1/01/2017 Early application permitted	9 November 2017 Effective for annual periods beginning on or after 1 January 2017	Mandatory
Amendments to IAS 7	Disclosure Initiative (issued on 29 January 2016)	1/01/2017 Early application permitted	9 November 2017 Effective for annual periods beginning on or after 1 January 2017	Mandatory
Amendments à IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	1/01/2018 Early application permitted	9 November 2017 Effective for annual periods beginning on or after 1 January 2018	Permitted
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016)	1/01/2018 Early application permitted	Awaiting endorsement by the EU (expected in Q1 2018)	Permitted ⁽¹⁾
Annual improvements to IFRSs 2014-2016 Cycle	Annual improvements to various Standards (issued on 8 December 2016)	1/01/2017 or 1/01/2018 Early application permitted for amendment to IAS 28	Awaiting endorsement by the EU (expected in Q4 2017 [*])	Permitted ⁽¹⁾
Amendments to IAS 40	Transfers of Investment Property (issued on 8 December 2016)	1/01/2018 Early application permitted	Awaiting endorsement by the EU (expected in Q1 2018)	Permitted ⁽¹⁾⁽²⁾
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017)	1/01/2019 Early application permitted in same time as IFRS 9	Awaiting endorsement by the EU (expected in 2018)	Permitted ⁽¹⁾⁽²⁾
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014)	Postponed Early application permitted	Deferred	Permitted ⁽²⁾
IFRS 14	Regulatory Deferral Accounts (issued on 30 January 2014)	1/01/2016 Early application permitted	No endorsement The EC has decided not to launch the endorsement process of this interim standard and to wait for the final standard	Not permitted

(1) If the amendment is a clarification of an existing standard and is not in contradiction with current standards

(2) If the entity had not developed an accounting policy

2. Situation of European Union adoption process for interpretations published by the IFRS IC

Interpretation	Subject	Effective date according to IASB	Date of publication in the Official Journal	Application status at 31 December 2017
IFRIC 22	Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016)	1/01/2018 Early application permitted	Awaiting endorsement by the EU (expected Q1 2018)	Permitted ⁽²⁾
IFRIC 23	Uncertainty over Income Tax Treatments (issued on 7 June 2017))	1/01/2019 Early application permitted	Awaiting endorsement by the EU (expected in 2018)	Permitted ⁽²⁾

(1) If the amendment is a clarification of an existing standard and is not in contradiction with current standards

(2) If the entity had not developed an accounting policy

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Events and FAQ

Frequently asked questions

IFRS

- Determining the level of control of a limited partnership
- The IFRS accounting treatment of a non-cash consideration in the form of two investment properties
- Earn-out clause with executive remaining at the firm
- Securitisation programme
- A group of non-current assets that meets the definition of a discontinued operation

Upcoming meetings of the IASB, the IFRS Interpretations Committee and EFRAG

IFRS		EFRAG	
IASB	Committee	Board	TEG
11-15 December	16 January	14 December	18-19 December
22-26 January	13-14 March	6 February	17-18 January
19-23 February	9 May	20 March	7-8 March

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The drafting of the present issue was completed on 11 December 2017
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