

Beyond the GAAP

Mazars' newsletter on accounting standards

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Editorial

This year, it wasn't accounting that made the news in April... A chance for our readers to enjoy the holidays and the month of May.

Nonetheless, this gives Beyond the GAAP an opportunity to update readers on the texts expected between now and the end of the year, and to warn that after the calm will come the storm, if we can describe the nine exposure drafts planned for May and June that way. Two of these will have been published by the time you receive this newsletter. There are also a number of draft texts in the pipeline for the second half of the year, some of which may have a very structuring impact in the short to medium term.

Enjoy your reading!

Edouard Fossat

Isabelle Grauer-Gaynor

IFRS Highlights

IFRS 17 deliberations reach an end

During its April 2019 meeting, the IASB concluded its deliberations on amendments to IFRS 17 on insurance contracts (see our 'A Closer Look' studies in previous editions of Beyond the GAAP) and authorised its staff to start the drafting of the exposure draft.

The IASB has also confirmed that it intends to amend the effective date of IFRS 17, deferring it to annual periods beginning on or after 1 January 2022 and extending by a year the option to continue to apply IAS 39 (subject to conditions) to the financial instruments of insurers. Early application of the amended IFRS 17 will be permitted.

The official announcement of these decisions is available on the IASB website at:

<https://www.ifrs.org/news-and-events/updates/iasb-updates/april-2019/>.

Following this meeting, the Due Process Oversight Committee (DPOC) approved the reduction of the consultation period from 120 to 90 days.

The exposure draft is expected to be published at the end of June.

The IASB also took the opportunity to:

- discuss a list of topics ("sweep issues") that had been prepared by the staff and which directly related to recent deliberations. Most of these will not lead to any further amendments (see agenda paper 2C);
- endorse some minor amendments to IFRS 17 which will probably be addressed via the annual IFRS improvements process, rather than by inclusion in the IFRS 17 exposure draft due to appear in June (see agenda papers 2D and 2E).

The agenda papers on the various topics addressed by the IASB can be consulted on its website at:

<https://www.ifrs.org/news-and-events/calendar/2019/april/international-accounting-standards-board/>.

Finally, the Transition Resource Group for IFRS 17 (TRG), the discussion forum for IFRS 17 implementation issues which has already met four times since February 2018, held its final session on 4 April. Topics considered by the TRG include insurance contracts with a financing component (see agenda paper 1). It also reviewed various issues submitted which did not meet the criteria for inclusion in its agenda, or which are already being addressed by other, parallel, IASB initiatives, such as the future exposure draft (see agenda paper 2). No new TRG meetings are planned at this stage. The official podcast and meeting summary of the April TRG meeting are available on the IASB website at: <https://www.ifrs.org/news->

[and-events/2019/04/april-2019-trg-for-ifrs-17-meeting-summary-and-podcast-available/](https://www.ifrs.org/news-and-events/2019/04/april-2019-trg-for-ifrs-17-meeting-summary-and-podcast-available/).

IFRS Foundation proposes amendments to the Due Process Handbook

On 30 April, the IFRS Foundation published an exposure draft proposing amendments to the Due Process Handbook. This handbook sets out the procedures applying to the IASB, its Interpretations Committee (the IFRS IC) and their staff. The amendments are essentially intended to align some of these procedures with the practices that have developed since the handbook was last revised in 2013. It nevertheless contains two new proposals concerning the possibility for the IASB, like the IFRS IC, to issue agenda decisions, and confirming that IFRS taxonomy work is subject to the oversight of the IFRS Foundation's Due Process Oversight Committee (DPOC), the body responsible for oversight and control of all the organisation's procedures.

The main amendments concern the following topics:

- **Impact assessments:** the amendments aim to clarify the fact that impact assessments are conducted throughout the standard-setting process, although it is only at the final publication stage that a formal report on the impacts of a standard is published (for important standards), or that the effect analysis is embedded in the basis for conclusions (for other texts). The purpose of these studies is to demonstrate that the new texts improve the quality of financial statements and are justifiable, taking into consideration costs to produce the information. These analyses also take account of the impact of new texts in terms of their contribution to financial stability.
- **Agenda decisions:** a number of amendments are proposed in this area:
 - clarification of their role to establish that agenda decisions do not amend, and therefore do not have the same status as, IFRS standards, but provide explanations about the implementation of IFRS standards in order to improve consistency in their application;
 - an implementation delay to confirm last month's announcements (see Beyond the GAAP no. 131 of March 2019) on the need for entities to have sufficient time to apply agenda decisions;
 - allowing the IASB to use this procedure, under the same consultation conditions, to address application questions for new standards (for example, submitted by any transition resource groups it has set up), without usurping the role of the Interpretations Committee.

Other less significant changes are also proposed, including:

- Educational material: the proposals suggest specifying three broad categories of educational material (summaries, webcasts, etc.), all subjected to review by one to three Board members.
- A requirement to consult for any additional projects that were not subject to the IASB's consultation procedure on its work programme (agenda consultation);
- The future strategic remit of the IFRS Advisory Council, now that the role of a technical consultative body has been taken over by the Accounting Standard-setter Advisory Forum;
- The DPOC's oversight of IFRS taxonomy work, and clarification of the IFRS Taxonomy Updates review procedure.

The draft amendments to the Due Process Handbook are available for consultation until 29 July 2019.

They are available at:

<https://www.ifrs.org/projects/work-plan/due-process-handbook-review/comment-letters-projects/ed-due-process-handbook-review/>.

IASB publishes exposure draft ahead of IBOR rate reform

On 3 May 2019, the IASB published an exposure draft of IFRS 9 and IAS 39 amendments aiming to provide a temporary exemption to the requirement to take into account the hedge accounting impacts of the potential replacement of IBOR rates (no consideration in the assessment of the high probability of a future transaction, or of the forecast effectiveness of the hedging relationship), given the uncertainties surrounding the general conditions of this reform (timetable and practical details). This exemption would apply to contracts affected by the IBOR reform before the effective change of their reference rate.

The exposure draft proposes the mandatory application of these amendments to all hedging relationships concerned by the IBOR reform, which would be retrospective for current reporting periods from 1 January 2020. Early application should nevertheless be possible, subject to endorsement by the European Union.

Given the urgent nature of this matter, the consultation period has been reduced to 45 days.

The exposure draft can be consulted at:

<https://www.ifrs.org/-/media/project/ibor-reform/ed-ibor-reform-may-19.pdf>

Beyond the GAAP will return to this exposure draft in more detail next month.

A second phase of the project will address the impact of the IBOR rates reform once it is in force, i.e. when the contracts referring to it are amended.

IASB stakeholder consultations resume from May 2019

After a period of intense work and consultations between 2007 and 2015, the IASB's stakeholders have got used to a period of quiet in recent years, in terms of calls for comments on draft texts. Logically enough, the projects that were deferred or remained incomplete during this period have now begun to arrive. But other subjects, raised during the 2015 work programme consultation or arising from the application of recent or long-standing standards, are starting to emerge. As a result, no fewer than eight exposure drafts are expected over the next two months, and some rather important – even structurally significant – discussion papers are expected in the second half of the year.

The expected publications are listed below by document type (starting with those most nearly approaching completion) and by date:

- **Final texts (H2 2019):**
 - Classification of liabilities as current or non-current (amendments to IAS 1)
- **Exposure drafts:**
 - May 2019:
 - IBOR reform and its effects on financial reporting (see under Highlights above)
 - June 2019:
 - Amendments to IFRS 17, Insurance contracts (90 day consultation period – see under Highlights above)
 - Fees in the '10 per cent' test for derecognition
 - Lease incentives
 - Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)
 - Subsidiary as a first-time adopter (amendments to IFRS 1)
 - Taxation in fair value measurements (amendments to IAS 41)
 - Updating a reference to the conceptual framework (amendments to IFRS 3)
 - Q3 2019:
 - Disclosure Initiative — Accounting Policies
- **Discussion document or exposure draft (H2 2019)**
 - Primary financial statements
 - Rate-regulated activities
- **Discussion document (H2 2019)**
 - Dynamic risk management (macro-hedging)
 - Goodwill and impairment

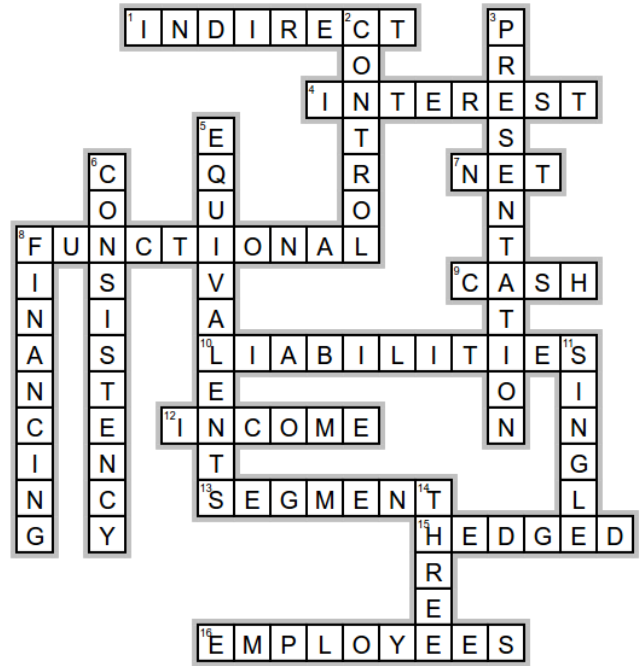
▪ **Request for Information** (H2 2019)

- Comprehensive review of the IFRS for SMEs

The full IASB work plan, including expiry dates beyond 2019, can be accessed at <https://www.ifrs.org/projects/work-plan/>.

This work programme is updated every month, after each IASB meeting.

Crossword: last month's solution



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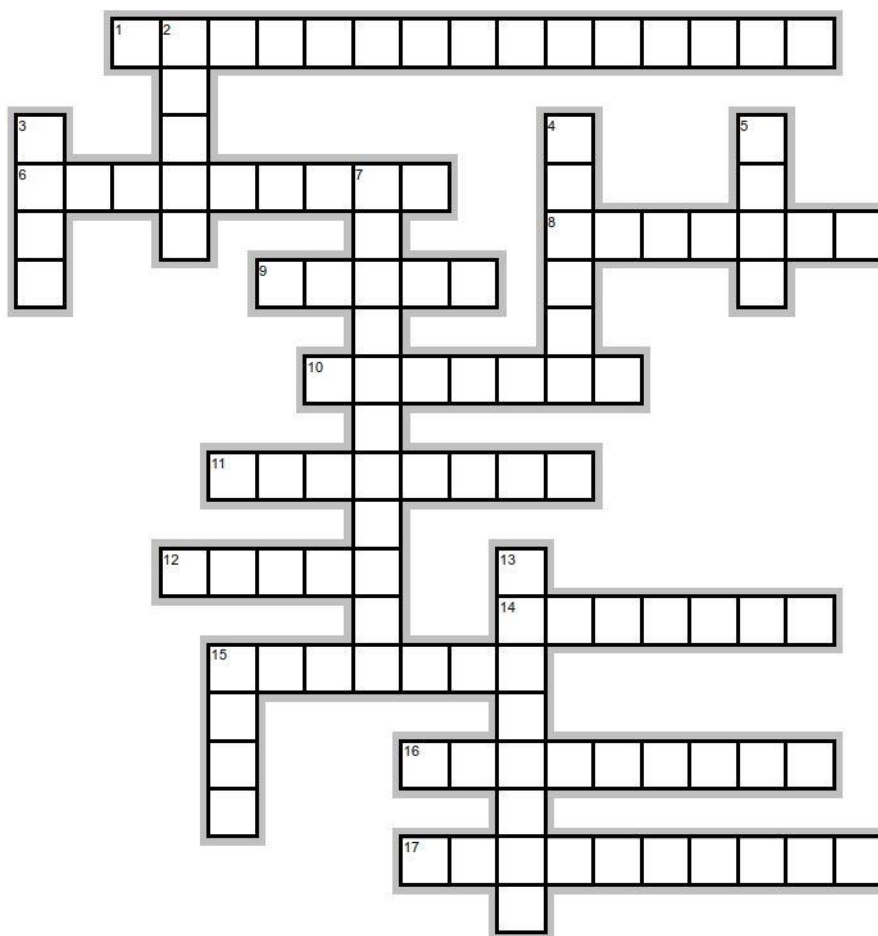
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Crossword: IAS 2 – Time for the inventory!



Across

1. The specific identification of costs is not generally appropriate for this type of inventories
6. This stock control procedure is not addressed by IAS 2
8. Costs excluded from the measurement of inventories
9. Large quantities with this type of turnover are often measured using the retail method
10. IAS 2 does not apply to agricultural produce up to and including this date
11. An impairment can be this if the circumstances justifying impairment improve
12. Number of inventory types identified by IAS 2
14. The measurement of the inventories they hold is not subject to IAS 2
15. Number of the IFRS standard under which costs to fulfil a contract with a customer are accounted for, if they cannot be recognised under IAS 2
16. These costs may be included in the measurement of inventories under limited circumstances
17. When this net value is lower than the cost, it is used to measure inventories

Down

2. Inventories pledged as security for liabilities must be reported here
3. Measurement method for inventories that is not permitted in IFRSs
4. Certain inventory components may be allocated here
5. This value and the net realisable value of inventories are not necessarily the same
7. This cost may be the best available measure of the net realisable value of raw materials
13. These production costs are recognised as an expense
15. The net realisable value of inventories held for sales of this type is based on the contract price

Events and FAQ

Frequently asked questions

IFRS

- Earn-out clause and presence condition
- Allotment of free shares
- Intra-group share-based payment
- Re-organisation of CGUs
- Acquisition of assets vs. business combination
- IFRS 16 and deferred taxes

Upcoming meetings of the IASB, IFRS Interpretations Committee and EFRAG

IFRS		EFRAG	
IASB	Committee	Board	TEG
13-17 May	11-12 June	4 June	22-23 May
17-19 June	16-17 September	9 July	4 June
22-26 July	25-26 November	10 September	3-4 July

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