New standards and interpretations effective 1 January 2019 – Are you ready?

December 2018

There has been a number of new standards and amendments issued by the IASB that will become effective from **1 January 2019**

Standard or Interpretation	Details
NEW STANDARD IFRS 16: Leases	IFRS 16 *'Leases'* was issued by the IASB on 13 January 2016 and is effective for periods beginning **on or after 1 January 2019**, with earlier adoption permitted if IFRS 15 *'Revenue from Contracts with Customers'* has also been applied. IFRS 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change. The changes under IFRS 16 are significant and will have a pervasive impact, particularly for lessees with operating leases.
AMENDMENT IFRS 9: Financial Instruments (Prepayment features)	On 12 October 2017, the IASB published *Prepayment Features with Negative Compensation (Amendments to IFRS 9)* to address the concerns about how IFRS 9 *Financial Instruments* classifies particular prepayable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification. These amendments are: 1. Changes regarding symmetric prepayment options: *Prepayment Features with Negative Compensation* amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain. 2. Clarification regarding the modification of financial liabilities: It clarifies that an entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortised cost amount. The amendments are to be applied retrospectively for financial years beginning **on or after 1 January 2019**.
AMENDMENT IAS 28: Investments in Associates and Joint Ventures (Long term Interests)	The amendments in *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)* are: ▪ Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. ▪ Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests. The amendments are to be applied retrospectively for financial years beginning **on or after 1 January 2019**.

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Nexia SAB&T Training and Technical

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Standard or Interpretation	Details
AMENDMENT IAS 19: Employee benefits (Plan Amendment, Curtailment or Settlement)	On 7 February 2018, the IASB published *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* to harmonise accounting practices and to provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins **on or after 1 January 2019**. The amendments in *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* are: ▪ If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. ▪ In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
NEW INTERPRETATION IFRIC 23**:** Uncertainty over Income Tax Treatments	The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual reporting periods beginning **on or after 1 January 2019**. Earlier application is permitted.
Annual Improvements to IFRS Standards 2015-2017 Cycle	The IASB has issued 'Annual Improvements to IFRS Standards 2015–2017 Cycle'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. These amendments are effective for annual periods beginning **on or after 1 January 2019**. The amendments made during the 2015–2017 cycle are as follows:

Amended Standard	The amendments clarify that:
IFRS 3 *Business Combinations*	A company remeasures its previously held interest in a joint operation when it obtains control of the business.
IFRS 11 *Joint Arrangements*	A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
IAS 12 *Income Taxes*	A company accounts for all income tax consequences of dividend payments in the same way.
IAS 23 *Borrowing Costs*	A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.