

Changes in this edition

This section is a brief guide to the changes incorporated in this 2021 edition since the publication of *IFRS® Standards – Required at 1 January 2020*.

Basis of preparation

This edition contains only IFRS Standards issued by the International Accounting Standards Board (Board) as at 31 December 2020 that are required for accounting periods beginning on or after 1 January 2021 (that is, all Standards with an effective date on or before 1 January 2021).

Standards and amendments to Standards issued by 31 December 2020 but with an effective date after 1 January 2021 are excluded from this edition; they will be reproduced in *IFRS® Standards – Issued at 1 January 2021* and in *The Annotated IFRS® Standards – Standards issued at 1 January 2021*.

New in this edition

The following pronouncements are effective from 1 January 2021 and included in this edition:

- a revised version of the *Constitution and Due Process Handbook* of the IFRS Foundation;
- *Annual Improvements to IFRS Standards 2018–2020* – amendments to IFRS 16 *Leases*;
- *Covid-19-Related Rent Concessions* – amendment to IFRS 16;
- *Extension of the Temporary Exemption from Applying IFRS 9* – amendments to IFRS 4 *Insurance Contracts*; and
- *Interest Rate Benchmark Reform – Phase 2* – amendments to IFRS 4, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*, IFRS 16 and IAS 39 *Financial Instruments: Recognition and Measurement*.

The following table provides the publication and effective dates of these pronouncements. The *Amendments to Standards* section provides further details of these pronouncements.

New requirements effective from 1 January 2021				
Standard/ amendment	When issued	Effective date (early application is possible unless otherwise noted)	Standards/ Interpretations amended	Standard withdrawn
<i>Annual Improvements to IFRS Standards 2018–2020</i>	May 2020	Takes effect immediately	IFRS 16	
<i>Covid-19-Related Rent Concessions</i> Amendment to IFRS 16	May 2020	1 June 2020	IFRS 16	
<i>Extension of the Temporary Exemption from Applying IFRS 9</i> Amendments to IFRS 4	June 2020	25 June 2020	IFRS 4	
<i>Interest Rate Benchmark Reform—Phase 2</i> Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	August 2020	1 January 2021	IFRS 4, IFRS 7, IFRS 9, IFRS 16; IAS 39	

The Glossary has been revised. Minor editorial corrections to Standards (including necessary updating) have also been made; a list of all such corrections is available at www.ifrs.org.

New and revised Standards, Interpretations and practice statements are available to eIFRS subscribers at eifrs.ifrs.org.

Constitution and Due Process Handbook of the IFRS Foundation

The *Due Process Handbook* was revised following a review by the Trustees' Due Process Oversight Committee (DPOC) to ensure it remains fit for purpose and continues to reflect good practice.

The main changes were to:

- clarify the authority of agenda decisions published by the Interpretations Committee and their role in supporting consistent application of IFRS Standards, and to enhance the related due process by formally involving the Board in their finalisation; and
- reflect recent developments in the Board's process for assessing the likely effects of a new or amended IFRS Standard.

In addition, the amendments enhance and streamline the consultation requirements for adding major projects to the Board's work plan; update and enhance the minimum amount of review required for educational material produced by the IFRS Foundation; and clarify the DPOC's role in overseeing the IFRS Taxonomy due process.

Resulting from the amendments to the *Due Process Handbook*, an amendment was also made to the IFRS Foundation Constitution. This amendment reflects that the Advisory Council advises the Board (and Trustees) on strategic matters and no longer functions as a technical consultative body.

Amendments to Standards

Annual Improvements to IFRS Standards 2018–2020

Annual Improvements to IFRS Standards 2018–2020 amended an illustrative example accompanying IFRS 16 *Leases*.

Covid-19-Related Rent Concessions

Covid-19-Related Rent Concessions, which amends IFRS 16, is effective from 1 June 2020 with earlier application permitted. The amendment permits lessees, as a practical expedient, not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

Extension of the Temporary Exemption from Applying IFRS 9

Extension of the Temporary Exemption from Applying IFRS 9, which amends IFRS 4, extends the temporary exemption from applying IFRS 9 by two years. It will expire for annual reporting periods beginning on or after 1 January 2023.

Interest Rate Benchmark Reform—Phase 2

Interest Rate Benchmark Reform—Phase 2 (Phase 2 amendments) was issued in August 2020 and amends IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The objectives of the Phase 2 amendments are to:

- support companies in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the reform; and
- assist companies in providing useful information to users of financial statements.

Disclosure of the possible impact of issued Standards that are not yet required

As explained above, this edition does not include Standards that have an effective date later than 1 January 2021.

These Standards are relevant, however, even if an entity does not intend to adopt a requirement early. Paragraph 30 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to disclose ‘information relevant to assessing the possible impact that application of the new IFRS [Standard] will have on the entity’s financial statements in the period of initial application’.

The following table shows the new Standards and amendments to Standards that were issued by 1 January 2021 but which have an effective date after 1 January 2021.

Standards issued, but not effective, at 1 January 2021				
Standard/ amendment	When issued	Effective date (early application is possible unless otherwise noted)	Standards/ Interpretations amended	Standard withdrawn
<i>Sale or Contribution of Assets</i> Amendments to IFRS 10 and IAS 28	September 2014	Postponed indefinitely	IFRS 10; IAS 28	
IFRS 17 <i>Insurance Contracts</i> ^(a)	May 2017	1 January 2021	IFRS 1, IFRS 3, IFRS 3 (as amended by IFRS 16), IFRS 5, IFRS 7, IFRS 7 (as amended by IFRS 16), IFRS 9, IFRS 15; IAS 1, IAS 7, IAS 16, IAS 19, IAS 28, IAS 32, IAS 36, IAS 37, IAS 38, IAS 40; SIC 27	IFRS 4
<i>Classification of Liabilities as Current or Non-current</i> ^(b) Amendments to IAS 1	January 2020	1 January 2023	IAS 1	
<i>Reference to the Conceptual Framework</i> Amendments to IFRS 3	May 2020	1 January 2022	IFRS 3	
<i>Onerous Contracts—Cost of Fulfilling a Contract</i> Amendments to IAS 37	May 2020	1 January 2022	IAS 37	

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Standards issued, but not effective, at 1 January 2021				
Standard/ amendment	When issued	Effective date (early application is possible unless otherwise noted)	Standards/ Interpretations amended	Standard withdrawn
<i>Property, Plant and Equipment: Proceeds before Intended Use</i> Amendments to IAS 16	May 2020	1 January 2022	IAS 16	
<i>Annual Improvements to IFRS Standards 2018-2020</i>	May 2020	1 January 2022	IFRS 1, IFRS 9; IAS 41	
<i>Amendments to IFRS 17</i>	June 2020	1 January 2023	IFRS 3, IFRS 7, IFRS 9, IFRS 17; IAS 1, IAS 32, IAS 36, IAS 38	
<i>Classification of Liabilities as Current or Non-current—Deferral of Effective Date</i> Amendment to IAS 1	July 2020	1 January 2023	IAS 1	
(a) Amendments to this Standard were issued in June 2020.				
(b) In July 2020, the effective date of this amendment was deferred to 1 January 2023.				

The summaries that follow explain the changes that will be introduced by the documents mentioned in the table *Standards issued, but not effective, at 1 January 2021*.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, which amends IFRS 10 and IAS 28, was issued in September 2014. The amendments address the conflict between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* when accounting for the sale or contribution of a subsidiary to a joint venture or associate (resulting in the loss of control of the subsidiary). In December 2015 the Board deferred the effective date of this amendment indefinitely.

IFRS 17 Insurance Contracts and Amendments to IFRS 17

IFRS 17 *Insurance Contracts* applies to: insurance contracts, including reinsurance contracts, issued by an entity with specified exceptions; reinsurance contracts held by an entity; and investment contracts with discretionary participation features issued by an entity that issues insurance contracts. An insurance contract is defined as ‘a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder’.

In the statement of financial position, an entity is required to measure profitable insurance contracts at the risk-adjusted present value of the future cash flows plus unearned profit for services to be provided under the contract.

IFRS 17 requires an entity to recognise profit from a group of insurance contracts over the period the entity provides services, and as the entity is released from risk. If a group of contracts is or becomes loss-making, the entity is required to recognise the loss immediately.

The Standard also requires insurance revenue, insurance service expenses, and insurance finance income or expenses to be presented separately.

Since the Board issued IFRS 17 in May 2017, it has been carrying out activities to support entities and monitor their progress in implementing the Standard. These activities helped the Board to understand the concerns and challenges that some entities identified while implementing the Standard. The Board considered these concerns and challenges and decided to amend IFRS 17. The objective of the amendments is to assist entities implementing the Standard, while not unduly disrupting implementation or diminishing the usefulness of the information provided by applying IFRS 17.

IFRS 17, as amended in June 2020, is effective for annual reporting periods beginning on or after 1 January 2023.

Classification of Liabilities as Current and Non-current and Classification of Liabilities as Current and Non-current—Deferral of Effective Date

Classification of Liabilities as Current or Non-current clarifies a criterion in IAS 1 *Presentation of Financial Statements* for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

Classification of Liabilities as Current or Non-current – Deferral of Effective Date was issued in July 2020 and deferred the mandatory effective date of amendments to IAS 1 *Classification of Liabilities as Current or Non-current* to annual reporting periods beginning on or after 1 January 2023.

Reference to the Conceptual Framework

Reference to the Conceptual Framework updates a reference to the *Conceptual Framework* in IFRS 3 *Business Combinations* and makes further amendments to IFRS 3 to avoid unintended consequences of updating the reference.

Onerous Contracts—Cost of Fulfilling a Contract

Onerous Contracts—Cost of Fulfilling a Contract amends IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Property, Plant and Equipment: Proceeds before Intended Use

Property, Plant and Equipment: Proceeds before Intended Use amends IAS 16 *Property, Plant and Equipment*. The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

Annual Improvements to IFRS Standards 2018-2020

Annual Improvements to IFRS Standards 2018-2020 contains the following amendments.

Standard	Subject of amendment
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	Subsidiary as a First-time Adopter
IFRS 9 <i>Financial Instruments</i>	Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
IAS 41 <i>Agriculture</i>	Taxation in Fair Value Measurements