Changes in this edition

This section is a brief guide to the changes since the 2015 edition that are incorporated in this edition of the Bound Volume of International Financial Reporting Standards (the 'Blue Book').

Introduction

The text of this collection of International Financial Reporting Standards (IFRS) includes the consolidated Standards as approved for issue up to 31 December 2015 and as required to be applied on 1 January 2016.

This volume does not contain those Standards or changes to Standards with an effective date after 1 January 2016. Readers seeking the consolidated text of IFRS issued at 1 January 2016 (including Standards with an effective date after 1 January 2016) should refer to the 2016 IFRS (Red Book), which is being issued in the first quarter of 2016.

New requirements introduced since 1 January 2015

The following are the main changes made since 1 January 2015:

- IFRS 14 *Regulatory Deferral Accounts*;
- *Accounting for Acquisitions of Interests in Joint Operations* (Amendments to IFRS 11);
- *Clarification of Acceptable Methods of Depreciation and Amortisation* (Amendments to IAS 16 and IAS 38);
- *Agriculture: Bearer Plants* (Amendments to IAS 16 and IAS 41);
- *Equity Method in Separate Financial Statements* (Amendments to IAS 27);
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28);
- *Investment Entities: Applying the Consolidation Exception* (Amendments to IFRS 10, IFRS 12 and IAS 28);
- *Disclosure Initiative* (Amendments to IAS 1); and
- one set of Annual Improvements.

New Standard

IFRS 14 Regulatory Deferral Accounts

IFRS 14 *Regulatory Deferral Accounts* was issued in January 2014. It defines regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other Standards, but that qualify to be deferred in accordance with IFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services, such as gas, electricity and water. The scope of IFRS 14 is limited to first-time adopters that recognised regulatory deferral account balances in their financial statements in accordance with their previous GAAP. The Standard permits such entities to continue to account for regulatory deferral account balances in their first and subsequent IFRS financial statements in accordance with their previous GAAP, but must present them separately. IFRS 14 is effective for entities whose first annual IFRS financial statements are for a period beginning on or after 1 January 2016. Earlier application is permitted.

Amendments to Standards issued as separate documents

Accounting for Acquisitions of Interests in Joint Operations

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) was issued in May 2014. IFRS 11 *Joint Arrangements* addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendments are required to be applied to acquisitions occurring from the start of the first annual period beginning on or after 1 January 2016. Earlier application is permitted.

Clarification of Acceptable Methods of Depreciation and Amortisation

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) was issued in May 2014. IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Agriculture: Bearer Plants

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) was issued in June 2014. Before these amendments IAS 41 *Agriculture* required all biological assets related to agricultural activity to be measured at fair value less costs to sell based on the principle that their biological transformation is best reflected by fair value measurement. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. Plants such as grape vines, rubber trees and oil palms will normally meet the definition of a bearer plant. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 *Property, Plant and Equipment*, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants remains within the scope of IAS 41. The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Equity Method in Separate Financial Statements

Equity Method in Separate Financial Statements (Amendments to IAS 27) was issued in August 2014. The amendments to IAS 27 *Separate Financial Statements* will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are required to be applied for annual periods beginning on or after 1 January 2016 retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Earlier application is permitted.

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 (Amendments to 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). The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Investment Entities: Applying the Consolidation Exception

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) was issued in December 2014. The amendments clarify which subsidiaries of an investment entity should be consolidated instead of being measured at fair value through profit or loss. The amendments also clarify that the exemption from presenting consolidated financial statements continues to apply to subsidiaries of an investment entity that are themselves parent entities. This is so even if that subsidiary is measured at fair value through profit or loss by the higher level investment entity parent. In addition, the amendments provide relief whereby a non-investment entity investor can, when applying the equity method, choose to retain the fair value through profit or loss measurement that is applied by its investment entity associates and joint ventures to their subsidiaries. The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Disclosure Initiative

Disclosure Initiative (Amendments to IAS 1) was issued in December 2014. The amendments address concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 *Presentation of Financial Statements* and ensure that entities are able to use judgement when applying those requirements. As a result, it introduces five, narrow-focus improvements to the disclosure requirements that relate to materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments also clarify the requirements in paragraph 82A of IAS 1 for presenting an entity's share of items of other comprehensive income of associates and joint ventures accounted for using the equity method. These amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Annual Improvements

Annual Improvements to IFRSs 2012–2014 Cycle was issued in September 2014. The five amendments related to four Standards. The amendments are required to be applied for annual periods beginning on or after 1 January 2016. Earlier application of each amendment is permitted

Standard	**Subject of amendment**
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	Changes in methods of disposal.
IFRS 7 *Financial Instruments: Disclosures*	Servicing contracts.
	Applicability of the amendments to IFRS 7 to condensed interim financial statements.
IAS 19 *Employee Benefits*	Discount rate: regional market issue.
IAS 34 *Interim Financial Reporting*	Disclosure of information 'elsewhere in the interim financial report'.

Other material that has changed

The *Glossary* has been revised.

Minor editorial corrections to Standards (including necessary updating) have been made; a list of these is available on the website.

Expected differences between the 2016 Blue Book and the 2016 Red Book

This edition does not include Standards that have an effective date later than 1 January 2016, regardless of when those Standards may have been issued.

Those pronouncements are relevant even if an entity does not intend to adopt a requirement early. Paragraph 30 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Changes in Accounting Policies* requires an entity to disclose '... information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.'

At the time of writing, the requirements expected to be issued by 1 January 2016 with an effective date after 1 January 2016 are:

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The IASB had always intended that IFRS 9 would replace IAS 39 in its entirety. However, in response to requests from interested parties that the accounting for financial instruments should be improved quickly, the IASB divided its project to replace IAS 39 into three main phases. As the IASB completed each phase, it issued chapters in IFRS 9 that replaced the corresponding requirements in IAS 39.

In July 2014 that work culminated when the IASB issued the completed version of IFRS 9, which includes:

(a) a model for classifying financial assets that is driven by an asset's cash flow characteristics and the business model in which it is held;

(b) a model for classifying financial liabilities, including recognition in other comprehensive income, rather than in profit or loss, of gains (and losses) that are due to the deterioration (improvement) in an entity's own credit risk on financial liabilities that an entity has elected to measure at fair value;

(c) a single, forward-looking 'expected loss' impairment model for financial assets not measured at fair value through profit or loss that requires entities to account for expected credit losses from when the financial assets are first recognised,[1] and to recognise full lifetime expected losses when credit risk has increased significantly since initial recognition; and

(d) a hedge accounting model that more closely aligns the accounting treatment with the entity's risk management activities and (in IFRS 7 *Financial Instruments: Disclosures*) provides enhanced disclosures about risk management activity.

It should be noted that:

(a) the requirements in IFRS 9 for own credit risk can be early applied without any other part of IFRS 9 being applied.

(b) an entity that applies IFRS 9 can nevertheless elect (an accounting policy choice) to continue applying the hedge accounting requirements in IAS 39 for all hedge accounting relationships.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014. It establishes a comprehensive framework for determining *when* to recognise revenue and *how much* revenue to recognise. The core principle in that framework

[1] The new impairment model applies equally to off-balance sheet exposures such as loan commitments and financial guarantee contracts.

is that an entity should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Standard sets out five steps to follow: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 replaces IAS 11 *Construction Contracts* and IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreement for the Construction of Real Estate* and IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*.

In September 2015 the effective date of IFRS 15 was deferred by one year to 1 January 2018. Earlier application is permitted.

Please note: these expected amendments are subject to change. Please consult the IFRS work plan for further details: http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx.