

## Changes in this edition

This section is a brief guide to the changes incorporated in this 2019 edition since the publication of *IFRS® Standards – Required 1 January 2018* (Required IFRS Standards 2018).

### Basis of preparation

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This edition contains only IFRS Standards issued by the International Accounting Standards Board (Board) as at 31 December 2018 that are required for accounting periods beginning on or after 1 January 2019 (that is, all Standards with an effective date on or before 1 January 2019).

Standards and amendments to Standards issued by 31 December 2018 with an effective date after 1 January 2019, are excluded from this edition and will be available in *IFRS® Standards – Issued at 1 January 2019* and in *The Annotated IFRS® Standards – Standards issued at 1 January 2019*.

### New in this edition

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The following are effective from 1 January 2019 and included in this edition:

- IFRS 16 *Leases*;
- amendments to IFRS 9 *Financial Instruments – Prepayment Features with Negative Compensation*;
- amendments to IAS 28 *Investment in Associates and Joint Ventures – Long-term interests in Associates and Joint Ventures*;
- amendments to IAS 19 *Employee Benefits – Plan Amendment, Curtailment or Settlement*;
- *Annual Improvements to IFRS Standards 2015–2017 Cycle*; and
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

This edition also contains the *Constitution and Due Process Handbook* of the IFRS Foundation.

Minor editorial corrections to Standards (including necessary updating) have been made; a list of all such corrections is available on the website (<http://www.ifrs.org>).

The following table provides the publication and effective dates of these pronouncements.

Changes in this edition

<b>New requirements effective at 1 January 2019</b>				
<b>Standard/ Interpretation/ Amendment</b>	<b>When issued</b>	<b>Effective date</b> (early application is possible unless otherwise noted)	<b>Standards/ Interpretations amended</b>	<b>Standards/ Interpretations withdrawn</b>
IFRS 16 <i>Leases</i>	January 2016	1 January 2019 (can be applied early if IFRS 15 is applied)	IFRS 1, IFRS 3, IFRS 4, IFRS 5, IFRS 7, IFRS 9, IFRS 13, IFRS 15; IAS 1, IAS 2, IAS 7, IAS 12, IAS 16, IAS 21, IAS 23, IAS 32, IAS 37, IAS 38, IAS 39, IAS 40, IAS 41; IFRIC 1, IFRIC 12; SIC-22, SIC-32	IAS 17; IFRIC 4; SIC-15, SIC-27
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	June 2017	1 January 2019	IFRS 1	
<i>Prepayment Features with Negative Compensation</i>  (Amendments to IFRS 9)	October 2017	1 January 2019	IFRS 9	
<i>Long-term interests in Associates and Joint Ventures</i>  (Amendments to IAS 28)	October 2017	1 January 2019	IAS 28	
<i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i>  Amendments to IFRS 3 and IFRS 11  Amendments to IAS 12  Amendments to IAS 23	December 2017	1 January 2019  1 January 2019  1 January 2019	IFRS 3, IFRS 11  IAS 12, IAS 32  IAS 23	
<i>Plan Amendment, Curtailment or Settlement</i>  (Amendments to IAS 19)	February 2018	1 January 2019	IAS 19	

In March 2018 the Board issued a revised version of its *Conceptual Framework for Financial Reporting (Conceptual Framework)*. The Board and the IFRS Interpretations Committee started using the 2018 version of the *Conceptual Framework* immediately. Preparers of financial statements could be directly affected by changes to the *Conceptual Framework* only if they need to use the *Conceptual Framework* to develop an accounting policy when no IFRS Standard applies to a transaction or other event or when a Standard allows a choice of accounting policy. To achieve transition to the 2018 version of the *Conceptual Framework* for such entities the Board issued a separate accompanying document *Amendments to References to the Conceptual Framework in IFRS Standards* in March 2018. This document updates references in IFRS Standards relating to previous versions of the *Conceptual Framework* and is effective for annual reporting periods beginning on or after 1 January 2020. Consequently the 2018 version of the *Conceptual Framework for Financial Reporting* will be included in the edition of IFRS Standards that will be required from 1 January 2020. This 2019 edition includes the 2010 version of the *Conceptual Framework*.

New and revised Standards, Interpretations and practice statements are available to eIFRS subscribers at [eifrs.ifrs.org](http://eifrs.ifrs.org).

Further details follow of the pronouncements shown in the table *New requirements effective at 1 January 2019*.

## **New Standard**

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### **IFRS 16 Leases**

IFRS 16 *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset—representing its right to use the underlying leased asset—and a lease liability—representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases in different ways.

## **Amendments to Standards**

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### ***Prepayment Features with Negative Compensation***

By applying *Prepayment Features with Negative Compensation*, which amends IFRS 9, some financial assets—with prepayment features that may result in reasonable negative compensation for the early termination of the contract—are eligible to be measured at amortised cost or at fair value through other comprehensive income, instead of at fair value through profit or loss.

Changes in this edition

### ***Long-term Interests in Associates and Joint Ventures***

*Long-term Interests in Associates and Joint Ventures*, which amends IAS 28, clarifies that entities account for long-term interests in an associate or joint venture—to which the equity method is not applied—using IFRS 9 before accounting for any losses or impairment losses applying IAS 28.

### ***Plan Amendment, Curtailment or Settlement***

*Plan Amendment, Curtailment or Settlement*, which amends IAS 19, specifies how entities determine pension expenses when changes—an amendment, curtailment or settlement—to a defined benefit pension plan occur.

IAS 19 *Employee Benefits* specifies how a company accounts for a defined benefit plan. When a change to a plan takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. The amendments require an entity to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

### ***Annual Improvements to IFRS Standards 2015–2017 Cycle***

*Annual Improvements to IFRS Standards 2015–2017 Cycle* contains amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures a previously held interest in that business.

The amendments to IFRS 11 clarify that when an entity obtains *joint control* of a business that is a joint operation, it does not remeasure a previously held interest in that business.

The amendments to IAS 12 clarify that an entity accounts for all income tax consequences of dividends in the same way, regardless of how the tax arises.

The amendments to IAS 23 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made to obtain that qualifying asset as part of general borrowings.

### ***New Interpretation***

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#### ***IFRIC 23 Uncertainty over Income Tax Treatments***

IFRIC 23 *Uncertainty over Income Tax Treatments* adds to the requirements in IAS 12 *Income Taxes* by specifying how to reflect the effects of uncertainty in accounting for income taxes when it is unclear how tax law applies to a transaction or circumstance, or it is unclear whether a taxation authority will accept an entity's tax treatment.

## Possible impact of issued Standards, not yet required, on disclosure

This edition does not include Standards that have an effective date later than 1 January 2019.

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 Changes in Accounting Policies* 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’.

A revised version of the *Conceptual Framework for Financial Reporting* was issued in March 2018. Although it does not have a formal effective date, it is included in the table below because it is regarded as being applicable by preparers at the same time as the changes introduced by *Amendments to References to the Conceptual Framework in IFRS Standards* are effective, that is, not until 1 January 2020.

The following table lists the new Standards, Interpretations, and amendments to Standards issued by 1 January 2019 with an effective date after 1 January 2019.

Standards issued, but not effective, at 1 January 2019				
Standard/ Interpretation/ Amendment/ Conceptual Framework	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>	May 2017	1 January 2021 <sup>(a)</sup>	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>Conceptual Framework for Financial Reporting</i>	March 2018			

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<b>Standards issued, but not effective, at 1 January 2019</b>				
<b>Standard/ Interpretation/ Amendment/ Conceptual Framework</b>	<b>When issued</b>	<b>Effective date</b> (early application is possible unless otherwise noted)	<b>Standards/ Interpretations amended</b>	<b>Standard withdrawn</b>
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	March 2018	1 January 2020	IFRS 1, IFRS 2, IFRS 3, IFRS 5, IFRS 6, IFRS 8, IFRS 9, IFRS 10, IFRS 12, IFRS 14, IFRS 15, IFRS 16, IFRS 17; IAS 1, IAS 8, IAS 12, IAS 16, IAS 19, IAS 21, IAS 28, IAS 32, IAS 34, IAS 36, IAS 37, IAS 38, IAS 40, IAS 41; IFRIC 5, IFRIC 12, IFRIC 14, IFRIC 17, IFRIC 19, IFRIC 20, IFRIC 22; SIC-29, SIC-32; IFRS Practice Statement 1, IFRS Practice Statement 2	
<i>Definition of a Business</i>  (Amendments to IFRS 3)	October 2018	1 January 2020	IFRS 3	
<i>Definition of Material</i>  (Amendments to IAS 1 and IAS 8)	October 2018	1 January 2020	IAS 1, IAS 8, IAS 10, IAS 34, IAS 37; IFRS 2, IFRS 4, IFRS 17; <i>Conceptual Framework for Financial Reporting</i> (2018 and 2010); IFRS Practice Statement 2	
(a) Board proposal to defer effective date to 1 January 2022, subject to consultation during 2019.				

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 2019*.

### ***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***

IFRS 17 *Insurance Contracts* applies to: insurance contracts, including reinsurance contracts, issued by an entity; 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, profitable insurance contracts are measured at the risk-adjusted present value of the future cash flows plus unearned profit for services to be provided under the contract.

Entities recognise profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, the entity recognises the loss immediately.

Insurance revenue, insurance service expenses, and insurance finance income or expenses are presented separately.

### ***Conceptual Framework for Financial Reporting***

The *Conceptual Framework for Financial Reporting* contains updated definitions of an asset and a liability and updated criteria for including assets and liabilities in financial statements. In addition, new concepts and guidance have been added on the following topics:

- (a) measurement, including factors to be considered when selecting a measurement basis;
- (b) presentation and disclosure, including when to classify income and expenses in other comprehensive income;
- (c) the reporting entity; and
- (d) when assets and liabilities are removed from financial statements.

The *Conceptual Framework* also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Changes in this edition

## ***Amendments to References to the Conceptual Framework in IFRS Standards***

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the IASC's *Framework for the Preparation and Presentation of Financial Statements* adopted by the Board in 2001 or the *Conceptual Framework for Financial Reporting* issued by the Board in 2010. *Amendments to References to the Conceptual Framework in IFRS Standards* updates some of those references and quotations so that they refer to the *Conceptual Framework for Financial Reporting* issued in 2018, and makes other amendments to clarify which version of the *Conceptual Framework* is referred to in each document.

### ***Definition of a Business***

*Definition of a Business*, which amends IFRS 3, clarifies the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

- (a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- (b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- (c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- (d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- (e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

### ***Definition of Material***

*Definition of Material* amends IAS 1 and IAS 8 and makes consequential amendments to a number of other Standards.

The amendments will improve the understanding of the definition of material by:

- (a) aligning the wording of the definition in IFRS Standards and the *Conceptual Framework* to avoid the potential for confusion arising from different definitions;
- (b) incorporating supporting requirements in IAS 1 into the definition to give them more prominence and clarify their applicability; and
- (c) providing existing guidance on the definition of material in one place, together with the definition.