
In brief

A look at current financial reporting issues

21 December 2017

Annual Improvements to IFRS Standards 2015 – 2017 Cycle

Issue

The International Accounting Standards Board issued ‘Annual Improvements to IFRS Standards 2015 – 2017 Cycle’ in December 2017. These are minor amendments affecting IFRS 3, ‘Business combinations’, IFRS 11, ‘Joint arrangements’, IAS 12, ‘Income taxes’, and IAS 23, ‘Borrowing costs’.

Insight

Clarifying measurement of previously held interest in obtaining control over a joint operation under IFRS 3

The amendments clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer should remeasure its previously held interest in the joint operation at fair value at of the acquisition date.

The amendments are effective for business combinations with acquisition date on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Clarifying measurement of previously held interest in obtaining joint control over a joint operation under IFRS 11

The amendments clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

The amendments are effective for transactions resulting in obtaining joint control on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.



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Income tax consequences under IAS 12 of payments on financial instruments classified as equity

The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends.

Previously, it was unclear whether the income tax consequences of dividends should be recognised in profit or loss, or in equity, and the scope of the existing guidance was ambiguous.

The Board noted that the amendments do not suggest that an entity recognises in profit or loss the income tax consequences of all payments on financial instruments classified as equity. Rather, the tax consequences are recognised in profit or loss only when an entity determines payments on such instruments are distributions of profits (that is, dividends). An entity may need to apply judgement in making this determination.

These amendments should be applied for annual periods beginning on or after 1 January 2019 to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Earlier application is permitted.

Borrowing costs eligible for capitalisation under IAS 23

The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

These amendments should be applied prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Questions

If you have further accounting questions then please contact your usual PwC technical contacts.



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