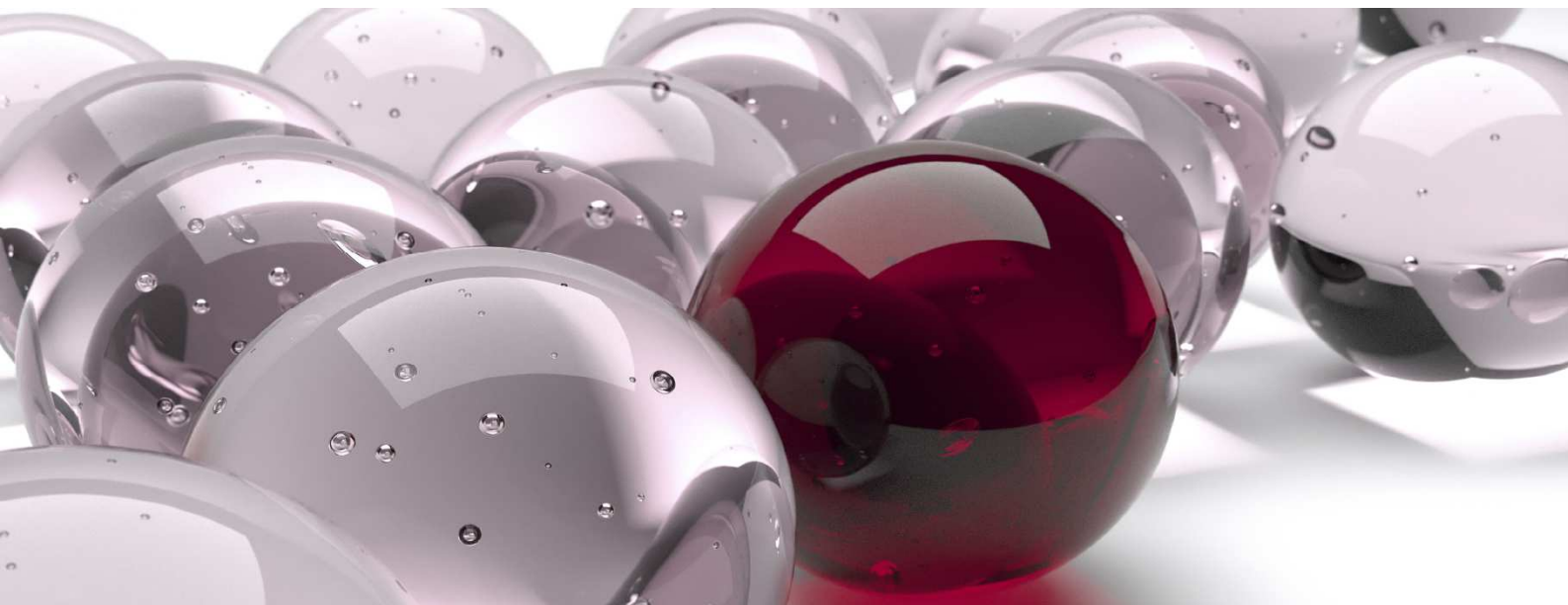


# Beyond the GAAP

No. 101 – June 2016

Mazars' newsletter on accounting standards



## Summary

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## Editorial

“You have been living in a bit of a building site for much of the last decade. However, the good news is that the majority of the structural work is now complete. The heating and plumbing systems are now in good shape.” With these words Hans Hoogervorst described his impression of the progress made in recent years at the start of the IFRS Foundation Conference in Zurich.

On the eve of his second term of office as chairman of the IASB, he outlined what will be the central theme of the next five years: the development of IFRSs to provide ‘Better Communication’.

The Disclosure Initiative and the materiality Practice Statement are crucial to this objective. There will be further work on the format of financial statements and performance measurement, and on definitions for the most common aggregates, such as operating income or EBIT.

There will also be a consideration of electronic reporting needs, and the IASB will take a look at the role it should play in non-financial reporting.

While the coming years are unlikely to be marked by projects on the scale of those which have now been completed, they should see more subtle changes to the standards, whose importance should not be understated.

Enjoy your reading!

Michel Barbet-Massin      Edouard Fossat

# IFRS Highlights

## Publication of narrow-scope amendments to IFRS 2

On 20 June 2016, the IASB published narrow-scope amendments to IFRS 2, entitled *Classification and Measurement of Share-based Payment Transactions*. There are three amendments, clarifying the accounting treatment of the following issues:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. The amendment clarifies that accounting for the effects of vesting conditions when measuring a cash-settled share-based payment should follow the same approach used for measuring equity-settled share-based payments.
- Classification of share-based payment transactions with a net settlement feature for withholding tax obligations. The amendment states that such a transaction should be classified as equity-settled in its entirety (including the withheld amount), if the share-based payment would have been classified as equity-settled if it had not included the net settlement feature.
- Modification to the terms and conditions of a cash-settled transaction that changes the classification from cash-settled to equity-settled:
  - the fair value of the transaction is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification;
  - the liability recognised in respect of the original cash-settled share-based payment is derecognised, and the equity-settled share-based payment is recognised to the extent that the services have been rendered prior to modification (i.e. *prorata temporis*); and
  - the difference between the carrying amount of the derecognised liability and the amount recognised in equity is recognised in profit or loss.

These amendments should be applied prospectively to financial periods current at 1 January 2018, with the possibility of retrospective application where the entity has the necessary information. Note that the text also allows for early application.

## Appointment to the Interpretations Committee

On 1 July 2016, the Trustees of the IFRS Foundation named Andrew Buchanan as a member of the Interpretations Committee. Currently responsible for IFRS at BDO, Andrew Buchanan will replace Andrew Watchman (formerly at Grant Thornton, and new Chairman of the EFRAG TEG) as of July 2016.

## Publication of amendments to IFRS 3 and IFRS 11

On 29 June the IASB published draft amendments to IFRS 3 – *Business combinations* and IFRS 11 – *Joint arrangements*, with a closing date for comments of 31 October.

Following the Post-implementation Review of IFRS 3, challenges have been identified in applying the definition of a business. Given the significant accounting differences between a business combination and the purchase of an asset or group of assets the IASB has decided to revisit and clarify the definition of a business. In practice, as well as changes to the definition of the elements that go to constitute a business, the amendments propose a new two-step approach to determining whether a business is present.

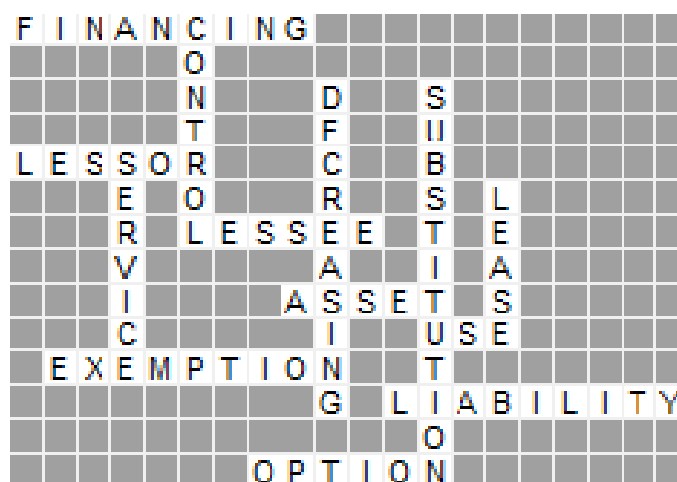
In the same exposure draft, the IASB also proposes to put an end to divergent practices in accounting for previously held interests in a joint operation in subsequent transactions in which an entity either obtains exclusive control or joint control of a joint operation.

This draft is available at the following address:

<http://www.ifrs.org/Alerts/ProjectUpdate/Pages/International-Accounting-Standards-Board-proposes-narrow-scope-amendments-to-IFRS-3-and-IFRS-11.aspx>

We will return in more detail to this exposure draft in a future edition.

## Crossword: last month's solution



# European Highlights

## A French president for EFRAG

Mr Jean-Paul Gauzès, a former member of the European Parliament, has been named Chairman of EFRAG by the European Commission, following consultations with the European Parliament and Council.

Appointed for a three-year term, Mr Gauzès is the first Chairman of EFRAG in its new form (see our study on EFRAG's new governance in Beyond the GAAP no 85 of January 2015).

## IFRS 9: the first step towards endorsement!

On 27 June 2016, the Accounting Regulatory Committee voted in favour of endorsement in Europe of IFRS 9, the new standard on financial instruments.

According to the EFRAG status report (updated at 27 June 2016), the European Commission should endorse this standard during Q4 2016:

<http://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FEFRAG%2520Endorsement%2520Status%2520Report%252027%2520June%25202016.pdf>

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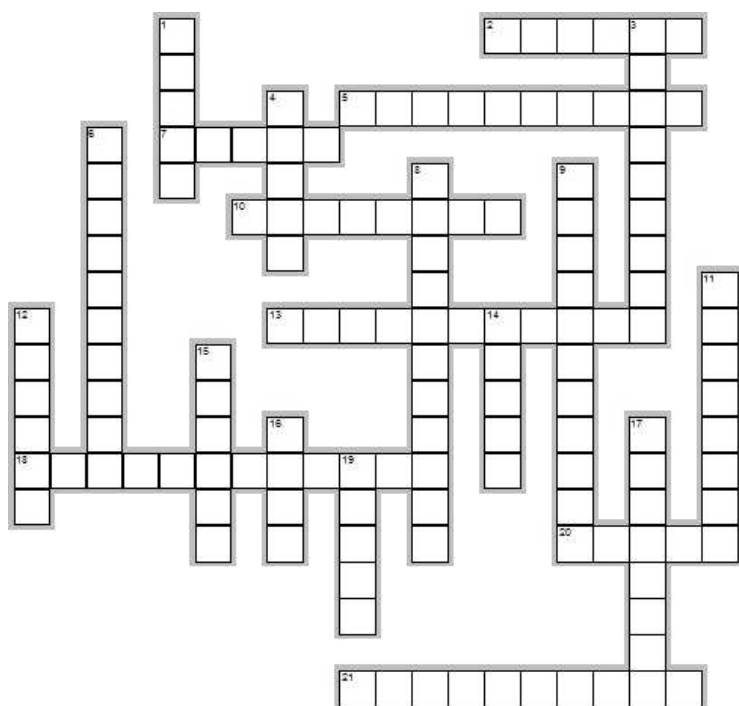
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# Crossword: Do you know your IFRS?



## Across :

2. City where the IASB headquarters are located
5. The Framework defines the pervasive ones for IFRS
7. Standard on financial instruments effective as of 1 January 2018

10. Principle according to which recognition criteria for assets and liabilities are generally asymmetrical
13. Process by which an IFRS becomes applicable in Europe
18. Characteristic of the IASB's public process which invites expression by its stakeholders
20. Number of non-mandatory IFRS for non-listed entities applying IFRS
21. Meaning of the "A" in "IASB"

## Down :

1. Acronym for IFRS interpretations
3. Trustees' role as related to the IASB
4. IFRS generic term for investors
6. First paper issued by the IASB in its standard-setting process
8. Priorities published by ESMA at year-end
9. Family name of IASB Chairman
11. First name of IASB French board member
12. Nationality of the Chair of the Trustees of the IFRS Foundation
14. European organisation which advises the European Commission on accounting
15. IASB and IFRIC deliberations are held in this way
16. Acronym of the US equivalent of the IASB
17. Minimum number of IASB members per the current Constitution of the IFRS Foundation
19. IFRS on earnings per share

# Events and FAQ

## Frequently asked questions

### IFRS

- Impact of change in operating segments on goodwill impairment testing
- Treatment of a contract assigning trade receivables;
- Accounting treatment of an IFRS 2 plan with delivery of preferred shares convertible into ordinary shares.
- Consequences of a probable transfer of shares in a subsidiary for the valuation of deferred taxes in the parent's consolidated financial statements.
- Classification of a hedging operation relative to a branch of the parent entity
- Recognition of preferred shares with preferred dividends.

## Upcoming meetings of the IASB, IFRS Interpretations Committee and EFRAG

IFRS		EFRAG	
IASB	Committee	Board	TEG
18-22 July	6-7 September	19 July	25-27 July
19-23 September	8-9 November	7-8 September	14-16 September
17-21 October		6 October	26-28 October

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