Grant Thornton

Recent changes

Accounting

Discussion

Navigating the changes to International Financial Reporting Standards

A briefing for preparers of IFRS financial statements

2023 Edition

Contents

Introduction

This publication is designed to give preparers and reviewers of IFRS financial statements a high-level awareness of recent changes to International Financial Reporting Standards. It covers both new Standards and Interpretations that have been issued and amendments made to existing ones.

What's new in the 2023 edition

The 2023 edition of the publication has been updated for changes to International Financial Reporting Standards (IFRS) that were published between January 1, 2022 and December 31, 2022.

The publication now covers March 31, 2022; June 30, 2022; September 30, 2022; December 31, 2022; and March 31, 2023 financial year ends.

Contents

The effective dates table on the next page lists all the changes covered in the publication, their effective dates, and the page in the publication on which the appropriate summary can be found.

How to use the publication

Identifying the changes that will affect you

The effective dates table has been colour coded to help entities planning for a specific financial reporting year end, and identifies:

- changes mandatorily effective for the first time
- changes not yet effective
- changes already in effect.

Where a change is not yet mandatorily effective for a particular year end, it may still be possible for an entity to adopt it early (depending on local legislation and the ability to be able to fully comply with all the requirements).

Where a change has been made but an entity is yet to apply it, certain disclosures are required to be made under IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Disclosures required include the fact that the new or amended Standard or Interpretation has been issued but it has not yet been applied, and known or reasonably estimable information relevant to assessing its possible impact on the financial statements in the period of initial application.

Identifying the commercial significance of the changes in the publication

For each change covered in the publication, we have included a box on its commercial implications. These sections focus on two questions:

- how many entities will be affected?
- what will be the impact on affected entities?

A traffic light system indicates our assessment of the answers to these questions.

Other Grant Thornton International publications

Where appropriate, references have been made to other Grant Thornton International publications that provide more detailed information on the changes discussed in this publication. A list of other publications is provided on pages 24 to 26 and should you require further assistance, please get in touch with the IFRS contact in your local Grant Thornton office.

Grant Thornton International Ltd
January 2023

'The publication now covers March 31, 2022; June 30, 2022; September 30, 2022; December 31, 2022; and March 31, 2023 financial year ends.'

Effective dates of new Standards

Based on Standards issued at December 31, 2022

Standard	Title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early Application?	Mar 31,2022 year end	Jun 30, 2022 year end	Sep 30, 2022 year end	Dec 31, 2022 year end	Mar31, 2023 year end
Various	Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021	✓	Effective for the first time	Effective for the first time	Effective for the first time	Already in mandatory effect	Already in mandatory effect
IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)	April 1, 2021	✓	Effective for the first time	Effective for the first time	Effective for the first time	Effective for the first time	Already in mandatory effect
IFRS 3	References to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022	✓	Not yet effective	Not yet effective	Not yet effective	Effective for the first time	Effective for the first time
IAS 16	Proceeds before intended use (Amendments to IAS 16)	January 1, 2022	✓	Not yet effective	Not yet effective	Not yet effective	Effective for the first time	Effective for the first time
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022	✓	Not yet effective	Not yet effective	Not yet effective	Effective for the first time	Effective for the first time
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)	January 1, 2022	✓	Not yet effective	Not yet effective	Not yet effective	Effective for the first time	Effective for the first time
	Insurance Contracts, including:	January 1, 2023		Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective
IFRS 17	Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IRFS 9 (Amendments to IFRS 4)	January 1, 2023	✓[1]	Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective
IFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023	✓	Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)	January 1, 2023	✓	Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective
IAS 8	Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023	✓	Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)	January 1, 2023	✓	Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective
IAS 1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024	✓	Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective
IAS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024	✓	Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective
IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024	✓	Not yet effective	Not yet effective	Not yet effective	Not yet effective	Not yet effective

The colour coding gives an indication of when the changes covered in the publication become effective in relation to the specific financial reporting year ends set out in the table.

Key: Change already in mandatory effect   Change effective for the first time   Change not yet effective

Notes

1 Entities that early adopt IFRS 17 must apply IFRS 9 before or on the same date.

Effective from January 1, 2021

The Amendment mentioned on pages 4 to 5 is effective for accounting periods beginning on or after January 1, 2021.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Amendment is:

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

In September 2020, the International Accounting Standards Board (IASB) published Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), finalizing its response to the ongoing reform of interest rate benchmarks around the world. The amendments aim to assist reporting entities to provide investors with useful information about the effects of the reform on their financial statements.

Many interbank offer rates (IBORs) have been replaced by new benchmark Risk-Free Rates (RFRs). This has resulted in the IASB needing to address potential financial reporting implications when an interest rate benchmark has changed. The IASB completed this project in two stages. The first one focused on providing relief for hedging relationships which was finalized in September 2019 by publishing Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) which are now already in effect. This second set of amendments focus on issues arising post replacement, ie. when the existing interest rate benchmark is actually replaced with alternative benchmark rates.

The amendments

The main amendments in this second stage can be summarized as follows:

Matters addressed by the amendments

Issue	Proposal
Changes to contractual cash flows	The IASB added a practical expedient that will mean entities will not need to derecognize the carrying amount of financial assets or financial liabilities for changes required by the reform. Instead reporting entities are required to account for the modification by updating the effective interest rate to reflect the change to the alternative benchmark rate.
Hedge accounting requirements	If hedging still meets other hedge accounting requirements, entities will not need to discontinue hedge accounting purely because of changes as a result of the reform. Hedging documentation and relationships should be updated to reflect modifications to the hedge item, and entities can continue hedge accounting if the new hedging relationship meets all the criteria.
Disclosures	Reporting entities will be required to make additional disclosures about new risks arising from the IBOR reform and how they manage those risks. There are also disclosure requirements for transitioning from IBORs to alternative benchmark rates.

Effective date and transition

The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. They need to be applied retrospectively, and restatement of prior periods is not required. However, a reporting entity can can restate prior periods, if it is possible to do this without the use of hindsight.

Commercial significance

The amendments affect entities with hedging relationships directly affected by IBORs.

These amendments provide relief from the effects of IBOR on hedge accounting. Using these amendments, will enable reporting entities to transition from IBOR benchmarks to alternative benchmarks without hedge discontinuation which would be a useful outcome for users of financial statements.

'This second set of amendments focus on issues arising post replacement, i.e. when the existing interest rate benchmark is actually replaced with alternative benchmark rates.'

Effective from April 1, 2021

The Amendment mentioned on page 7 is effective for accounting periods beginning on or after April 1, 2021.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Amendment is:

- Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

In April 2021 the IASB issued 'Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)', an extension to the practical expedient period in the amendments to IFRS 16 'Leases' made in the previous year. This extension is for one year, so the application period now extends until June 30, 2022.

The amendment

In May 2020, the IASB published an amendment 'COVID-19-Related Rent Concessions (amendment to IFRS 16)' (the amendment). The amendment added a practical expedient to the Standard which provides relief for lessees in assessing whether specific COVID-19 rent concessions are considered to be lease modifications. Instead, if this practical expedient is applied, these rent concessions are treated as if they are not lease modifications.

In light of the impact the COVID-19 pandemic has had on business activity across the world, and response from feedback received from stakeholders, the IASB decided to extend this relief for one year to provide relief for recent concessions in relation to COVID-19 that reduce payments up until June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021.

Commercial significance

The amendment affects all lessees provided with a rent concession in relation to COVID-19 that extends beyond June 2021.

This amendment could have a significant impact for lessees when applying the lease modification guidance in IFRS 16 for a COVID-19 rent-related concession.

'In light of the impact the COVID-19 pandemic has had on business activity across the world, and response from feedback received from stakeholders, the IASB decided to extend this relief for one year to provide relief for recent concessions in relation to COVID-19 that reduce payments up until June 30, 2022.'

Effective from January 1, 2022

The Amendments mentioned on pages 9 to 10 are effective for accounting periods beginning on or after January 1, 2022.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Amendments are:

- References to the Conceptual Framework (Amendments to IFRS 3)
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)

As the above represent relatively minor amendments that were all issued at the same time, they have been combined in this publication.

Narrow Scope Amendments to IFRS Standards

In May 2020 the IASB issued a collection of narrow scope amendments to IFRS Standards. The collection includes amendments to three Standards as well as Annual Improvements to IFRS Standards, which addresses non-urgent (but necessary) minor amendments to four standards.

The amendments

The Amendments issued are as follows:

- References to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 cycle

Publications issued

Standard affected	Subject	IASB's summary of amendment
IFRS 3 'Business Combinations'	References to the Conceptual Framework	Adds a new exception to the recognition principle in order to make sure that the accounting remains unchanged.
IAS 16 'Property, Plant and Equipment'	Proceeds before Intended Use	Prohibits 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.
IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'	Onerous Contracts – Cost of Fulfilling a Contract	Specifies which costs an entity includes when assessing whether a contract will be loss-making.

'The collection includes amendments to three Standards as well as Annual Improvements to IFRS Standards, which addresses non-urgent (but necessary) minor amendments to four standards.'

Annual Improvements to IFRS Standards 2018-2020 Cycle

Standard affected	Subject	IASB's summary of amendment
IFRS 1 'First time Adoption of International Financial Reporting Standards'	Subsidiary as a First-time Adopter	Simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
IFRS 9 'Financial Instruments'	Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	Clarifies the fees an entity should include when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
Illustrative Examples Accompanying IFRS 16 'Leases'	Lease Incentives	Removes potential for confusion regarding lease incentives.
IAS 41 'Agriculture'	Taxation in Fair Value Measurements	Removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in IAS 41 with those in other IFRS Standards.

Commercial significance

The amendments make changes to relatively narrow areas within IFRS.

The amendments and the IASB's Annual Improvements process addresses non-urgent, but necessary minor amendments to IFRS. By their nature then, their commercial significance can be expected to be low. Overall the changes are uncontroversial.

Effective from January 1, 2023

The Standard and Amendments discussed on pages 12 to 19 are effective for accounting periods beginning on or after January 1, 2023.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Standard and Amendments are:

- Insurance Contracts, including:
  - Amendments to IFRS 17
  - Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)
  - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)

IFRS 17 Insurance Contracts

In May 2017, after more than 20 years in development, the IASB published IFRS 17 ‘Insurance Contracts’. This lengthy completion period reflecting a number of factors including:

- very diverse local practices for insurance accounting
- a huge range of jurisdiction-specific products, tax implications and regulations that had to be captured by a uniform measurement model
- the need for alignment with other Standards that have been recently published by the IASB, such as IFRS 9 and IFRS 15 ‘Revenue from Contracts with Customers’, and to some degree the work of other standard setters.

The new Standard replaces IFRS 4 ‘Insurance Contracts’ which was published in 2004. IFRS 4 was designed to be an interim Standard and therefore allowed entities issuing insurance contracts to carry on accounting for them using policies that had been developed under their previous local accounting standards. This meant that entities continued to use a multitude of different approaches for accounting for insurance contracts, making it difficult to compare and contrast the financial performance of otherwise similar entities.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. We briefly discuss some of the areas covered by the new Standard below:

Scope

IFRS 17 applies to all insurance contracts that an entity issues (including those for reinsurance); reinsurance contracts it holds; and investment contracts with a discretionary participation feature, provided the entity also issues insurance contracts. It is not an industry specific standard. It applies to any reporting entity that issues insurance contracts, so great care is needed to ensure the requirements set out in IFRS 17 are not overlooked.

IFRS 17 defines an insurance contract as one 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.

This definition is similar to that in IFRS 4. In addition, IFRS 17 provides guidance on how to assess the significance of insurance risk based on the possibility of a loss on a present value basis (rather than nominal), and how to evaluate changes in the level of insurance risk.

Measurement

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

- the fulfilment cash flows – the current estimates of amounts that the insurer expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those cash flows, and
- the contractual service margin – the expected profit for providing future insurance coverage (ie unearned profit).

The measurement of the fulfilment cash flows reflects the current value of any interest rate guarantees and financial options included in the insurance contracts.

To better reflect changes in insurance obligations and risks, IFRS 17 requires an entity to update the fulfilment cash flows at each reporting date, using current estimates that are consistent with relevant market information. This means that insurance obligations will be accounted for using current values instead of historical cost, ending the practice of using data from when a policy was taken out.

Current discount rates are also required to be used. These will reflect the characteristics of the cash flows arising from the insurance contract liabilities, a change from the previous situation where many entities used discount rates based on the expected return on assets backing the insurance contract liabilities.

Revenue is no longer equal to written premiums but to the change in any contract liability covered by consideration during the reporting period.

Insurance performance

IFRS 17 requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts:

- the insurance service result, which depicts the profit or loss earned from providing insurance coverage
- the financial result, which captures:
  - investment income from managing financial assets
  - insurance finance expenses arising from insurance obligations – this includes the effects of discount rates and other financial variables on the value of insurance obligations.

When applying IFRS 17, changes in the estimates of the expected premiums and payments that relate to future insurance coverage will adjust the expected profit – i.e. the contractual service margin for a group of insurance contracts will be increased or decreased by the effect of those changes.

The effect of such changes in estimates will then be recognized in profit or loss over the remaining coverage period as the contractual service margin is earned by providing insurance coverage.

Onerous contracts

To make differences in profitability among insurance contracts visible, IFRS 17 requires an entity to distinguish groups of contracts expected to be loss-making from other contracts.

Companies should first identify portfolios of insurance contracts that are subject to similar risks and managed together. Once an entity has identified portfolios of contracts, it divides each portfolio into groups considering differences in the expected profitability of the contracts.

If the amounts that the insurer expects to pay out on a contract in the form of claims, benefits and expenses exceed the amounts that the insurer expects to collect from premiums, either at the inception of the contracts or subsequently, the contracts are loss making and the difference will be recognized immediately in profit or loss.

Reinsurance contracts

A separate measurement model applies to reinsurance contracts held. Modifications are allowed for qualifying short-term contracts and participating reinsurance contracts.

Presentation

Statement of financial position

The statement of financial position should present in separate captions the assets and liabilities arising under insurance contracts issued and reinsurance contracts held.

In contrast to practices existing under various local GAAPs, entities should adopt a grossed-up presentation where contracts, which are assets, are not netted off against contracts, which are liabilities and vice versa. IFRS 17 does not mandate a layout for the statement of financial position. The reporting entities should follow the general requirements of IAS 1 but need to ensure that certain captions are presented as a minimum on the face of the statement.

Statement of financial performance – measurement of revenue and expenses

IFRS 17 does not mandate a layout for the statement of financial performance. Reporting entities should follow the principles and requirements of IAS 1 and the measurement rules of IFRS 17, which require that revenue and incurred expenses presented in profit or loss exclude any investment components.

Measurement of insurance contract revenue

Revenue recognition is an area where IFRS 17 principles represent a significant change from practices previously followed in various local GAAPs. Previously, revenue was often reported by reference to premium cash received or receivable.

Under IFRS 17, revenue represents the total change in the liability for remaining coverage that relates to coverage and services during the period for which the entity expects to receive consideration.

Supporting materials issued by the IASB

Following publication of IFRS 17, the IASB has announced various initiatives to support entities with the adoption of the Standard, including a dedicated implementation support page for IFRS 17.

The IASB also established a Transition Resource Group which considered questions from stakeholders about the new accounting requirements. Further details about what that group considered can be found on the IASB website.

Disclosure

The objective of the disclosure requirements of IFRS 17 is to disclose information which allows the users of financial statements to assess the effect that contracts within the scope of the Standard have on the entity's financial position, financial performance and cash flows. Entities should provide quantitative and qualitative information about amounts recognized in the financial statements, significant judgements (and changes thereof), and the nature and extent of risks arising from contracts within the scope of the Standard.

Reporting entities are required to follow IAS 1's requirements on materiality and aggregation when deciding what aggregation bases are appropriate for disclosure. The type of contract, geographical area or reportable segment as defined in IFRS 8 'Operating Segments' are all examples suggested but not mandated by the Standard.

Effective date and transition

IFRS 17 has a revised effective date of January 1, 2023 but may be applied earlier provided the entity applies IFRS 9 and IFRS 15 at or before the date of initial application of the Standard (and subject to any considerations imposed by local legislation). The effective date was revised in June 2020 as part of a series of amendments to IFRS 17 – see below for more details.

Amendments to IFRS 17

After concerns raised by stakeholders, in June 2020 the IASB issued 'Amendments to IFRS 17, (the Amendments). The aim of the amendments is to address these concerns and help entities to more easily transition and implement the Standard.

'IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies.'

Area of change	Description
Effective date of IFRS 17 and the IFRS 9 temporary exemption	The amendments defer the effective date of IFRS 17 by two years from annual reporting periods beginning on or after January 1, 2021 to annual reporting periods beginning on or after January 1, 2023. The amendments also extend the temporary exemption (included in IFRS 4) from IFRS 9 by two years so that an entity applying the exemption would be required to apply IFRS 9 for annual reporting periods beginning on or after January 1, 2023.
Scope exclusions	The amendments add additional scope exclusions for credit card contracts that provide insurance coverage, and also an optional scope exclusion for loan contracts that transfer high insurance risk.
Expected recovery of insurance acquisition cash flows	The amendments include guidance on the recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
Contractual service margin attributable to investment-return service and investment-related service	The amendments clarify the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
Applicability of the risk mitigation option	The amendments extend the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
Interim financial statements	The amendments clarify the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
Reinsurance contracts held — recovery of losses on underlying insurance contracts	The amendments require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.
Presentation in the statement of financial position	The amendments require an entity to present separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets and those that are liabilities rather than groups of insurance.
Transitional modifications and reliefs	The amendments add extra transitional reliefs for business combinations, the date of application of the risk mitigation option and the use of the fair value transition approach.
Minor amendments	The amendments add minor changes where the drafting of the Standard did not achieve the IASB's intended outcome.

Extension of the temporary exemption from applying IFRS 9 to IFRS 4

The IASB has also issued further amendments to the existing insurance Standard IFRS 4, 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' so that entities can still apply IFRS 9 alongside IFRS 17.

Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)

During 2021, the IASB issued another narrow-scope amendment to IFRS 17 which is applicable on transition to the new Standard. However, it does not impact any other requirements of IFRS 17.

IFRS 17 and IFRS 9 'Financial Instruments' have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It will do this by providing insurers with an option for the presentation of comparative information about financial assets.

For more information on the Standard that was originally issued, please refer to our detailed publication entitled 'Get Ready for IFRS 17 – a fundamental change to the reporting for insurance contracts'. This guide is designed to get you ready for this major new Standard. It explains IFRS 17's key features and provides insights into their application and impact. To obtain your copy, please get in touch with the IFRS contact in your local Grant Thornton office or go to [www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2017/get-ready-for-ifrs-17---a-fundamental-change-to-the-reporting-for-insurance-contracts.pdf.](www.grantthornton.global/globalassets/1.-member-firms/global/insights/article-pdfs/2017/get-ready-for-ifrs-17---a-fundamental-change-to-the-reporting-for-insurance-contracts.pdf)

Commercial significance

IFRS 17 is a Standard about insurance contracts, not a Standard for the insurance industry. While insurance companies will be most affected, its effect will also be felt beyond the entities authorized to carry out regulated insurance activities in a jurisdiction.

IFRS 17 fundamentally changes the accounting for insurance contracts. It will have a substantial impact on the financial statements of those with insurance contracts. Presently there is a huge diversity in the way insurance contracts are accounted for, IFRS 17 is set to harmonize these accounting practices and will transform data, people, technology solutions and investor relations. Implementation costs are likely to be high as entities get to grips with the new Standard.

'To better reflect changes in insurance obligations and risks, IFRS 17 requires an entity to update the fulfilment cash flows at each reporting date, using current estimates that are consistent with relevant market information.'

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (Amendments to IAS 12).

The amendments

In specific circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. There had been some diversity in practice as to whether the exemption applied to transactions such as leases and decommissioning obligations. These are transactions where entities recognize both an asset and a liability.

The amendments require an entity to recognize deferred tax on certain transactions (e.g., leases and decommissioning liabilities) that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

The amendments clarify that the initial recognition exemption set out in IAS 12 'Income Taxes' does not apply and entities are required to recognize deferred tax on these transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

Commercial significance

Many Number of entities affected

The amendments affect all entities with leases accounted for under IFRS 16.

Low Impact on affected entities

The impact is on initial recognition of these transactions with the aim to reduce diversity in practice. In many instances it will not have a major impact.

Definition of Accounting Estimates (Amendments to IAS 8)

In February 2021 the IASB issued amendments to IAS 8 to clarify how reporting entities should distinguish changes in accounting policies from changes in accounting estimates.

The amendments

The amendments include a definition of 'accounting estimates' as well as other amendments to IAS 8 that will help entities distinguish changes in accounting policies from changes in accounting estimates.

This distinction between these two types of changes is important as changes in accounting policies are normally applied retrospectively to past transactions and events, whereas changes in accounting estimates are applied prospectively to future transactions and events.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

Commercial significance

The amendments affect all entities that could potentially have a change in accounting estimate or change in accounting policy.

These amendments could have the potential to have a significant impact if an entity has incorrectly concluded a transaction is a change in accounting estimate rather than a change in accounting policy or vice versa.

'In February 2021, the IASB issued amendments to IAS 8 to clarify how reporting entities should distinguish changes in accounting policies from changes in accounting estimates.'

Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)

In February 2021, the IASB issued amendments to IAS 1 ‘Presentation of Financial Statements’ and IFRS Practice Statement 2 ‘Making Materiality Judgements’ aiming to improve accounting policy disclosures.

The amendments

The amendments to IAS 1 require reporting entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments were issued as a result of feedback received indicating that reporting entities needed more guidance when determining what accounting policy information should be disclosed.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

Commercial significance

The amendments affect all reporting entities when disclosing their accounting policies.

These amendments impact what accounting policies are disclosed which could affect investors decisions.

‘In February 2021, the IASB issued amendments to IAS 1 ‘Presentation of Financial Statements’ and IFRS Practice Statement 2 ‘Making Materiality Judgements’ to aiming improve accounting policy disclosures.’

Effective from January 1, 2024

The Standards and Amendments discussed on pages 21 to 23 are effective for accounting periods beginning on or after January 1, 2024.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Standards are:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB published 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' which clarify the Standard's guidance on whether a liability should be classified as either current or non-current.

IAS 1 requires an entity that has an unconditional right to delay settlement of a liability for at least 12 months from the end of the reporting period, then it can be classified as non-current. If not, it is classified as current. Some preparers have found this statement confusing and consequently similar liabilities have been classified differently, making comparisons by investors difficult.

The IASB therefore issued amendments to IAS 1 to clarify its previously issued guidance and rectify the above issue.

The amendments

The amendments elaborate on guidance set out in IAS 1 by:

- clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period
- stating that management's expectations around whether they will defer settlement or not does not impact the classification of the liability
- adding guidance about lending conditions and how these can impact classification
- including requirements for liabilities that can be settled using an entity's own instruments.

Effective date and transition

The amendments were initially effective from accounting periods beginning on or after January 1, 2022. However, as a result of the COVID-19 pandemic, the IASB decided to give entities more time to implement any classification changes that may result from the above amendments. As such in, July 2020, the IASB changed the effective date of the amendments and they are now effective from January 1, 2024.

The amendments should be applied retrospectively, with entities being allowed to apply them to an earlier period, as long as they disclose that they have done so.

Commercial significance

The amendments affect entities with borrowing arrangements so therefore the impact could be widespread.

These amendments could have a significant impact on an entity's presentation of their borrowings which in turn could impact important financial ratios.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

In September 2022, the IASB issued amendments to IFRS 16, adding requirements for accounting for a sale and leaseback after the date of the transaction.

The amendments

The IASB has now issued additional guidance in IFRS 16 on accounting for sale and leaseback transactions. Previously, IFRS 16 only included guidance on how to account for sale and leaseback transactions at the date of the transaction itself. However, the Standard did not specify any subsequent accounting when reporting on the sale and lease back transaction after that date.

As a result, without further requirements, when the payments include variable lease payments there is a risk that a modification or change in the leaseback term could result in the seller-lessee recognizing a gain on the right of use they retained even though no transaction or event would have occurred to give rise to that gain.

Consequently, the IASB decided to include subsequent measurement requirements for sale and leaseback transactions to IFRS 16.

The amendments are applicable for annual reporting periods beginning on or after January 1, 2024, with early application permitted. If the amendments are applied in an earlier period, this should be disclosed.

Commercial significance

The amendments affect entities accounting for a sale and leaseback transaction.

These amendments would only impact the subsequent accounting for a sale and leaseback transaction, while these amounts could be material, in most cases it is unlikely to have a significant impact.

‘In September 2022, the IASB issued amendments to IFRS 16, adding requirements for accounting for a sale and leaseback after the date of the transaction.’

Non-current Liabilities with Covenants (Amendments to IAS 1)

In November 2022, the IASB issued some amendments to IAS 1 that aim to improve disclosures about long-term debt with covenants.

IAS 1 requires an entity to classify debt as current if it is unable to avoid settling the debt within 12 months after the reporting date. However, the entity may need to comply with covenants during that same period, which may question whether the debt should be classified as non-current. For example, a long-term debt may become current if the entity fails to comply with the covenants during the 12-month period after the reporting date.

The amendments

The amendments set out in 'Non-current Liabilities with Covenants (Amendments to IAS 1)' state that at the reporting date, the entity does not consider covenants that will need to be complied with in the future, when considering the classification of the debt as current or non-current. Instead, the entity should disclose information about these covenants in the notes to the financial statements.

The IASB want these amendments to enable investors to understand the risk that such debt could become repayable early and therefore improving the information being provided on the long-term debt.

The amendments are applicable for annual reporting periods beginning on or after January 1, 2024, with early application permitted. If the amendments are applied in an earlier period, this should be disclosed. The effective date coincides with that of the amendments to IAS 1 previously issued in 2020 'Classification of Liabilities as Current or Non-current'. Refer to page 21 for details of these amendments.

Commercial significance

Many Number of entities affected

The amendments affect entities with borrowing arrangements so therefore the impact could be widespread.

Medium Impact on affected entities

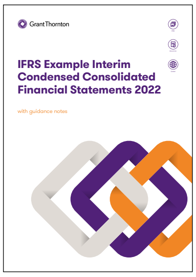
These amendments could have a significant impact on an entity's presentation of their borrowings which in turn could impact important financial ratios.

'IAS 1 requires entities to classify debt as current if the entity is unable to avoid settling the debt within 12 months after the reporting date.'

Grant Thornton's IFRS Publications

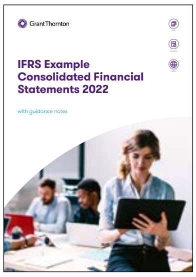
As well as the publications mentioned within the body of this publication, we also have a number of other publications including:

Example Interim Consolidated Financial Statements 2022



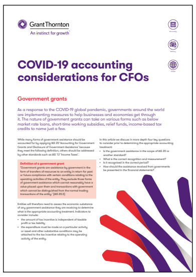
This publication illustrates the interim consolidated financial statements of a company that is an existing preparer of IFRS and produces half-yearly interim reports in accordance with IAS 34 'Interim Financial Reporting' at June 30, 2022. You can access this publication at www.grantthornton.global/en/insights/articles/ifrs-example-interim-consolidated-financial-statements-2022/.

Reporting under IFRS – Example Consolidated Financial Statements 2022



A set of illustrative consolidated financial statements for existing preparers of IFRS. The latest version of this publication has been reviewed and updated to reflect changes in IFRS that are effective for annual periods ending December 31, 2022. You can access this publication at https://www.grantthornton.global/en/insights/articles/ifrs-example-consolidated-financial-statements-2022/.

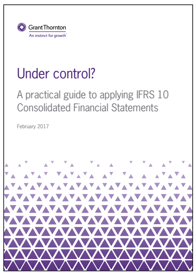
Navigating IFRS in light of COVID-19



Our series of COVID-19 articles focusses on areas entities need to consider from a financial reporting perspective. Our series of articles aim to help you consider the financial reporting consequences of COVID-19 and includes Telling the COVID-19 story, a publication which describes and illustrates how entities can better tell their COVID-19 story using four key tools we believe can help explain the impact of COVID-19.

You can access these publications at https://www.grantthornton.global/en/insights/supporting-you-to-navigate-the-impact-of-covid-19/ifrs-covid-19-hub/.

Under control? A practical guide to applying IFRS 10 consolidated financial statements

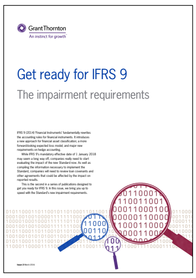


This publication aims to assist management in understanding the requirements of IFRS 10 'Consolidated Financial Statements' on control and consolidation as well as identifying and addressing the key practical application issues and judgements. You can access this publication at www.grantthornton.global/en/insights/articles/under-control-applying-ifrs-10/.

Get ready for IFRS 9: Classifying and measuring financial instruments

'Get ready for IFRS 9: Classifying and measuring financial Instruments' is designed to show how this aspect of IFRS 9 should be applied. In this publication we bring you up to speed on the Standard's classification and measurement requirements. You can access this publication at www.grantthornton.global/en/insights/articles/get-ready-for-ifrs-9/.

Get ready for IFRS 9: Impairment



'Get ready for IFRS 9: Impairment' is designed to show how to properly apply this aspect of IFRS 9. In this publication we bring you up to speed on the Standard's impairment requirements. You can access this publication at www.grantthornton.global/en/insights/articles/get-ready-for-ifrs-9-issue-2/.

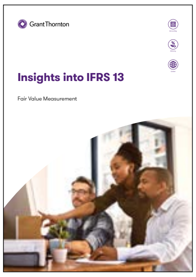
Get ready for IFRS 15 – Recognising revenue in the real estate and construction industries

'Get ready for IFRS 15 – Recognising revenue in the real estate and construction industries' is a more detailed look at the issues facing companies in this sector as they prepare themselves for IFRS 15. You can access this publication at www.grantthornton.global/en/insights/articles/get-ready-for-ifrs-15-rec/.

Insights into IFRIC 23

IFRIC 23 specifies how entities should reflect uncertainty in accounting for income taxes. Our 'Insights into IFRIC 23' article provides an overview of the interpretation and some practical guidance for when applying it. You can access this publication at www.grantthornton.global/en/insights/articles/insights-into-ifric-23/.

Insights into IFRS 13



Our Insights into IFRS 13 article not only summarizes the Standard, it also provides detailed commentary on various aspects of applying this Standard from the perspective of a preparer working alongside a valuation expert. You can access this publication at www.grantthornton.global/en/insights/articles/ifrs-13/.

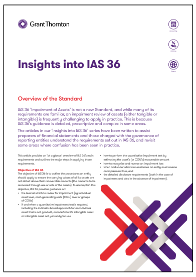
Insights into IFRS 16

Our Insights into IFRS 16 series looks at key areas of the new Standard and aims to provide assistance in preparing for IFRS 16. The key areas covered in the series are:

- Understanding the discount rate
- Interim periods
- Definition of a lease
- Lease term
- Transition choices
- Sale and leaseback accounting
- Lease payments
- Presentation and disclosure
- Lease incentives

You can access these publications at www.grantthornton.global/en/insights/ifrs-16/.

Insights into IAS 36



The articles in our 'Insights into IAS 36' series have been written to assist preparers of financial statements and those charged with the governance of reporting entities understand the requirements set out in IAS 36, and revisit some areas where confusion has been seen in practice. The key topics covered are:

- Overview of the Standard
- Scope and Structure
- Undertaking an impairment review
- Identifying cash generating units
- Allocating assets to cash generating units
- Allocating goodwill to cash generating units
- Estimating the recoverable amount
- Value in use estimating future cash flows
- Value in use – applying the appropriate discount rate
- Comparing recoverable amount with carrying amount
- Recognizing impairment losses
- Reversing impairment losses

Coming soon to this series:

- Other impairment issues
- Presentation and disclosure

You can access these publications at www.grantthornton.global/en/insights/articles/IFRS-ias-36/.

Insights into IFRS 8

Our 'Insights into IFRS 8' series considers some key implementation issues and includes interpretational guidance in certain problematic areas. We also include several examples illustrating the Standard's requirements. The key topics covered are:

- Principles in brief
- Identifying operating segments
- Aggregation of operating segments
- Reportable segments
- Segment information to be disclosed
- Entity wide disclosures
- Other application issues and Standards involving operating segments
- Disclosures for annual financial statements
- Disclosures for interim financial statements

You can access these publications at https://www.grantthornton.global/en/insights/articles/ifrs-8/insights-into-ifrs-8/.

Insights into IFRS 3

Our 'Insights into IFRS 3' series summarizes the key areas of the Standard, highlighting aspects that are more difficult to interpret and revisiting the most relevant features that could impact your business. The key topics covered are:

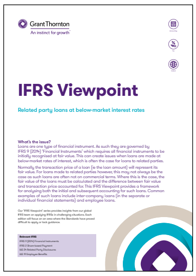
- The acquisition method at a glance
- Identifying a business combination
- Identifying the acquirer
- Identifying the acquisition date
- The definition of a business
- Reverse acquisitions explained
- Reverse acquisitions in the scope of IFRS 3
- Recognition principles
- How are the identifiable assets and liabilities measured?
- Specific recognition and measurement provisions

Coming soon to this series:

- Recognizing and measuring non-controlling interest
- Consideration transferred
- Adjustments for transactions not part of a business combination

You can access these publications at www.grantthornton.global/en/insights/articles/ifrs-3-insights/insights-into-ifrs-3/.

IFRS Viewpoints



We have released a series of publications providing insights on applying IFRS in challenging situations. Each edition focuses on an area where the Standards have proved difficult to apply or lack guidance.

Related party loans at below-market interest rates – This IFRS Viewpoint released provides a framework for accounting for loans made by an entity to a related party that are at below-market levels of interest.

Inventory discounts and rebates – This issue addresses how a purchaser accounts for discounts and rebates when buying inventory. Accounting for these discounts and rebates will vary depending on the type of arrangement.

Common control business combinations – This issue addresses how to account for a common control business combination.

Reverse acquisitions outside the scope of IFRS 3 – This issue considers how to account for a reverse acquisition outside the scope of IFRS 3.

Preparing financial statements when the going concern basis is not appropriate – This issue provides guidance on the issues encountered when an entity determines that it is not appropriate to prepare its financial statements on a going concern basis.

Accounting for cryptocurrencies – the basics – This issue explores the acceptable methods of accounting for holdings in cryptocurrencies while touching upon other issues that may be encountered in this area.

Accounting for crypto assets – mining and validation issues – This issue seeks to explore the accounting issues that arise for miners and validators in mining and maintaining the blockchain in accordance with existing IFRS.

Accounting for client money – This issue provides guidance on client money – arrangements in which a reporting entity holds funds on behalf of clients.

Configuration or customisation costs in a cloud computing arrangement – This issue discusses the IFRIC's agenda decision addressing how a customer should account for costs of configuring or customizing a supplier's application software in a Cloud Computing or Software as a Service (SaaS) arrangement.

You can access these publications at www.grantthornton.global/en/insights/viewpoint/ifrs-viewpoints-hub/.

If you would like to discuss any of these publications, please speak to your usual Grant Thornton contact or visit www.grantthornton.global/locations to find your local member firm.

grantthornton.ca

Audit | Tax | Advisory

About Grant Thornton LLP in Canada

Grant Thornton LLP is a leading Canadian accounting and advisory firm providing audit, tax and advisory services to private and public organizations. We help dynamic organizations unlock their potential for growth by providing meaningful, actionable advice through a broad range of services. Grant Thornton LLP is a Canadian member of Grant Thornton International Ltd, whose member and correspondent firms operate in over 100 countries worldwide.