The Journal is running a series of updates on IFRS, IAS, IFRIC and SIC. In this issue, Mr. Mohammad Samsul Arefin ACMA (UK), CGMA, FCMA has taken the responsibility to update the reflection on some latest pronouncements by IASB in their website.

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IFRS Update

Primary Financial Statements:

The International Accounting Standards Board met on 17th June 2019 to discuss on following matters mostly relating to some contents in Financial Statements Like:

- classification of exchange differences, and gains and losses on derivatives, in the statement(s) of financial performance;
- classification of expenses relating to investments;
- income tax effects relating to management performance measures;
- differences between management performance measures and segment measures of profit or loss; and
- transition requirements and the effective date of any new or amended Standard arising from the project.

Classification of exchange differences, and gains and losses on derivatives, in the statement(s) of financial performance:

The Board tentatively decided:

a) to clarify that an entity is required to classify foreign exchange differences included in profit or loss in the same sections of the statement(s) of financial performance as the income and expenses arising from the items that gave rise to the foreign exchange differences.

b) for financial instruments designated as hedging instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, to require an entity to classify gains and losses included in profit or loss on those hedging instruments:

   i. in the operating section, if the instrument is used to manage risks relating to the entity's main business activities—except when doing so would require the grossing up of gains and losses;

ii. in the financing section, if the instrument is used to manage risks relating to the entity's financing activities-except when doing so would require the grossing up of gains and losses; or

iii. in the investing section in all other cases-including in the circumstances set out in (i) and (ii) involving the grossing up of gains and losses.

c) to require an entity to also adopt the classification set out in (b) for gains and losses included in profit or loss on a non-designated derivative-except when such a classification would involve undue cost or effort. In such cases, an entity shall classify gains and losses on the derivative in the investing section.

d) to clarify that an entity is required to classify gains and losses included in profit or loss on a non-designated non-derivative financial instrument in accordance with the Board's definitions of the sections.

Expenses from investments

The Board tentatively decided to include incremental expenses related to an entity's investments in the investing section of the statement(s) of financial performance. Incremental expenses are those expenses that the entity would not have incurred had the investments not been made

Determining the income tax effect of management performance measure adjustments

The Board tentatively decided to:

a. specify that the income tax effect of items reconciling the management performance measure to the most directly comparable total or subtotal defined by IFRS Standards should be determined based on a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction concerned; or by another method that achieves a more appropriate allocation in the circumstances.

b. require an entity to disclose how, in its particular circumstances, the income tax effect of management performance measure adjustments has been determined.

Differences between management performance measures and segment measures of profit or loss

The Board tentatively decided not to require an entity to disclose how and why a management performance measure differs from the total of the measures of profit or loss for its reportable segments. (This decision reverses a previous Board decision.)

Transition requirements and effective date

The Board tentatively decided to:

require an entity to apply the general requirements concerning the retrospective application of changes in accounting policies, as set out in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Board will discuss at a future meeting permission to begin the balloting process for the exposure draft.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16):

The proposed amendments to IAS 16 Property, Plant and Equipment would prohibit an entity from deducting from the cost of an item of property, plant and equipment (PPE) any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Board tentatively decided:

a. to amend IAS 16 to require an entity to identify and measure the cost of items produced before an item of PPE is available for use applying the measurement requirements in paragraphs 9–33 of IAS 2 Inventories.

b. to develop neither presentation nor disclosure requirements for the sale of items that are part of an entity's ordinary activities.

c. for the sale of items that are not part of an entity's ordinary activities (and to which an entity does not apply IFRS 15 and IAS 2), to require an entity to:

   i. disclose separately the sales proceeds and their related production costs recognized in profit or loss; and

   ii. specify the line item(s) in the statement of profit or loss and other comprehensive income that include(s) the sales proceeds and the production costs.

d. not to amend IFRS 6 Exploration for and Evaluation of Mineral Resources or IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine as a consequence of these proposed amendments.

The Board will discuss due process steps at a future meeting.