



Accounting Alert

IASB issues four narrow scope amendments to IFRS Standards

Executive summary

The International Accounting Standards Board (IASB) has 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 issued are as follows:

- Reference 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

The details

The four publications include narrow scope amendments to improve IFRS Standards. The changes are summarised in the following table:

Publications issued

Standard affected	Subject	IASB's summary of amendment
IFRS 3 'Business Combinations'	References to the Conceptual Framework	<ul style="list-style-type: none"> • Updates a reference in IFRS 3 to the 'Conceptual Framework for Financial Reporting' without changing the accounting requirements for business combinations.
IAS 16 'Property, Plant and Equipment'	Proceeds before Intended Use	<ul style="list-style-type: none"> • Prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company 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	<ul style="list-style-type: none"> • Specifies which costs a company includes when assessing whether a contract will be loss-making.



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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Clarifies the fees a company includes 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	<ul style="list-style-type: none"> Removes potential for confusion regarding lease incentives.
IAS 41 'Agriculture'	Previously held interests in a joint operation	<ul style="list-style-type: none"> 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.

Effective date

These amendments are effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

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