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**ERICA (EUROPEAN RECORDS OF IFRS CONSOLIDATED ACCOUNTS)
WORKING GROUP**

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IFRS IMPACT

European Committee of Central Balance Sheet Data Offices (ECCBSO)

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I. INTRODUCTION AND SUMMARY

This document integrates all material available about the process of approval of the Standards by the IFRS Foundation and its adoption in the European Union, with information updated till beginning of September 2017. Chapter II focuses on the recent and foreseeable changes in IFRS considering the IASB legislation, Exposure Drafts and other documents to become IFRS and more recent development in the EU; from the previous version of the document, the IASB has approved IFRS 17 on Insurance Contracts and the European Commission has implemented two relevant standards: IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customer. Chapter III offers the situation of each European country related to the implementation of IFRS for non-listed groups and individual companies, showing that only Greece, Portugal and Italy accept the use of IFRS for certain individual corporations (belonging to consolidated listed groups or consolidated non listed groups if they consolidate according with IFRS). The document ends up with two annexes: annex 1 contains a list of the standards and interpretations issued by the IASB currently in force and finally, annex 2 discloses a timetable of the projects the IASB is involved in.

II. RECENT AND FORESEEABLE CHANGES IN IFRS¹

II.1. IASB LEGISLATION

December 2016 – Foreign Currency transactions and Advance Consideration (IFRIC 22)

The interpretation defines the exchange rate applied for non-monetary asset or non-monetary liability arising from payments or receipts of advance consideration in a foreign currency. It becomes effective on or after 1st January 2018.

December 2016 – Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify that the entity can only reclassify to/from investment property when there is evidence of the change of use. These amendments are mandatory for annual periods beginning on or after 1st January 2018.

December 2016 – Annual Improvements to IFRS Standards 2014-2016 Cycle

The improvements affect to the following standards:

- a) IFRS 1 First-time Adoption of International Financial Reporting Standards: Deletion of short term exemptions for first time adopters.
- b) IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of the disclosure requirements in IFRS 12.
- c) IAS 28 Investments in Associates and Joint Ventures: Clarification of measurement at fair value through profit or loss in an investment-by-investment basis.

The effective date starts 1st January 2018, except those related to IFRS 12 which will be effective from 1st January 2017.

May 2017 – IFRS 17 Insurance Contracts

The new standard should be applied by the entities to insurance contracts within the scope of the standard (insurance contracts, investment contracts with discretionary participation features they issue and reinsurance contracts they hold). It is effective for annual periods beginning on or after 1st January 2021.

June 2017 – IFRIC 23 Uncertainty over Income Tax Treatments

The new Interpretation specifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It becomes effective on or after 1st January 2019.

September 2017 – IFRS Practice Statement 2 Making Materiality Judgements

The aim of the document is to provide entities with guidance on making materiality judgements when preparing financial statements.

¹ Situation at 18th September 2017.

II.2. EXPOSURE DRAFTS AND OTHER DOCUMENTS TO BECOME IFRS

The IASB has worked during the last year on different projects, preparing new exposure drafts or other type of document that could become new IFRS in the short/medium-term:

Annual Improvements 2015-2017 Cycle

In January 2017, the IASB issued a new cycle of Annual Improvements to IFRS proposing amendments to:

- IAS 12 Income Taxes: Accounting for income tax consequences of payments on financial instruments that are classified as equity.
- IAS 23 Borrowing Costs: Borrowing costs on completed qualifying assets.
- IAS 28 Investments in Associates and Joint Ventures: Application of IFRS 9 Financial Instruments to long-term interests in an associate or joint venture.

Improvements to IFRS 8 Operating Segments: Proposed amendments to IFRS 8 and IAS 34

The amendments proposed in the Exposure Draft published in March 2017, were related to the following issues:

- Description of the chief operating decision maker
- Identification of reportable segments
- Additional segment information
- Description of reconciling items and
- Change in the composition of an entity's reportable segments.

Disclosure Initiative – Principles of Disclosure

In March 2017, the Board published a Discussion Paper on Disclosure Initiative – Principles of Disclosure which main objective is to develop new or clarifying existing principles of disclosure in IFRS. Main topics developed by the draft are the following:

- Use of performance measures (i.e. EBIT/EBITDA...),
- Principles of effective communication,
- Difficulty of entities to decide which elements are presented in the primary financial statements or in the notes and
- Principles to address specific disclosure concerns expressed by users of financial statements.

The document is open to comments until 2nd October, after which, an Exposure Draft will propose amendments or replacement of IAS 1 Presentation of Financial Statements².

² Due to the relevance of the project for the CBSOs, the ERICA WG planned preparing comments to the Discussion Paper before public deadline.

Prepayment Features with Negative Compensation: Proposed amendments to IFRS 9

The Exposure Draft proposed a narrow exception to IFRS 9 for particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not qualify for amortised cost or fair value through other comprehensive income measurement as a result of a prepayment feature.

Request for Information: Post-Implementation Review: IFRS 13 Fair Value Measurement

The Request for Information tries to assess improvements on the implementation of IFRS 13 Fair Value measurement, focusing on:

- Disclosures about fair value measurements,
- Further information about measuring quoted investments in subsidiaries, joint ventures and associates at fair value,
- Application of the concept of the ‘highest and best use’ when measuring the fair value of non-financial assets, and
- Application of judgment and
- Need of further guidance on measuring the fair value of biological assets and unquoted equity instruments.

The document is open for comments until 22nd September 2017.

Property, Plant and Equipment

The proposed amendments would not allow deducting sales proceeds from the cost of an item of property, plant and equipment while the asset is being made available for use. Comments should be received by 19th October 2017.

Accounting Policies and Accounting Estimates: Proposed amendments to IAS 8

The amendments aim to better distinguish accounting policies from accounting estimates. Comments should be received by 15th January 2018.

Definition of Material: Proposed amendments to IAS 1 and IAS 8

The Exposure Draft proposes amendments to the definition of “material” in order to clarify its appliance. The document is open for comments until 15th January 2018.

To obtain more information of all the IASB projects, Annex 2 discloses information of the IASB work plan with its foreseeable deadlines.

II.3. MORE RECENT DEVELOPMENTS IN THE EUROPEAN UNION, PROCESS OF IMPLEMENTATION OF IFRS³

MAIN EVENTS IN EUROPEAN UNION: RECORD OF LEGISLATION PROCESS ⁴
In September 2016 the European Commission (EC) endorsed the “ <i>Amendments to IFRS 10, IFRS 12 and IAS 28</i> ” concerning the consolidation exception for investment entities.
In October 2016 the European Securities and Markets Authority (ESMA) announced the priority issues that the assessment of listed companies' 2016 financial statements will focus on: presentation of financial performance, financial instruments: distinction between equity instruments and financial liabilities, and disclosures of the impact of the new standards on IFRS financial statements.
In October 2016 the EC endorsed the “ <i>IFRS 15: Revenue from Contracts with Customers</i> ”.
In November 2016 the EC endorsed the “ <i>IFRS 9: Financial Instruments</i> ”.
In December 2016 ESMA published a feedback statement to the consultation issued in 2015, establishing Inline XBRL as the most suitable technology to meet the ESEF (European Single Electronic Format) requirement of reporting their annual financial reports in a single electronic format from 1 st January 2020.
In June 2017 the EC adopted non-binding guidelines on the disclosure of non-financial information by companies, as complement to the EU Directive on disclosure of non-financial and diversity information by large companies and groups addressing environmental, social, and governance (ESG) issues which was entered into force in December 2014.

³ Situation at 18th September 2017

⁴ Personal compilation from: <https://www.iasplus.com/en>, https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en and <http://www.efrag.org/>.

III. SUMMARY TABLE OF ACCOUNTING LEGAL FRAMEWORK TO USE IFRS

CURRENT DEVELOPMENTS IN THE COUNTRY ⁵								
CONCEPT	AUSTRIA	BELGIUM	FRANCE	GERMANY	GREECE	ITALY	PORTUGAL	SPAIN
1. Accounting legal framework, based on:	Ministry of Justice: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Economy: Commercial Code	Ministry of Justice: Commercial Code	Ministry of Finance	Ministry of Justice: Civil Code	Ministry of Finance	Ministry of Justice: Commercial Code Regulation changed in line with IFRS
2. Accounting bodies (public / private)	Semi-public: Austrian Financial Reporting and Auditing Committee	Public: Accounting Standard Commission (ASC)	Public: the Authority of Accounting standards (ANC)	Semi-public: German Accounting Standards Committee (DRSC)	Public: Accounting Standards and Auditing Committee (ELTE)	Private: Italian Accounting Body (OIC)	Semi-public: Portuguese Accounting Standards Board (CNC)	Public: Institute of Accounting and Auditing (ICAC)
3. Legal authorisation to use IFRS instead of National GAAP								
a) Consolidated Accounts of unlisted corporations	Voluntary since 1999	Option to follow either IFRS or Belgian GAAP (2005). IFRS is mandatory for all banks, insurance companies and real estate investment funds	Option to follow on a voluntary basis either IFRS or French GAAP	Voluntary	Voluntary for companies which are audited by certified auditors	2005 on a voluntary basis (mandatory for financial institutions)	Voluntary in the first year of adoption, but compulsory afterwards (at least 3 years)	Option to follow either IFRS (since 2005) or Spanish GAAPs (since 2010 adapted to IAS/IFRS)
b) Individual Accounts	NO	NO (Exception: real estate investment funds ⇒ IFRS obliged as from 2007)	NO	Voluntary, but only for information purpose (publication in the federal gazette)	Compulsory from 2005 for listed companies Voluntary for non-listed companies which are audited by certified auditors	2005 on a voluntary basis (2006 mandatory for financial institutions and listed companies)	Voluntary in the first adoption, but compulsory afterwards (at least 3 years) (just for companies belonging to the scope of consolidation of a group that adopts IFRS)	NO (although indirectly by applying the revised accounting standards)
4. Possibility of using IFRS								

⁵ Situation at August 2017.

CURRENT DEVELOPMENTS IN THE COUNTRY⁵

CONCEPT	AUSTRIA	BELGIUM	FRANCE	GERMANY	GREECE	ITALY	PORTUGAL	SPAIN
a) Consolidated accounts of unlisted corporations	YES (without authorisation on a voluntary basis)	From 2005 on a voluntary basis	From 2005, on a voluntary basis	From 2005, without authorisation on a voluntary basis	On a voluntary basis	From 2005 on a voluntary basis	On a voluntary basis	YES Option to use IAS / IFRS or Spanish GAAP
b) Individual accounts	YES (without authorisation on a voluntary basis)	Indirectly through the revision of Belgian accounting law (Exception: real estate investment funds (IFRS obliged as from 2007))	Selective convergence of French GAAP : new rules applicable from 2005	See above	Compulsory from 2005 for listed companies	Yes in the individual accounts of listed companies; for the rest, very infrequent; forbidden for SME	Selective convergence of Portuguese GAAP: new rules compliant with IFRS are being published	Indirectly, through the revised Accounting Plan (since 2008)

ANNEX - IASB PROJECTS (WORK PLAN UPDATED 18/09/17)⁶

Standard-setting projects		
Project	Next milestone	Expected date
Conceptual Framework	Conceptual Framework	Q4 2017
Definition of Material (Amendments to IAS 1 and IAS 8)	Exposure Draft Feedback	H1 2018
Rate-regulated Activities	Discussion Paper or Exposure Draft	H1 2018
Research projects		
Business Combinations under Common Control	Discussion Paper	Q1 2018
Discount Rates	Research Summary	H1 2018
Dynamic Risk Management	Discussion Paper	H2 2018
Financial Instruments with Characteristics of Equity	Discussion Paper	Q4 2017
Goodwill and Impairment	Discussion Paper	H1 2018
Post-implementation Review of IFRS 13 Fair Value Measurement	Request for Information Feedback	Q4 2017
Primary Financial Statements	Discussion Paper or Exposure Draft	H1 2018
Principles of Disclosure	Discussion Paper Feedback	Q1 2018
Share-based Payment	Research Summary	H1 2018
Maintenance projects		
Accounting Policies and Accounting Estimates (Amendments to IAS 8)	Exposure Draft Feedback 2018	H1 2018
Accounting policy changes (Amendments to IAS 8)	Exposure Draft	H1 2018
Availability of a refund (Amendments to IFRIC 14)	IFRS Amendment	H1 2018
Borrowing costs eligible for capitalisation (Amendments to IAS 23)	IFRS Amendment	Q4 2017
Classification of Liabilities (Amendments to IAS 1)	IFRS Amendments	H1 2018
Definition of a business (Amendments to IFRS 3)	IFRS Amendment	H1 2018
Fees in the '10 per cent' test for derecognition (Amendments to IFRS 9)	Exposure Draft	
Improvements to IFRS 8 Operating Segments (Amendments to IFRS 8 and IAS 34)	Exposure Draft Feedback	Q4 2017
Income tax consequences of payments on instruments classified as equity (Amendments to IAS 12)	IFRS Amendment	Q4 2017
Long-term interests in associates and joint-ventures (Amendments to IAS 28)	IFRS Amendment	October 2017
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	IFRS Amendment	H1 2018
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	IFRS Amendment	October 2017

⁶ The information in this table is based on <http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx> at 18th September 2017

Previously Held Interests in a Joint Operation (Amendments to IFRS 3 and IFRS 11)	IFRS Amendment	Q4 2017
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	Exposure Draft Feedback	Q4 2017

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Doc2.1 - ERICAWG_impact_2017_D2	18/09/2017	Updates on status
Doc2.1 - ERICAWG_impact_2017_F	05/10/2017	Final version of the document

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