

2018 IFRS ACCOUNTS

IFRS Factsheet - Extract

Practical help in a complex world

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2018 IFRS accounts

This factsheet highlights new and modified requirements for preparers of IFRS accounts. The factsheet deals primarily with new requirements with mandatory application for annual periods beginning on or after 1 January 2018.

This is an extract from the full factsheet

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Section 1

Overview

Significant changes mandatory for 2018 and beyond

There are a number of significant changes that will be effective in 2018, including major new standards on revenue from contracts with customers and financial instruments. Beyond that, from 2019 the new leasing standard will bring significant change for many entities and, although not mandatory until 2021, the new standard on insurance contracts may also affect more entities than might at first be suspected. The impact of these new standards should be considered carefully sooner rather than later.

Accounting periods beginning before 1 January 2018

Preparers of accounts for accounting periods beginning before 1 January 2018 should refer to the factsheet *2017 IFRS Accounts*.

Other regulatory changes

This factsheet does not cover other regulatory changes. Entities in the UK can find out more information about such changes in our *UK Regulation for Company Accounts* factsheet.

Section 1

Overview 1

Section 2

Links to regulations 2

Section 3

Summary of changes 3

Section 4

New and amended standards mandatory for 2018 6

Section 5

New and amended standards mandatory for 2019 and beyond 14

Section 6

Other IASB statements 24

Further information

Faculty resources and contact details 26

Section 2

Links to regulations

Using the links and margin notes in this document

The margin notes in this factsheet identify relevant sections of standards and other regulations – these sections cannot be considered in isolation when applying them in practice.

You might find it useful to download relevant sections of the standards so that you can refer to them when using this document.

Make sure that you use the right version of the regulations or standards

Standards and regulations are often updated and amended, and may have transitional provisions. It is important to use the right version, and to make sure that it applies to the relevant time period. The standards below are linked to the faculty's standards tracker which shows when standards were amended, and when amendments come into effect. Links are then provided to the version of the standard relevant to specific time periods. To use the links in the standards tracker it is strongly recommended that you are first logged into the Financial Reporting Faculty, and also logged into [eIFRS](#).

Key standards and regulations for this factsheet

[IFRS 1 First-time Adoption of International Financial Reporting Standards](#)

[IFRS 2 Share-based Payment](#)

[IFRS 3 Business Combinations](#)

[IFRS 4 Insurance Contracts](#)

[IFRS 9 Financial Instruments](#)

[IFRS 10 Consolidated Financial Statements](#)

[IFRS 11 Joint Arrangements](#)

[IFRS 15 Revenue from Contracts with Customers](#)

[IFRS 16 Leases](#)

[IFRS 17 Insurance Contracts](#)

[IAS 12 Income Taxes](#)

[IAS 19 Employee Benefits](#)

[IAS 23 Borrowing Costs](#)

[IAS 28 Investments in Associates and Joint Ventures](#)

[IAS 40 Investment Property](#)

[IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration](#)

[IFRIC Interpretation 23 Uncertainty over Income Tax Treatments](#)

[IFRS Practice Statement 2 Making Materiality Judgements](#)

[Conceptual Framework for Financial Reporting](#)

Other relevant standards and regulations

[IFRS 7 Financial Instruments: Disclosures](#)

[IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors](#)

[IAS 27 Separate Financial Statements](#)

[IAS 36 Impairment of Assets](#)

[EFRAG endorsement status report](#)

[ESMA's public statement on European common enforcement priorities for 2015 financial statements](#)

[ESMA's public statement on European common enforcement priorities for 2016 financial statements](#)

[ESMA's public statement on European common enforcement priorities for 2017 financial statements](#)

[FRC's Annual Review of Corporate Reporting 2016/2017](#)

[FRC's June 2018 Corporate Reporting Review Briefing](#)

Section 3

Summary of changes

New and amended standards applicable for annual periods beginning in 2018

Title	Key effects	Mandatory application date
IFRS 9 <i>Financial Instruments</i>	Sets out the principles for the recognition, derecognition, classification and measurement of financial assets and financial liabilities together with requirements relating to the impairment of financial assets and hedge accounting.	Annual periods beginning on or after 1 January 2018.
Amendments to IFRS 4 – Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i>	Introduces two voluntary options designed to address insurers' concerns about issues arising from implementing IFRS 9 before IFRS 17 comes into effect.	Annual periods beginning on or after 1 January 2018.
IFRS 15 <i>Revenue from Contracts with Customers</i>	Establishes when revenue should be recognised, how it should be measured and what disclosures about contracts with customers are needed.	Annual periods beginning on or after 1 January 2018.
Clarifications to IFRS 15 <i>Revenue from Contracts with Customers</i>	Clarifies some requirements and provides additional transitional relief to reduce cost and complexity for entities applying the standard for the first time.	Annual periods beginning on or after 1 January 2018.
Annual Improvements to IFRS Standards 2014–2016 Cycle	Minor amendments to IFRS 1 and IAS 28.	Annual periods beginning on or after 1 January 2018.
Amendments to IFRS 2 – <i>Classification and Measurement of Share-based Payment Transactions</i>	Clarifies how to account for certain types of share-based payment transaction.	Annual periods beginning on or after 1 January 2018.
Amendments to IAS 40 – <i>Transfers of Investment Property</i>	Clarifies the requirements on transfers to, or from, investment property.	Annual periods beginning on or after 1 January 2018.
IFRIC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	Addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.	Annual periods beginning on or after 1 January 2018.

New and amended standards applicable for annual periods beginning in 2019

Title	Key effects	Mandatory application date
Amendments to IFRS 9 – <i>Prepayment Features with Negative Compensation</i>	Clarifies that prepayment features which give rise to negative compensation do not necessarily prevent a financial asset from being measured at amortised cost.	Annual periods beginning on or after 1 January 2019.
IFRS 16 <i>Leases</i>	Establishes principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors.	Annual periods beginning on or after 1 January 2019.
IFRIC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> *	Clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.	Annual periods beginning on or after 1 January 2019.
Amendments to IAS 28 – <i>Long-term Interests in Associates and Joint Ventures</i> *	Clarifies how IAS 28 interacts with IFRS 9 when the investor applies equity accounting.	Annual periods beginning on or after 1 January 2019.
Annual Improvements to IFRS Standards 2015–2017 Cycle *	Minor amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.	Annual periods beginning on or after 1 January 2019.
Amendments to IAS 19 – <i>Plan Amendment, Curtailment or Settlement</i> *	Clarifies that updated actuarial assumptions must be used for the remainder of the reporting period after a plan amendment, curtailment or settlement.	Annual periods beginning on or after 1 January 2019.

* Not EU endorsed at the date of publication of this factsheet (see below).

New and amended standards applicable for annual periods beginning in 2020 and beyond

Title	Key effects	Mandatory application date
Amendments to References to the Conceptual Framework in IFRS Standards*	Minor amendments to various standards to reflect the issue of the revised <i>Conceptual Framework for Financial Reporting</i>	Annual periods beginning on or after 1 January 2020.
IFRS 17 <i>Insurance Contracts</i> *	Establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and qualifying investment contracts with discretionary participation features issued.	Annual periods beginning on or after 1 January 2021.
Amendments to IFRS 10 and IAS 28 – <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> * +	Prescribes the accounting treatment for the sale or contribution of assets between an investor and its associate or joint venture.	Deferred indefinitely.

* Not EU endorsed at the date of publication of this factsheet (see below)

+ In December 2015, the IASB postponed the effective date of these amendments indefinitely (see page 22 below for more details).

Other new statements

Title	Key effects	Application date
IFRS Practice Statement 2 <i>Making Materiality Judgements</i>	Provides non-mandatory guidance to help entities make materiality judgements when preparing accounts.	Can be applied immediately.
<i>Conceptual Framework for Financial Reporting</i>	Provides concepts to help the IASB develop standards and preparers to develop consistent accounting policies when no standard applies or when there is a choice of policies.	Annual periods beginning on or after 1 January 2020

EU preparers and endorsement

EU preparers are required to prepare their financial statements in accordance with IFRSs as adopted in the EU, and therefore can apply accounting standards only once they have been endorsed. The latest version of the Endorsement Status Report is available on the website of the European Financial Reporting Advisory Group (EFRAG) at www.efrag.org. Although unendorsed standards and interpretations cannot be adopted in the EU, the requirements of those standards and interpretations may be applied early if they do not conflict with the requirements of any endorsed standards or interpretations.

Our factsheets are regularly updated and reflect the current endorsement status of a standard or interpretation at the time of updating. Please check 'last updated date' to ensure you have the latest version.

Neither the result of the UK's referendum on EU membership nor the exercise of Article 50 affects these requirements in the short term. For now the UK remains an EU member state and as such must continue to comply with existing EU laws and regulations. UK entities required or choosing to apply IFRS must therefore continue to apply EU-endorsed IFRS in their financial statements. This will continue to be the case at least until the terms of the UK's exit from the EU have been negotiated and implemented; subsequent requirements will depend upon the provisions of UK law at that time.

Practical tip: Brexit

Directors of UK companies must consider the nature and extent of risks and uncertainties arising from the result of the decision to leave the EU and their impact on the future performance of the business. In some instances, the consequences of Brexit may be considered to be a principal risk and – as such – their potential impact must be disclosed and explained in the company's strategic report. The FRC stated in its *Annual Review of Corporate Reporting 2016/2017* that it expected entities to provide increasingly focused disclosures, identifying company-specific risks and opportunities; this should ensure that disclosures on the consequences of Brexit are as informative and as useful as possible to investors.

Practical help in a complex world

Contacts and further help

Factsheets for faculty members

This factsheet is part of a series designed to provide practical help for Financial Reporting Faculty members in exercising their professional judgement.

The faculty cannot offer interpretations of standards or give views on the application of standards to particular companies or transactions.

The faculty's standards trackers

To check for current standards and recent amendments go to the faculty's standards trackers at: icaew.com/frfstandardstracker.

Factsheets

Topics covered by other factsheets include:

- Revenue from Contracts with Customers
- Introducing IFRS 16 Leases
- The UK Financial Reporting Framework

A complete list of factsheets can be found here:

icaew.com/frffactsheets

Factsheet comments and suggestions

To comment on factsheets, or to suggest topics that you'd like to see covered by factsheets, email us at frfac@icaew.com

Faculty resources icaew.com/frf

Resources published by the Financial Reporting Faculty may be found at icaew.com/frf. Resources include online access to the faculty's publications, webinar recordings and other guidance such as FAQs and the standards trackers. Faculty members also have full access to the IASB's eIFRS resource, including full texts of the standards.

The Financial Reporting Faculty

The faculty aims to help members keep up to date with the implications of new standards, regulations and practice in financial reporting.

Our international community of financial reporting professionals also contribute to the ICAEW's work in influencing the development of financial reporting concepts, standards and regulation.

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Factsheet extracts provide non-Financial Reporting Faculty members with a sample of our premium content. Fully subscribed FRF members receive access to all content via the faculty website: icaew.com/frf

Benefits of joining the FRF include:

- Online standards trackers
- By All Accounts (faculty publication)
- Full use of eIFRS (normally £295)
- Webinars and exclusive faculty events
- Company Reporting's CR service
- eBooks and online publications

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