New and forthcoming requirements

Michael Wells

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New Standards, Interpretations and amendments mandatory for annual periods beginning on or after 01/01/2018

IAS 8 disclosures
in period first apply a new IFRS/Interpretation/amendment

Disclose:

- The title of the IFRS.
- The nature of the change in accounting policy.
- When applicable, the transitional provisions used.
- When applicable, transitional provisions that might have an effect on future periods.
- For the current period and comparatives presented the amount of the adjustment to: (i) each affected financial statement line-item; (ii) basic earnings per share; and (ii) diluted earnings per share.
- The amount of the adjustment relating to periods before those presented.
- If not retrospectively restated because the entity applies the impracticability exemption: circumstances that led to the existence of that condition and from when the change in accounting policy has been applied.

Source: paragraph 28 of IAS 8

New Standards, Interpretations and amendments mandatory for annual periods beginning on or after 01/01/2018

New Standard/Interpretation/amendment	Early application?
IFRS 15 *Revenue from Contracts with Customers*	Yes
IFRS 9 *Financial Instruments*	Yes
Amendments to IFRS 4 *Insurance Contracts* regarding implementation of IFRS 9	Yes
IFRIC 22 *Foreign Currency Translation and Advance Consideration*	Yes
Amendments to IAS 40 *Investment Property* regarding the transfer of property	Yes
Annual Improvements 2014-2016: IFRS 1 *First-time Adoption of IFRS*	Yes
Annual Improvements 2014-2016: IAS 28 *Investment in Associates and Joint Ventures*	Yes
Amendment to IFRS 2 *Share-based Payment* classification and measurement of share-based payment transactions	Yes

IFRS 9 Financial Instruments effective date and transition overview

Applying IFRS 9 for the first time	

Effective date	• Mandatory application for periods beginning on or after 1 January 2018.
	• However:
	  • Many transitional provisions.
	  • IFRS 9 options to continue with all or particular IAS 39 hedge accounting requirements.
	  • Deferral approach for only qualifying insurers (including first-time adopters) with a fixed expiry date of period beginning on or after 01/01/2021 (tentatively changing to 01/01/2022).

Source: paragraphs 7.1.1, 7.1.2, 7.2.1 and 7.2.21 of IFRS 9

IFRS 9 Financial Instruments transitional provisions: hedge accounting options

Hedge accounting is optional

An entity can effectively choose to use (or not to use) hedge accounting for its qualifying and effective hedging relationships.

‘General’ hedge accounting option

On initial application of IFRS 9 an entity chooses to apply to all hedging relationships either:

- IAS 39 hedge accounting requirements; or
- IFRS 9 hedge accounting requirements.

Additional ‘macro hedge accounting’ option

An entity that chooses to apply IFRS 9’s ‘general’ hedge accounting requirements can nevertheless choose to apply IAS 39’s hedge accounting requirements for the fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities.

Source: paragraphs 6.1.3 and 7.2.1 of IFRS 9

IFRS 9 Financial Instruments transition provisions for insurance contracts

Any issuer of insurance contracts can choose to use the **overlay approach** for some or all financial assets connected with non-insurance activities that are FVPL under IFRS 9 but would not be FVPL in their entirety under IAS 39. The exception:

- Apply IFRS 9 in full
- Also measure qualify assets using IAS 39
- Difference between IFRS 9 and IAS 39 effect on profit or loss is removed from profit or loss and presented in OCI
  - ie, the adjustment is presented in two separate line items in the statement of comprehensive income

Illustrative statement of comprehensive income

Statement of Comprehensive Income	
	20XX
Insurance contracts revenue	X
Incurred claims and expenses	(X)
Operating result	**X**
Investment income 'IFRS 9'	X
Interest on insurance liability	(X)
Overlay approach-adjustment	(X)
Investment result	**X**
Profit or loss	**X**
Overlay approach-adjustment	X
Effect of discount rate changes on insurance liability	(X)
Other comprehensive income	**X**
Total comprehensive income	**X**

Source: IFRS® Project Summary and Feedback Statement Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) (September 2016)

IFRS 9 Financial Instruments
additional transition provisions for qualifying insurers

Qualifying insurers can choose to **defer** applying IFRS 9 until the annual reporting period beginning on or after 01/01/2021 (tentatively changing to 01/01/2022). Qualify if, and only if at the end of its annual reporting period immediately before 01/04/2016 and thereafter:

(a) the amount of its insurance liabilities is significant compared with its total amount of liabilities; and

(b) the percentage of its liabilities connected with insurance (for example, including the related deferred tax etc) relative to its total amount of liabilities is:

- (i) >90%; or
- (ii) ≤90% but >80%, and the company does not engage in a significant activity unconnected with insurance.

A question of scope: IFRS 9 *Financial Instruments* or IFRS 15 *Revenue from Contracts with Customers?*

IFRS 15 or IFRS 9: banking sector transactions

- IFRS 9 applies to most banking transactions.
- However, IFRS 15 applies to some services that banks perform.
  - For an investment bank or fund manager where significant revenues are derived from service fees (commissions, interchange fees, account and service fees), IFRS 15 could be applicable to much more than 25% of total operating income (Kim Heng, Partner, KPMG Australia, 12/2017).

Partially in scope of IFRS 15

Is the contract **partially within the scope of IFRS 15** and partially within the scope of IFRS 4 *Insurance Contracts,* IFRS 16 *Leases*, or financial instruments and other contractual rights and obligations in scope of IFRS 9, IFRS 10, IFRS 11, IAS 27, IAS 28?

Yes

Does the **other Standard**(s) specify how to separate and/or initially measure one or more parts of the contract?

Yes

Apply the separation and/or the measurement requirements in the other Standard

No

Apply IFRS 15 to separate and/or initially measure the parts of the contract

See paragraphs 5 and 7 of IFRS 15

IFRS 15 or IFRS 9: banking sector transactions
source: PwC *In depth* A look at current financial reporting issues *Revenue from contracts with customers Banking industry* (December 2017)

Product/service	Fee/compensation received	Generally in scope of: IFRS 15	Generally in scope of: IFRS 9
Credit cards	Interchange fees	✓	
	Annual fees[(a)]	✓	
	Interest		✓
	Loyalty schemes	✓	
	Balance transfer fees		✓
Broking fees	Trade execution	✓	
Commission	Insurance commission[(b)]	✓	
Credit facilities	Interest		✓
	Origination fees		✓
	Commitment fees[(c)]		✓
	Early redemption fees		✓
Savings and current accounts	Interest		✓
	Account and transaction fees	✓	
Investment banking	Underwriting fees	✓	
	Advisory fees	✓	
	Syndication fees[(d)]		✓
Private banking	Management fees	✓	
	Performance fees	✓	
	Administration fees	✓	
	Trade execution fees	✓	

The table, split by product, shows common revenue streams earned by banks and whether or not these are likely to be within the scope of IFRS 15. The table is not an exhaustive list of revenue streams that banks can earn, and it is intended to be used as a guide only. Conclusions might differ depending on the specific contracts that a bank has with its customers.

IFRS 15 or IFRS 9: banking sector transactions

source: PwC In depth A look at current financial reporting issues Revenue from contracts with customers Banking industry (December 2017)

Notes:

a) Annual fees will typically be fully within the scope of IFRS 15. However, in some instances, where another product (such as an insurance policy) is provided by the bank in connection with the credit card arrangement, a portion of the fee might have to be allocated to this.

b) The analysis in this publication considers the scenario where the bank is an agent of the insurer.

c) Commitment fees are within the scope of IFRS 15 where it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not measured at FVPL. [IFRS 9 para B5.4.3(b)].

d) Loan syndication fees received by a bank that arranges a loan and retains no part of the loan package for itself (or retains a part at the same EIR for comparable risk as other participants) are within the scope of IFRS 15. [IFRS 9 para B5.4.3(c)].

IFRS 15 or IFRS 9: banking sector transactions (continued)

- In particular:
  - Banks must assess which fees earned are an integral component of the effective interest rate (‘EIR’) of financial assets and liabilities measured at amortised cost
    - Note: the guidance around determining what is included in the EIR is the same in IFRS 9 as it was in IAS 39 (see paragraphs B5.4.1 to B5.4.3 of IFRS 9)
  - Fees that are an integral component of the EIR calculation are treated as an adjustment to the EIR, unless the financial instrument is measured at FVPL (paragraph B5.4.1 of IFRS 9)
    - If FVPL, the fees are recognised as revenue or expense when the instrument is initially recognised (paragraph B5.4.1 of IFRS 9)

Apply IFRS 9 to fees that are an integral component of the EIR
Apply IFRS 15 to fees that are NOT an integral component of the EIR

On 01/01/2018 Bank originates a loan to Borrower. The loan contract specifies:

- » on 01/01/2018 Bank transfers $1,000,000 to Borrower;
- » on 31/12/2020 Borrower transfer $1,331,000 to Bank; and
- » on each of 01/01/2018, 01/01/2019 and 01/01/2020 Borrower pays Bank $5,000 loan servicing fees (ie for administering the loan by collecting interest and principal payments etc).

Mini-case study 1: loan servicing fees (continued)

- Question 1: which IFRS must Bank apply in accounting for the loan servicing fees it receives from Borrower?

  Choose one of: 1) IFRS 9; 2) IFRS 15; or 3) another IFRS (specify…).

- Question 2: when must Bank recognise the loan servicing fees in profit or loss?

  Choose one of: 1) on 01/01/2018; 2) $5,000 in each of 2018, 2019 and 2020; 3) applying the EIR over 2018, 2019 and 2020; 4) 31/12/2020; or 5) it depends (specify on what it depends…).

apply IFRS 9 to fees that are an integral component of the EIR
apply IFRS 15 to fees that are NOT an integral component of the EIR

On 01/01/2018 Bank originates a loan to Borrower.

The loan contract specifies:

- » on 01/01/2018 Bank transfers $1,000,000 to Borrower;
- » on 31/12/2020 Borrower transfer $1,331,000 to Bank; and
- » on 01/01/2018 Borrower pays Bank $20,000 loan origination fees.

» The loan origination fees are comprised of:

A. $3,000: fee for evaluating Borrower’s financial condition;
B. $10,000: fee for evaluating the collateral provided by Borrower;
C. $5,000: fee for evaluating and recording guarantees provided by Borrower’s owners; and
D. $2,000: fee for negotiating the terms of the loan, preparing and processing the loan documents.

Mini-case study 2: loan origination fees
Scenario A: Bank classifies and accounts for the loan receivable at amortised cost

Separately for each item of the loan origination fee:

» Question 1: which IFRS specifies the accounting Bank must apply?

Choose one of: 1) IFRS 9; 2) IFRS 15; or 3) another IFRS (specify…).

» Question 2: when must Bank recognise it in profit or loss?

Choose one of: 1) on 01/01/2018; 2) straight-line over 2018, 2019 and 2020; 3) applying the EIR over 2018, 2019 and 2020; 4) 31/12/2020; or 5) another point in time (specify…).

Mini-case study 2: loan origination fees
Scenario B: Bank classifies and accounts for the loan receivable at FVPL

Separately for each item of the loan origination fee:

» Question 1: which IFRS specifies the accounting Bank must apply?

Choose one of: 1) IFRS 9; 2) IFRS 15; or 3) another IFRS (specify…).

» Question 2: when must Bank recognise it in profit or loss?

Choose one of: 1) on 01/01/2018; 2) straight-line over 2018, 2019 and 2020; 3) applying the EIR over 2018, 2019 and 2020; 4) 31/12/2020; or 5) another point in time (specify…).

Mini-case study 2: loan origination fees
Scenario C: Bank classifies and accounts for the loan receivable at FVOCI

Separately for each item of the loan origination fee:

- **Question 1:** which IFRS specifies the accounting Bank must apply?
  - Choose one of: 1) IFRS 9; 2) IFRS 15; or 3) another IFRS (specify…).
- **Question 2:** when must Bank recognise it in profit or loss?
  - Choose one of: 1) on 01/01/2018; 2) straight-line over 2018, 2019 and 2020; 3) applying the EIR over 2018, 2019 and 2020; 4) 31/12/2020; or 5) another point in time (specify…).

Apply IFRS 9 to fees that are an integral component of the EIR
Apply IFRS 15 to fees that are NOT an integral component of the EIR

- On 01/01/2018 Bank receives $20,000 loan commitment fee from Client in exchange for a commitment to lend $1,000,000 to Client.
- The contract provides:
  - Client with the right (but not the obligation) to require Bank to transfer to Client $1,000,000 in the form of a fixed-rate (10%) loan. Client's right is exercisable on or before 31/12/2020; and
  - Bank with the right to receive from Client on 31/12/2020 the capital that Client has drawn from the loan commitment and interest accrued thereon at 10% fixed-rate.

Mini-case study 3: loan commitment fees
Scenario A: 'executory contract'; loan likely to occur

Scenario A: Bank:

» assesses it to be highly likely that Client will use the borrowing facility; and

» accounts for the expected credit losses arising from its commitment to lend in accordance with IFRS 9.

Question 1: which IFRS must Bank apply in accounting for the loan commitment fees it receives from Borrower?

Choose one of: 1) IFRS 9; 2) IFRS 15; or 3) another IFRS (specify…).

Question 2: when must Bank recognise the loan commitment fees in profit or loss?

Choose one of: 1) on 01/01/2018; 2) straight-line over 2018, 2019 and 2020; 3) applying the EIR over 2018, 2019 and 2020; 4) 31/12/2020; or 5) it depends (specify on what it depends…).

Mini-case study 3: loan commitment fees
Scenario B: FVPL; loan likely to occur

Scenario B: Bank:

» assesses it to be highly likely that Client will use the borrowing facility; and

» accounts its commitment to lend at FVPL in accordance with IFRS 9.

Question 1: which IFRS must Bank apply in accounting for the loan commitment fees it receives from Borrower?

Choose one of: 1) IFRS 9; 2) IFRS 15; or 3) another IFRS (specify…).

Question 2: when must Bank recognise the loan commitment fees in profit or loss?

Choose one of: 1) on 01/01/2018; 2) straight-line over 2018, 2019 and 2020; 3) applying the EIR over 2018, 2019 and 2020; 4) 31/12/2020; or 5) it depends (specify on what it depends…).

Mini-case study 3: loan commitment fees
Scenario C: FVPL; loan unlikely to occur

Scenario C: Bank:

- » assesses it highly **unlikely** that Client will use the borrowing facility; and
- » accounts its commitment to lend at FVPL in accordance with IFRS 9.

Question 1: which IFRS must Bank apply in accounting for the loan commitment fees it receives from Borrower?

Choose one of: 1) IFRS 9; 2) IFRS 15; or 3) another IFRS (specify…).

Question 2: when must Bank recognise the loan commitment fees in profit or loss?

Choose one of 1) on 01/01/2018; 2) straight-line over 2018, 2019 and 2020; 3) applying the EIR over 2018, 2019 and 2020; 4) 31/12/2020; or 5) it depends (specify on what it depends…).

Mini-case study 3: loan commitment fees
Scenario D: loan likely to occur

Scenario D: Bank:

» assesses it highly **unlikely** that Client will use the borrowing facility; and

» does not account for its commitment to lend at FVPL under IFRS 9.

Question 1: which IFRS must Bank apply in accounting for the loan commitment fees it receives from Borrower?

Choose one of: 1) IFRS 9; 2) IFRS 15; or 3) another IFRS (specify…).

Question 2: when must Bank recognise the loan commitment fees in profit or loss? Choose one of:

1) on 01/01/2018; 2) straight-line over 2018, 2019 and 2020; 3) applying the EIR over 2018, 2019 and 2020; 4) 31/12/2020; or 5) it depends (specify on what it depends…).

Apply IFRS 9 to fees that are an integral component of the EIR
Apply IFRS 15 to fees that are NOT an integral component of the EIR

On 01/01/2018 Bank receives $1,000,000 loan syndication fees for arranging a $100,000,000 loan package.

» **Scenario A:** Bank retains no part of the loan package for itself.

» **Scenario B:** Bank retains a substantial all of the loan package for itself at a different effective interest rate for comparable risk as other participants.

Question 1: which IFRS must Bank apply in accounting for the loan syndication fees it receives from Borrower?

Choose one of 1) IFRS 9; 2) IFRS 15; or 3) another IFRS (specify…).

Question 2: when must Bank recognise the loan syndication fees in profit or loss?

Choose one of 1) on 01/01/2018; 2) $5,000 in each of 2018, 2019 and 2020; 3) applying the EIR over 2018, 2019 and 2020; 4) 31/12/2020; or 5) it depends (specify on what it depends…).

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* effective date: annual period beginning on or after 01/01/2018 transitional provisions...

Methods of application		31 December 2017		31 December 2018	2018 disclosures
1. Fully retrospectively, with 3 optional practical expedients: • Need not restate contracts that begin and complete in same annual reporting period • For completed contracts with variable consideration – use actual amount • Disclosure – remaining performance obligations	Cumulative catch-up	All contracts under IFRS 15 Contracts restated, except for practical expedients			Disclose expedients used and qualitative assessment of estimated effect to the extent reasonably possible
2. Retrospectively with cumulative effect recognised at date of initial application		Contracts **not** restated	Cumulative catch-up	Existing uncompleted contracts* and new contracts under IFRS 15	Impact of IFRS 15 compared to IASs 11 and 18

*uncompleted contracts are contracts for which entity has not transferred all goods or services identified under IASs 11 and 18 at the date of initial application

IFRS 15's five-step revenue recognition model

1. Identify the contract(s) with a customer
2. Identify the performance obligation(s) in the contract
   - » effects of financing are adjusted to the transactions price (see Step 3)
   - » ‘standard’ warranty exception (a rule)
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (ie point in time) or as (ie over time) the seller satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer (ie when the customer obtains **control** of the asset)

Mini-case study 5: (IFRS 15 Step 2) identify the performance obligations in multiple element sales

- Bank issued credit card that entitles CardHolder to the following services:
  - Payment processing service;
  - Foreign exchange transaction processing service;
  - Processing cash withdrawals;
  - Issuance of loyalty points based on CardHolder’s card spend (ie options for CardHolder to acquire goods/services for free in the future);
  - CreditCard payment fraud protection; and
  - Access to business class airport lounges.

Mini-case study 5: (IFRS 15 Step 2) identify the performance obligations in multiple element sales (continued) and other issues

» Question 1: Separately for each service provided to CardHolder: does Bank identify a separate performance obligation?

Choose one of: 1) Yes; 2) No; or 3) It depends (specify…).

» Question 2: for the customer loyalty programme, is Bank the principal or an agent?

Choose one of: 1) Principal; 2) Agent; or 3) It depends (specify…).

IFRS 15 Step 3: determine the transaction price (ie the amount of consideration to which entity expects to be entitled in exchange for goods or services)

Issue	Accounting
Variable consideration (discounts, rebates etc.)	Recognition is constrained (see next slide). If recognised, measurement = estimate using Expected Value (if many similar contracts) or Most Likely Amount.
Significant financing component	Adjust customer consideration if timing provides the customer or the entity with significant benefit (can ignore if financing is $\leq$ 1 year). Discount rate reflects credit risk and collateral/security.
Non-cash consideration	Measure consideration (or promised) at fair value. If fair value cannot be estimated, use stand-alone selling price of the goods or services transferred.
Consideration payable to the customer	Reduce the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

IFRS 15 Step 3: determining the transaction price constraining estimates of variable consideration

- Include variable consideration in transaction price only to extent it is <u>*highly probable*</u> *a significant reversal of revenue will not occur* when uncertainty is resolved
- Likelihood of revenue reversal assessed using indicators
  - factors outside entity's influence (market, 3rd-party actions etc)
  - length of time before uncertainty resolved
  - entity's level of experience with similar types of contracts

Exception for licences of intellectual property with a sales-based or usage-based royalty (see paragraph B63: effectively only recognise variable consideration as revenue when entitled to royalty)

IFRS 15 Step 3: determining the transaction price example: variable consideration

01/01/2018: Bank enters into a contact with Client to provide Client with asset management services for six years over Client's portfolio of investments (fair value of portfolio at 01/01/2018 = $10 million), in exchange for:

» $1,000 per year (annual fixed fee)

» 1% of the fair value of the assets under management at the end of each (annual variable fee)

» 20% of the fund's return in excess of excess of the FTSE 100 Index over the six-year period (six-year performance-based incentive fee)

At inception of the contract, on the basis of it asset management experience and its expectations about the future, Bank estimates that:

» the fair value of the portfolio will increase in value by about 8% per year

» the FTSE 100 Index will increase by about 5% per year

IFRS 15 Step 3: determining the transaction price example: variable consideration (continued)

In 2018:

» Client receives no cash from the portfolio (ie any income from the investments is automatically immediately reinvested in the portfolio)

» FTSE 100 Index increases by 5%

At 31/12/2018: fair value of portfolio = $11 million.

How much revenue must Bank recognise for 2018? Choose one of:

1) $1,000 fixed fee
2) $111,000 (ie 1% of $11 million variable fee + $1,000 fixed fee)
3) $211,000 (ie 20% of $0.5 million performance-based incentive fee + 1% of $11 million variable fee + $1,000 fixed fee)
4) another amount (specify)

IFRS 15 Step 3: determining the transaction price example: variable consideration (continued)

From 01/01/2019 to 31/12/2022:

» Client receives no cash from the portfolio (ie any income from the investments is automatically immediately reinvested in the portfolio)

» FTSE 100 Index increases by 5% per year

At 31/12/2022:

» fair value of portfolio = $18 million

» Bank 'locks in' the performance-based fee by investing all of the managed funds in 'near cash' money market investments that it intends to hold until 31/12/2023 (expiry of the contract).

At 31/12/2022 does Bank pass the highly probable constraint with regard to the performance-based incentive fee?

Choose one of: 1) Yes; 2) No; or 3) it depends (explain).

IFRS 15 Step 3: determining the transaction price question: is forex risk variable consideration?

01/01/2018: Bank (functional currency $) enters into a foreign currency (F$) denominated contact with Client:

» Bank to provide Client with asset management services for five years

» in exchange for F$100,000 per year (annual fixed fee)

» Volatility in the $:F$ exchange rate affects the amount of revenue expressed in $.

Does this foreign exchange related variability constitute variable consideration under IFRS 15? Choose one of:

1) Yes, Bank must apply paragraphs 50 to 53 of IFRS 15 (variable consideration); or
2) No, this is not variable consideration as specified in IFRS 15 (Bank applies IAS 21 *The Effects of Changes in Foreign Exchange Rates*).

IFRS 15 Step 3: determining the transaction price example: significant financing component?

Contract A: in accordance with the terms of a contract, on 01/01/2018 Bank receives $10,000 from Client in exchange for Bank providing Client with two years of asset management services (2018 and 2019). Does Contract A contain a significant finance component that must be accounted for separately in accordance with IFRS 15? Choose one of: 1) Yes; 2) No; or 3) it depends (explain).

Contract B: same as Contract A except, in accordance with the contract, Client pays Bank $11,000 on 31/12/2019. Does Contract B contain a significant finance component…? Choose one of: 1) Yes; 2) No; or 3) it depends (explain).

Contract C: same as Contract A and B except, Client pays Bank $5,000 on 01/01/2018 and $5,500 on 31/12/2019. Does Contract C contain a significant finance component…? Choose one of: 1) Yes; 2) No; or 3) it depends (explain).

Applying paragraphs 60 to 63 of IFRS 15

IFRS 15 Step 3: determining the transaction price example 1: consideration payable to a customer

On 01/01/2018 Bank and Client enter into a contract with the following terms (both reflect market prices at the time of contracting):

» Bank pays Client $2 million to compensate Client for the cost of customising Client's computer systems to interface efficiently with Bank's asset management system.

» Bank provides Client with asset management services for the four consecutive quarters (ie four periods of three months each) ending 31/12/2018 in exchange for asset management fees of $3 million per quarter.

How much revenue must Bank recognise for the six-month period ended 30/06/2018? Choose one of:

1) $4 million (provision of asset management services)
2) $5 million (provision of asset management services)
3) $5.5 million (provision of asset management services)
4) $6 million (provision of asset management services)

Applying paragraphs 70 to 72 of IFRS 15

IFRS 15 Step 3: determining the transaction price example 2: consideration payable to a customer

On 01/01/2018 Bank and Client (an IT company) enter into a contract with the following terms (both reflect market prices at the time of contracting):

- Bank pays Client $2 million to customise Bank's asset management computer systems to interface more efficiently with Bank's clients' computer systems (including Client's system).
- Bank provides Client with asset management services for the four consecutive quarters (ie four periods of three months each) ending 31/12/2018 in exchange for asset management fees of $3 million per quarter.

How much revenue must Bank recognise for the six-month period ended 30/06/2018? Choose one of:

1) $4 million (provision of asset management services)
2) $5 million (provision of asset management services)
3) $5.5 million (provision of asset management services)
4) $6 million (provision of asset management services)

Applying paragraphs 70 to 72 of IFRS 15

IFRS 15 Step 3: determining the transaction price example 2 extended: consideration payable to a customer

The facts are the same as set out on the previous slide, except that:

» the fair value of computer system customisation services provided by Client to Bank is only $1 million (despite Bank contracting to pay Client $2 million for those services).

How much revenue must Bank recognise for the six-month period ended 30/06/2018? Choose one of:

1) $4 million (provision of asset management services)
2) $5 million (provision of asset management services)
3) $5.5 million (provision of asset management services)
4) $6 million (provision of asset management services)

Applying paragraphs 70 to 72 of IFRS 15

IFRS 15 Step 4: allocating the transaction price to performance
example: credit card customer loyalty scheme and Bank is principal

- Credit card merchant payments generate:
  - loyalty points for the card holder (one loyalty point for every $1,000 spend using the card); and
  - 2% interchange fees from merchants for the card issuer (Bank).
- On 01/01/2018:
  - CardHolder uses card to pay Merchant $1,000,000 for goods;
  - Merchant pays Bank $20,000; and
  - Bank awards CardHolder 1,000 loyalty points.
- Card holders can purchase points from Bank at $5 per point.

IFRS 15 Step 4: allocating the transaction price to performance example: credit card customer loyalty scheme and Bank is principal

» Question 1: Bank's performance obligation/s is/are (step 2)?

Choose one of: 1) payment services; 2) loyalty points; 3) both 1) and 2).

» Question 2: How much of the $20,000 transaction price must Bank allocate to the loyalty point performance obligation?

Choose one of: 1) nil; 2) $4,000; 3) $5,000; or 4) $20,000.

» Question 3: when must Bank recognise revenue on loyalty points (step 5)?

- » Choose one of: 1) on 01/01/2018; 2) when CardHolder redeems the points; 3) another time (specify…).

» Question 4: when must Bank recognise revenue on the payment service (step 5)?

- » Choose one of: 1) on 01/01/2018; 2) when CardHolder redeems the points; 3) another time (specify…).

IFRS 15 Step 5: recognition of revenue

- Revenue is recognised when (or as) an entity satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer.
- An asset is transferred when (or as) the customer obtains control of that asset
  - Control is the ability to direct the use of, and obtain substantially all of the remaining benefits from, the good or service
- Benefits can be obtained directly or indirectly by:
  - using the asset to produce goods or provide services
  - using the asset to enhance the value of other assets
  - using the asset to settle liabilities or reduce expenses
  - selling or exchanging the asset
  - pledging the asset to secure a loan
  - holding the asset

IFRS 15 Step 5: recognition of revenue

Recognise revenue when control transfers (ie at a point in time) UNLESS it is recognised over time because (any one of the following are satisfied):

1. The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs (for example, routine or recurring services)
   - » paragraphs B3, B4 and B6 to B8 provide application guidance
2. The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced (for example, constructing a building on customer's land)
   - » paragraph B5 provides application guidance
3. The entity's performance does not create an asset with an alternative use to the entity (paragraphs B4 and B6 to B13 provide application guidance), and the entity has an enforceable right to payment for performance completed to date (paragraphs B11 and B12 provide application guidance)
   - » for example, building a specialised machine bespoke to the customer's design and specifications

See paragraphs 35 to 38 of IFRS 15

IFRS 15: contract costs
cost of obtaining a contract

Recognise as an asset the **incremental costs of <u>obtaining</u> a contract** with a customer if the entity expects to recover those costs. Such costs are:

» costs that would not have incurred if the contract had not been obtained (for example, a sales commission)

» costs that would have been incurred regardless of whether the contract was obtained ONLY if those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Practical expedient: can expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

See paragraphs 91 to 94 of IFRS 15

IFRS 15: contract costs
cost of fulfilling a contract

If the **costs incurred in <u>fulfilling</u> a contract** with a customer are not within the scope of another Standard, recognise an asset only if those costs satisfy all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

See paragraph 95 of IFRS 15

IFRS 15: examples of cost of fulfilling a contract

Costs eligible for capitalisation relate directly to a contract, including:

(a) direct labour of employees who provide the promised services directly to the customer;

(b) direct materials (eg, supplies used in providing the promised services to a customer);

(c) allocations of costs that relate directly to the contract or to contract activities;

(d) costs that are explicitly chargeable to the customer under the contract; and

(e) other costs that are incurred only because an entity entered into the contract.

Expense the following costs when incurred:

(a) general and administrative costs (unless explicitly chargeable under the contract);

(b) costs of wasted materials, labour or other resources to fulfil the contract that were not reflected in the price of the contract; and

(c) costs that relate to past performance or which an entity cannot distinguish whether they relate to unsatisfied performance obligations (future performance) or to satisfied/partially satisfied performance obligations (i.e. past performance).

See paragraphs 97 and 98 of IFRS 15

IFRS 15: amortising and impairment testing the capitalised costs of obtaining and/or fulfilling a contract costs

- Amortise on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.
- Recognise an impairment loss in profit or loss to the extent that the carrying amount of the 'asset' exceeds:
  (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less
  (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses (see paragraph 97).

See paragraphs 99 to 101 of IFRS 15

IFRS 15: non-refundable upfront fees

Determine whether the activity for which the non-refundable upfront fee is paid:

(a) transfers a promised good or service to the customer; or

(b) does <u>not</u> make such a transfer (for example, the activity is an administrative task).

» If (a) above, evaluate whether to account for the good or service as a separate performance obligation in accordance with paragraphs 22 to 30 (paragraph B50).

» If (b) above, the upfront payment is an advance payment for future goods or services and, therefore, must be recognised as revenue when those future goods or services are provided.

Note: the revenue recognition period would extend beyond the initial contractual period if the entity grants the customer the option to renew the contract and that option provides the customer with a material right (as described in paragraph B40).

IFRS 15: non-refundable upfront fees example

On 01/01/2018 Bank enters into a one-year asset management contract with Client on terms that are the same for all of Bank's asset management clients:

» Client pays Bank $10,000 non-refundable upfront fee to compensate Bank for the costs of setting up Client on Bank's systems.

» Client pays Bank $1 million asset management fees

» Client can renew the contract annually without paying an additional fee.

Does the activity Bank performs in setting Client up on Bank's systems transfer a promised good or service to Client? Choose one of:

1) Yes; or
2) No.

IFRS 15: breakage (customers' unexercised rights that are prepaid and non-refundable)

Breakage are the non-refundable prepaid unexercised rights of a customer to receive a good or service from the entity in the future that the customers may not exercise.

- Determine whether the entity expects to be entitled to a breakage amount by considering the requirements (paragraphs 56–58) on constraining estimates of variable consideration.
  - note: for breakage this is a recognition issue (ie when to recognise revenue) NOT a measurement issue (it does not affect the quantum of the transaction price).
- If breakage amount are expected to expire unexercised: recognise the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer.
- If an entity does not expect to be entitled to a breakage amount: recognise the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.
- However, recognise a liability (and not revenue) for any breakage amount that the entity is required to remit to another party (eg a government) in accordance with applicable unclaimed property laws.

See paragraphs B45 to B47 of IFRS 15

IFRS 15: breakage example

Bank is the principal in a customer loyalty scheme that it operates on its credit card business.

» Bank keeps detailed records by customer of loyalty point usage patterns and the amount of loyalty points that expires unused. Loyalty points expire if unused after 24 moths from when they are issued.

When does Bank recognise revenue for breakage? Choose one of:

1) when the loyalty points are awarded to the credit card holder;
2) straight-line over the 24-months from the date of issue (contract life);
3) in proportion to the pattern of rights exercised by the customer over the contract life (ie not necessarily straight-line); or
4) when the loyalty points expires unused.

IFRS 15 judgements
disclosure of judgements

- IFRS 15's disclosure objective: enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows (quantitative and qualitative information)
- An entity must disclose the judgements, and changes in the judgements, made in applying IFRS 15 that significantly affect the determination of the amount and timing of revenue from contracts with customers. In particular, an entity must explain the judgements, and changes in the judgements, used in determining both of the following (paragraph 123):
  - (a) the timing of satisfaction of performance obligations (see paragraphs 124–125); and
  - (b) the transaction price and the amounts allocated to performance obligations (see paragraph 126).

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

- Effective date
  - mandatory for periods beginning 01/01/2018
  - early application permitted
- Transition
  - retrospective application;
  - prospective application to items recognised on or after 01/01/2018 (assuming 31 December year-end and did not apply IFRIC 22 early)
  - prospective application to items recognised on or after 01/01/2017 (assuming 31 December year-end; only 1 year of comparative information presented, ie 2017; and did not apply IFRIC 22 early)

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

- Issue: how to determine 'the date of the transaction' when applying IAS 21 to consideration paid or received in advance of foreign currency denominated contracts.
  - The date of the transaction determines the currency exchange rate that applies at initial recognition of the related asset, expense or income.
- Consensus: the date of the transaction:
  - is when the advance consideration is paid or received, ie when the non-monetary item (prepayment or deferred income) is first recognised.
  - is <u>not</u> the later date when the asset, expense or income is initially recognised.
- Note the consensus is inconsistent with the explicit requirement to recognise at fair value exchanges of non-monetary items.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* example

» On 01/01/2018 Bank (functional currency $) contracts to buy a computer system (to be classified as an item of PPE) from GermanIT for €40 million. The contract must be settled by physical delivery of the computer system (and prepayment is a non-monetary item).

Date	Spot 1€ = $?	In accordance with the contract…
01/01/2018	20	Bank pays GermanIT 25% of the purchase price
01/07/2018	25	Bank pays GermanIT 50% of the purchase price
01/08/2018	26	GermanIT delivers the items to Bank
31/12/2018	30	
01/01/2019	29	Bank pays GermanIT 25% of the purchase price.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* example (continued)

From Bank's perspective, in accordance with IAS 16 PPE, what is the historical cost of the computer system? Choose one of:

Date	Alternative 1	Alternative 2	Alternative 3	Alternative 4	Alternative 5
01/01/2018	$200 (ie €10m x $20)	$200 (ie €10m x $20)	$200 (ie €10m x $20)		
01/07/2018	$500 (€20m x $25)	$500 (€20m x $25)	$500 (€20m x $25)		
01/08/2018	$260 (ie €10m x $26)			$1,040m (ie €40m x $26)	
31/12/2018		$300 (ie €10m x $30)			$1,200m (ie €40m x $30)
01/01/2019			$290 (ie €10m x $29)		
Total	**$960 million**	**£1,000 million**	**$990 million**	**$1,040 million**	**$1,200 million**

New Standards, Interpretations and amendments mandatory for annual periods beginning on or after 01/01/2019

New Standards, Interpretations and amendments mandatory for annual periods beginning on or after 01/01/2019

New Standard/Interpretation/amendment	Early application?
IFRS 16 *Leases*	Yes, if also use IFRS 15
Amendments to IFRS 9 *Financial Instruments* – Prepayment features with negative compensation	Yes
Amendments to IAS 28 *Investments in Associates* – long-term interests in associates and joint ventures	Yes
Amendments to IFRS 3 and IFRS 11 - previously held interests in a joint operation	Yes
Amendments to IAS 19 *Employee Benefits* –plan amendment, curtailment or settlement	Yes
Annual Improvements 2015-2017	Yes
IFRIC 23 *Uncertainty over Income Tax Treatments*	Yes

IAS 8 disclosures in periods before applying a new IFRS/Interpretation/amendment

Disclose:

- the fact that new IFRS/Interpretation/amendment is issued but not yet applied;
- the date by which its application becomes mandatory;
- the date by which the entity plans to apply it; and
- known or reasonably estimable information relevant to assessing its possible impact on financial statements in the period of initial application, including:
  - the nature of the consequent accounting policy changes; and
  - either:
    - a discussion of the expected impacts of initial application on the entity's financial statements; or
    - if that impact is not known or reasonably estimable, a statement to that effect.

Source: paragraphs 30 and 31 of IAS 8

IFRS 16 *Leases*

IFRS 16 *Leases*
common leases in banking industry

- Banks as lessees
  - banking branches
  - IT equipment (outsourced data centres, hosting arrangements and ATMs).
  - (in standalone financial statements) intercompany leases between operating companies and trading companies
- Banks as lessors
  - properties
  - aircraft and other assets.
- Even if maximising the use of transitional provisions, every bank should have a complete inventory of material leases, including embedded and intercompany leases.

Effective date: annual period beginning on or before 01/01/2019. Early application: permitted provided IFRS 15 is also applied.
Lessee transition: choose…

Full retrospective	Modified retrospective
	Existing finance leases: ▪ Carry forward IAS 17 asset and liability
	Existing operating leases: ▪ No restatement of comparatives ▪ Choice of measurement of RoU assets ▪ Exemption for leases ending within 12 months ▪ Rely on onerous lease assessment

No reassessment of existing contracts (lease vs service) required

IAS 17 and IFRS 16
what is a lease?

- A lease is an agreement whereby the lessor conveys to the lessee in return for payment or a series of payments the right to use an asset for an agreed period of time (IAS 17).
- A lease is a contract, or part of a contract, that conveys the right to use an asset (the **underlying asset**) for a period of time in exchange for consideration (IFRS 16).

IFRS 16 *Leases*
overview of lease vs service

Lease IFRS 16	Service IFRS 15 (if seller)
Customer controls the use of an asset	**Supplier** controls the use of an asset

Lease if:

1. identified asset (explicit, implicit or supplier has no practicable ability or economic incentive to substitute); and
2. Control: ie directs the use and obtains substantially all the benefits from use.

» Separate services provided with leases
  » Can use estimates
  » Lessee has optional practical expedient not to separate

IFRS 16
identifying a lease

A contract is (or contains) a lease if the contract: conveys the right to control the use of an identified asset for a period in exchange for consideration. (paragraph 9)

- Each separate lease component is separated from non-lease components on the basis of the stand-alone selling prices of the components (paragraph 13, 14 and 17):
  - Lessee determines by maximising the use of observable information.
  - Lessor applies IFRS 15 approach.
- However, the lessee can elect to combine the non-lease component with the lease component (by class of underlying asset) and account for the combined as a single lease component. (paragraph 15)
  - Lessee cannot apply the practical expedient to embedded derivatives in para 4.3.3 of IFRS 9.
  - Lessor cannot apply this practical expedient.

IFRS 16 identifying a lease mini-case study 1: identified asset (criterion 1 of the definition of a lease)

From Bank's perspective, under which of the following contracts is the server not an identified asset? Choose one of: The underlying asset is identified as a particular server and ServerProvider…

1) **Contract A:** …cannot substitute the server available to Bank.
2) **Contract B:** …can substitute the server available to Bank with another server of equivalent capacity only when the identified server requires repairs, maintenance, malfunctions, or undergoes a technical upgrade.
3) **Contract C:** …can substitute the server available to Bank with another server of equivalent capacity at ServerProvider's discretion. However, it is not economically beneficial for ServerProvider to do so.
4) **Contract D:** …can substitute the server available to Bank with another server of equivalent capacity at ServerProvider's discretion and it is economically beneficial for ServerProvider to do so.

IFRS 16 identifying a lease mini-case study 1: control (criterion 2 of the definition of a lease)

From Bank's perspective, under which of the following alternatives does Bank control the underlying asset (ie the server identified in Contracts A, B and C on the previous slide)? Choose one of:

1) **Alternative A:** (i) Bank has exclusive access to and use of the entire server during the right-of-use term; (ii) Bank determines what data is stored on the server and when; and (iii) ServerProvider maintains the server and ensures that its functionality is consistent with its design specifications.

2) **Alternative B:** same as Alternative A except ServerProvider restricts usage of the server to 20 hours a day because, to optimise the efficiency of the server's data storage capacity and data retrieval speed, the server by design must reconfigure the data stored in it daily (a process that takes four hours per day).

3) Both Alternative A and Alternative B.

IFRS 16: identifying a lease mini-case study 2

Bank enters into a 3-year contract with Executive Airline (Airline) over an identified aircraft (Jet) for the transport of its executives and staff.

- During the contract period, Bank determines when, where and for what purpose Jet is flown.
  - However, the contract stipulates that Jet cannot be flown in airspace that IATA rates as unsafe and that Jet cannot be used to fly mercenaries, narcotics, explosives and other specified dangerous items.
- Airline is responsible for operating and maintaining Jet with its own crew and is responsible for safe passage.

Does the contract contain a lease? Select one of: 1) yes; or 2) no.

IFRS 16: identifying a lease
lease components of an arrangement

- An arrangement might include multiple components (ie items or activities in the arrangement that transfer a good or service to a customer/lessee)
- IFRS 16 applies to lease components. Other IFRSs (eg IFRS 15 apply to other components)
  - a right to use an underlying asset is a separate lease component from other lease components if:
    - the lessee can benefit from the right-of-use either on its own or together with other resources that are readily available to the lessee; and
    - the right-of-use is neither highly dependent on nor highly interrelated with the other rights to use underlying assets in the contract.

IFRS 16: identifying a lease
mini-case study 3: identifying separate lease components

On 01/01/2019 Bank enters into a 3-year contract with LandLord. On 31 December 2019, 2020 and 2021 Bank pays LandLord:

- » $100,000 for the use of the building;
- » $20,000 for the use of the land;
- » $10,000 for property taxes incurred by LandLord;
- » $3,000 for maintenance (cleaning etc); and
- » $2,000 for security.

How many separate lease components does the contract contain? Select one of: 1, 2, 3, 4, 5, or it depends (specify).

A comparison of lessee accounting IAS 17 and IFRS 16

Recognition criteria	Standards
Recognise right of use asset and obligation to pay lease payment (liability) if lease transfers substantially all the risks and rewards of ownership (finance lease). Otherwise do not recognise asset/liability (operating lease), except when an operating lease becomes onerous.	IAS 17
A company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. Recognise all leases on-balance sheet (exceptions apply).	IFRS 16

IFRS 16's Lessee accounting principle and OPTIONAL exceptions
IFRS 16 (replaces IAS 17 from 1 January 2019)

- **The economics:** A lease is an agreement whereby the lessor conveys to the lessee in return for payment or a series of payments the right to use an asset for an agreed period of time.
- **Principle:** recognise the right to use (RoU) asset and the present obligation to make lease payments (liabilities)
- **Optional exceptions** to exclude from statement of financial position (rules):
  - **Short-term leases:** leases for which it is not 'reasonably certain' that the term will be >12 months, considering the likelihood of exercise of extension options and termination options
  - **Low-value asset leases:** leased assets in order of magnitude of <USD5,000.
- **Optional exception** for a lessee to include in lease accounting a related service components of a multiple element contract (instead of separating the service component from the lease component)

IFRS 16 *Leases*
variable consideration

- » include inflation-linked payments
  - » reassess only when cash payments change
- » exclude variable payments linked to future use or sales
- » include optional lease payments only when the lessee is 'REASONABLY CERTAIN' to extend the lease beyond the non-cancellable period
  - » reassess only on the occurrence of a significant event or significant circumstance that is within the control of the lessee and that affects the exercise price of the options

IFRS 16: identifying a lease mini-case study: applying the reasonably certain threshold specified in the 12-month exception

Bank has leases with many third parties for space to place its ATMs in strategic locations. The leases are all for a non-cancellable term of 12 months with a 12-month renewal option.

Question 1: is the ‘reasonably certain’ threshold (choose one of: 1) a principle; 2) a notion: or 3) a rule?

Question 2: can Bank choose to apply the short-term lease optional exemption from putting the ATM space leases on its statement of financial position? Choose one of: 1) Yes; 2) No; 3) it depends (specify).

Question 3: if Bank can so choose, does the exemption apply (choose one of): 1) lease-by-lease; 2) by class of underlying item; or 3) it depends (specify)?

Comparing IAS 17 and IFRS 16 lessor accounting

- In essence lessor accounting in IFRS 16 is no different from lessor accounting in IAS 17
- However, IFRS 16 requires new enhanced disclosures
  - information about the residual value risk
  - operating leases: separate disclosures for leased assets and assets used by a lessor for purposes other than leasing

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 *Uncertainty over Income Tax Treatments* effective date and transitional provisions

- Effective date
  - mandatory for periods beginning 01/01/2019
  - early application permitted
- Transition
  - full retrospective application if does not require hindsight; failing which
  - cumulative catch-up retrospective application effects in opening equity at 01/01/2019 (assuming 31 December year-end)

IFRIC 23 *Uncertainty over Income Tax Treatments* background

- IAS 12 not IAS 37 applies to uncertainty over income tax treatments
  - Must be applied consistently to all aspects of current and deferred tax
- Uncertainty = whether the entity's tax treatment will be accepted by the tax authorities
- Ignore detection risk, ie assume tax authorities have full knowledge and will act on that knowledge within their powers

IFRIC 23 *Uncertainty over Income Tax Treatments* recognition and measurement

- Unit of account (individual or grouping) depends on which better predicts the resolution of the uncertainty.
- If probable that tax authorities will accept uncertain tax treatment taken (or expected to be taken) in tax return: accounting must be consistent with that treatment.
- If not probable that tax authorities will accept uncertain tax treatment taken (or expected to be taken) in tax return: reflect the uncertainty in the measurement of the amount using the method that best reflects the resolution of the uncertainty:
  - typically the most likely amount if the possible outcomes are binary or concentrated on one number; and
  - typically the expected value method if there is a range of possible outcomes that are neither binary nor concentrated on one number

IFRIC 23 *Uncertainty over Income Tax Treatments* mini-case study

	Uncertain tax position under new tax legislation enacted in 2018 it is unclear whether…	Treatment applied in Bank's tax filing for the year ended 31/12/2018	Probability of acceptance
1.	gains from the expropriation of buildings are taxable at the normal tax rate (30%) or the capital gains tax rate (10%).	<u>included</u> the $100 million gain on expropriation of its building as a capital gain (ie applied the 10% capital gains tax rate).	60%
2.	the fair value or the historical cost of shares donated to local community empowerment projects are deductible (ie allowable expenses) in the determination of taxable profit.	<u>deducted</u> $10 million (fair value of shares) donation expense in determining taxable profit. Historical cost = $1 million.	40%
3.	unrealised gains from the first-time revaluation of land classified as property, plant and equipment is taxable income in the determination of taxable profit.	<u>excluded</u> from the 2018 tax filing $200 million gains from the first-time revaluation of land in 2018 (ie did not include the gains in determining taxable profit)	60%
4.	particular entertainment expenditures are an allowable expense in the determination of taxable profit (small amounts of many different types of entertainment expenditures).	<u>excluded</u> from the 2018 tax filing $1 million entertainment expenditures incurred in 2018 (ie did not claim a deduction from taxable income in determining taxable profit)	40%

IFRIC 23 *Uncertainty over Income Tax Treatments* mini-case study (continued)

- Assume that Bank applies IFRIC 23 in its 2018 annual financial statement.
- At what amount must Bank measure each of the uncertain tax positions in estimating its current tax expense for the year ended 31/12/2018?

Thank you