Endorsement and adoption of narrow-scope amendments issued 2020

Appendix 2: List of annual improvements to IFRS Standards 2018–2020 Cycle

1 Amendments to IFRS 1—Subsidiary as a First-time Adopter		
Issued	Exposed for public comment in May 2019 (comment period ended 10 August 2019)	Final Amendment: May 2020
Origin	Before the 2020 Amendment a subsidiary that becomes a first-time adopter later than its parent and that has foreign operations on which it has cumulative translation differences (CTDs) in a separate component of equity: • could only apply the exemption in paragraphs D12–D13 of IFRS 1 to measure its CTDs (i.e. either at zero or on a retrospective basis at that date). • was unable to apply the exemption in paragraph D16(a) of IFRS 1 by analogy, to measure its CTDs using the amounts reported by the parent based on the parent's date of transition to IFRSs. This is because the exemption in paragraph D16(a) only applies to the measurement of assets and liabilities and is not applicable to the measurement of equity components by analogy (i.e. paragraph 18 of IFRS 1 prohibits applying exemptions by analogy to other items).	
What has changed?	The Amendments added new paragraph D13A to provide a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent, with additional relief relating to the measurement of CTDs. Instead of applying paragraphs D12–D13, the subsidiary may elect to measure CTDs for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRSs. A similar election is available to associate or joint venture.	
Benefits	The Amendments meet the criteria for annual improvements (i.e. correct minor unintended consequences or conflicts between existing requirements). The proposed relief is consistent with the rationale underlying the exemption in paragraph D16(a) of IFRS 1 – a subsidiary adopting IFRS Standards later than its parent would not have to keep two sets of records based on different dates of transition. It also simplifies the application of IFRS 1 and eases transition to IFRS Standards.	
Changes	Paragraph D1(f) [Appendix D Exemptions from other IFRSs [an integral part of the IFRS]] is amended and paragraph D13A is added.	

2 *Amendments to IFRS 9— Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*		
Issued	Exposed for public comment in May 2019 (comment period ended 10 August 2019)	Final Amendment: May 2020
Origin	Paragraph 3.3.2 of IFRS 9 requires an entity to derecognise a financial liability and recognise a new financial liability when there is (a) an exchange between an existing borrower and lender of debt instruments with *substantially different terms*; or, (b) a substantial modification of the terms of an existing financial liability or a part of it. Paragraph B3.3.6 specifies that the *terms are substantially different* if the discounted present value of the cash flows under the new terms using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability (10 per cent test). Paragraph B3.3.6 requires an entity to include 'any fees paid net of any fees received' in the 10 per cent test. Before the 2020 amendments to IFRS 9 there was no clarity regarding the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	
What has changed?	The Amendments clarify in paragraph B3.3.6 of IFRS 9 that in determining 'fees paid net of fees received' a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. This clarification aligns with the objective of the 10 per cent test, which is to assess the significance of any difference between old and new contractual terms based on changes in the contractual cash flows between the borrower and the lender.	
Transition requirements	The Amendments are applied to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.	
Benefits	The Amendments to IFRS 9: • meet the criteria for annual improvements (i.e. replace unclear wording and do not change an existing principle). • promote the consistent application of the requirements in paragraph B3.3.6 of IFRS 9 and enhance the relevance of the resulting information when applying those requirements.	
Changes	Paragraph B3.3.6 of IFRS 9 is amended and paragraph B3.3.6A is added. The requirements in paragraph B3.3.6A have not been amended but have been moved from paragraph B3.3.6.	

3 Amendments to IAS 41—Taxation in Fair Value Measurements

Issued	Exposed for public comment in May 2019 (comment period ended 10 August 2019)	Final Amendment: May 2020
Origin	Before May 2008 entities using a discounted cash flow technique to measure the fair value of biological assets used pre-tax cash flows and a pre-tax discount rate. The 2008 Amendments to IAS 41 removed the requirement in paragraph 20 of IAS 41 for entities to use a pre-tax rate to discount cash flows when measuring the fair value of biological assets. Nonetheless, due to an oversight, paragraph 22 of IAS 41 was not amended to permit entities to include tax cash flows in measuring fair value using a discounted cash flow technique. This Amendment was not made until 2020.	
What has changed?	The Amendments remove the requirement in paragraph 22 of IAS 41 to exclude 'cash flows for taxation' when measuring the fair value of a biological asset using a present value technique.	
Transition requirements	The Amendments apply to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022.	
Benefits	The amendments meet the criteria for annual improvements (i.e. it corrects an oversight that it is now rectified). Removing "taxation" from paragraph 22 of IAS 41 is consistent with the IASB's intent in the May 2008 amendments and with the principles in IFRS 13 *Fair Value Measurement* which allow an entity to use different methods to measure fair value–paragraph B14(d) of IFRS 13 requires the use of internally consistent assumptions about cash flows and discount rates.	
Changes	Paragraph 22 of IAS 41 is amended.	