IFRS news

In this issue:

1 **Final changes to IFRS 15**
An overview

3 **Regulator focus**
What can we learn from the ESMA report?

5 **IFRS 8 Segment Reporting**
Key things to look out for

7 **Leases lab**
How to implement the new guidance?

8 **Cannon Street Press**
Insurance and IFRS 9
Conceptual Framework
Disclosure Initiative

9 **IC rejections**
IAS 18

12 **Cryptic word-seek: Solution**

13 **The bit at the back...**

For further information or to subscribe, contact us at pwc.publications@lu.pwc.com or register online.

IFRS 15: final amendments to the new revenue standard issued

The IASB has amended IFRS 15 to clarify the guidance on identifying performance obligations, licences of IP and principal versus agent. The amendments also provide additional practical expedients on transition. These amendments differ from those being made by the FASB. Sallie Deysel looks into the details for us.

The IASB issued its clarifications to IFRS 15 on 12 April 2016. These address areas of guidance that were identified by the Transition Resource Group as being at risk of inconsistent interpretation.

The IASB has tried to minimise uncertainty that could disrupt implementation processes, and introduced a high hurdle when deciding what, if anything, should be changed. The Board has been clear that further changes to the standard are unlikely before the post-implementation-review.

The FASB decided to make more wide-ranging changes to a greater number of topics.

What has changed?

The amendments clarify the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance.

The IASB has also included additional practical expedients for transition. The amendments are effective for annual reporting periods beginning on or after 1 January 2018, with early application permitted.

Identifying performance obligations

The amendments clarify the guidance for determining when the promises in a contract are “distinct” goods or services that should be accounted for separately. Identifying performance obligations is fundamental to the application of IFRS 15 and the IASB decided to make the same changes as the FASB in order to retain convergence in this important area.

Licences of intellectual property

The amendments to the licensing guidance clarify when revenue from a licence of intellectual property (IP) should be recognised “over time” and when it should be recognised at a “point in time”.

The FASB decided to develop a different model, which categorises licences as either “functional” or “symbolic” to determine the accounting treatment. The FASB also provided guidance on the impact of restrictions in licences, accounting for renewals of licences and the pattern of revenue recognition for performance obligations that include a licence.

These differences mean that revenue reported by IFRS reporters might be different to revenue reported by competitors under US GAAP. This could affect companies that that licence IP such as in the media, biotech and software industries. However, it is too soon to know how widespread any differences will be in practice.

The amendments also clarify when to apply the guidance on recognising revenue for licences of intellectual property with fees in the form of a sales- or usage-based royalty. These changes are converged.

Principal versus agent guidance

The IASB has clarified that the principal in an arrangement controls a good or service before it is transferred to a customer. It has also revised the structure of the indicators so that they indicate when the entity is the principal rather than indicate when it is an agent, and eliminated two of the indicators ("the entity's consideration is in the form of a commission" and "the entity is not exposed to credit risk"). These changes are converged.

Practical expedients on transition

The amendments introduce two new practical expedients to simplify transition.

One expedient allows entities to use hindsight when assessing contract modifications that exist at transition.

The second expedient allows entities applying the full retrospective method to elect not to restate contracts that are completed at the beginning of the earliest period presented. This expedient will not be available to US GAAP reporters.

What's the impact?

The amendments do not change the core principles of IFRS 15. However, they clarify some of the more complex aspects of the standard. The amendments could be relevant to a broad range of entities and should be considered as management evaluates the impact of IFRS 15.

The amendments to IFRS 15 are not in all instances the same as those that the FASB is making to the US standard. In addition to the differences noted above, the FASB has provided an exception for accounting for shipping and handling activities and is further expected to make narrow-scope amendments to the guidance on assessing collectability, presentation of sales-taxes and measuring non-cash consideration.

IFRS 15 will not include any additional guidance on these topics. The IASB has in most cases indicated in the Basis for Conclusions where it expects that the differences in wording between the standards will or could result in different conclusions under IFRS and US GAAP.

Entities with reporting requirements both in- and outside the US (for example, US entities with IFRS reporting subsidiaries, or IFRS reporters who are also FPIs) will need to consider in their transition process whether their conclusions will be acceptable under both frameworks. Entities with significant competitors reporting under US GAAP might need to explain any differences in application to investors.

What's next?

The IASB does not currently plan to make further amendments to IFRS 15. The FASB expects to issue its final narrow-scope improvements as well as an exposure draft containing various technical corrections.

The FASB continues to convene the TRG with US participants only. The first US only TRG meeting took place in April 2016 and further meetings are scheduled for July and November. It is currently unclear if, or how, the IASB will respond to the discussions at those meetings.

Regulator focus: What can we learn from the ESMA report?

Enforcement in the area of IFRS reporting is a further addition to the list of things that management should consider when preparing financial statements. Madhuri Ravi Srinivasan of Accounting Consulting Services examines the key highlights from the recently released ESMA Report.

ESMA (the European Securities and Markets Authority) has recently issued its Report on Enforcement and Regulatory activities of accounting enforcers in 2015. This report discusses the findings of the European accounting enforcers with respect to the enforcement priorities for 2014.

The review covered 1200 issuers, which is close to 20% of all IFRS issuers in Europe with securities listed on regulated markets. As a result of the performed reviews, the enforcers took action against 25% of the issuers.

What were the areas of focus?

ESMA had set out the following three areas of focus for the year:

(a) Presentation of consolidated financial statements and related disclosures;
(b) Financial reporting by parties to a joint arrangement and related disclosures;
(c) Recognition and measurement of deferred tax assets and uncertain tax positions

What were the main findings?

Consolidated financial statements

For users of IFRS as adopted by the EU, 2014 was the first year for application of IFRS 10 *Consolidated financial statements* and IFRS 12 *Disclosure of interests in other entities*. Whilst the majority of issuers analysed the existence of control in entities where they had less than the majority of voting rights, the related disclosures were often missing in the financial statements, particularly aspects such as:

- how an entity justifies it has power over the investee,
- the exposure to variable returns from their involvement with the investee and
- the ability to use their power over an investee to affect the amount of the investor's return.

Some issuers that did not consolidate an investment in which they held more than 50% of the voting rights, did not disclose the justification for doing so (for example, the existence of a contractual agreement between shareholders establishing joint control or providing control to the other shareholders).

Disclosures related to structured entities seem to be better, with 90% of such issuers having disclosed information that enabled users to understand and evaluate the nature, extent and risks associated with the interests in the unconsolidated structured entities.

> ***Key takeaway***
>
> It appears that the notion of control is applied appropriately in almost all cases. The shortcoming is related to the extent of disclosures, which need to be entity-specific and provided with sufficient detail to enable the users to appreciate the justification for the conclusions reached.

Joint arrangements

Again, the main issue observed was the extent of disclosures. While most joint operations were structured through a separate legal vehicle, many issuers did not disclose specific information enabling users to assess whether the parties had direct rights to the assets or direct obligations for the liabilities relating to the joint arrangement. Similarly, very few issuers disclosed sufficient information about the

factors considered when assessing whether the arrangement was a joint operation or a joint venture.

It is not surprising however, that almost all issuers got the disclosures right regarding the basic information about the investee (for example, nature of relationship, place of business).

The first time application of IFRS 11 led to some changes in classification from jointly controlled operation or jointly controlled asset to joint venture, or from a joint venture to a jointly controlled operation. However, many of these issuers did not adequately disclose the changes made, particularly the relevant factors that were considered in the assessment.

Key takeaway

As with consolidation, there were no material issues concerning the conclusions reached on classification. Rather, the emphasis is on providing sufficient details for users to understand the rationale behind the classification.

Deferred tax assets and uncertain tax positions

Not being a new requirement, it is surprising (or perhaps not) that the disclosures relating to deferred tax assets arising from unused tax losses were not adequate in almost a third of the examined issuers. In most cases, the nature of evidence supporting the recognition of deferred tax assets was not provided. Others did not disclose the key assumptions.

Another aspect of interest is that in a large number of cases, the deferred tax assets were expected to be recovered in a period exceeding 5 years. This strongly indicates that there should have been convincing evidence to support the recognition of deferred tax assets.

Almost half of issuers did not disclose the accounting policy used for uncertain tax positions and almost three quarters did not disclose the measurement basis.

Key takeaway

The adequacy of disclosure of the evidence that supports the recognition of deferred tax assets appears to be an ongoing issue.

For uncertain tax positions, the lack of specific guidance seems to have led to diversity in practice. An interpretation on this topic clarifying the guidance is expected soon. IAS 12 *Income taxes* will continue to be a focus area in 2016.

Next steps

ESMA and the European enforcers have acknowledged the high standard of application of IFRS in 2014; however, they also believe there is room for improvement.

Higher awareness of the enforcement priorities for 2015 combined with the expected guidance in the Disclosure Initiative and other pronouncements from IASB is likely to help issuers in this endeavour.

The common priorities for the 2015 financial statements encompass the following topics:

- Impact of the financial markets conditions on the financial statements;
- Statement of cash flows and related disclosures; and
- Fair value measurement and related disclosures.

The guidance on Alternative Performance Measures will be applicable for all announcements after 3 July 2016.

Have you seen the latest PwC IFRS blogs

Guillaume Debout and Anna Schweizer argue about recognition and subsequent measurement of goodwill

Saad Siddique and Anna Schweizer discuss prudence and neutrality

Key things to look out for with Operating Segments

Tatiana Geykhman from Accounting Consulting Services explains how segment reporting is not a pure compliance exercise.

What is the purpose of presenting segment information?

Segment disclosures provide insight into how the entity's business is viewed by management.

Segment disclosures help to tie the management's view of the business as presented in the management commentaries (for example, management discussion and analysis, MD&A) to consolidated financial information. This information enables investors to assess with more accuracy the entity's future cash flows.

What is an operating segment?

An operating segment is defined as a component of an entity:

- that engages in business activities from which it can earn revenues and incur expenses;
- whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to assess performance and allocate resources; and
- for which discrete financial information is available.

Operating segments represent the lowest level at which the management monitors business activities and makes decisions.

How to identify an operating segment?

The starting point would be to identify the CODM. This could be an individual or a governing body, depending on the entity's structure. The term itself implies this individual or this body makes strategic decisions about the entities segments. Common examples of CODM are the CEO or the board of directors.

The next step is identifying business activities. These activities must be capable of earning revenues and/or incurring expenses. A division could still be a separate operating segment if it is a cost centre.

Discrete financial information is not defined in the standard. The CODM must have sufficient information to assess performance and allocate resources to the business activities. A full set of financial statements is not required, while revenue only information would most likely be insufficient.

The discrete information should be regularly reviewed by the CODM.

Reportable segment versus operating segment – what's the difference?

Not all operating segments need to be separately disclosed in the financial statements. The standard includes quantitative thresholds for segment revenue, profit or loss and assets. If any one of these is met, the segment is reportable.

If the CODM reviews only non-GAAP profit measures, the quantitative threshold in respect of profit or loss should be assessed using this profit measure.

The external revenue of all reported segments should represent 75% or more of the entity's external revenue. The remaining segments could be combined within "All other segments".

Aggregation

Aggregating operating segments for disclosure purposes is permitted, but not required. Aggregation is allowed if all of the aggregation criteria are met as follows:

- aggregation results in providing information that enables users to evaluate the entity's business activities and the economic environment;
- the segments have similar economic characteristics;
- the segments are similar in each of the following aspects:

- the nature of products and services,
- the nature of production processes,
- the type or class of customers,
- the methods to distribute the products or provide the services, and
- the nature of regulatory environment (where applicable).

This assessment requires significant judgment. Management should disclose which operating segments were aggregated and the economic indicators assessed.

Information to be disclosed

Segment disclosures should provide investors with information about the nature of business activities and their financial results as viewed by management, and about the economic environment in which the entity operates.

Entity-wide segment disclosures highlight, among other things, key product lines or services, the geographical layout of key operations, and customer concentration.

For each reportable segment, the information required is segment profit or loss, assets and liabilities (if reviewed by CODM) and the basis of measurement. The presumption is that the CODM reviews information for a reason, and as such this information is important enough to disclose.

What if the CODM reviews multiple measures of profits, assets and liabilities?

The metrics that are most relied on or regularly reviewed are disclosed. When several measures are equally relied upon or reviewed on an equally regular basis, the measure that is most consistent with the financial statements information is disclosed.

What if information reviewed by the CODM is non-GAAP?

Information is disclosed on the same basis that is provided to the CODM. The non-GAAP information is reconciled to the financial statements.

What if the information about operating segments is commercially sensitive?

There is no "competitive harm" exemption in the standard. Disclosures presenting the information reviewed by the CODM are mandatory. Non-disclosure of segment information constitutes a departure from IFRS.

Which entities should disclose segment information?

Segment disclosures are required for entities whose debt or equity instruments are publicly traded on a regulated market or who are in the process of issuing public instruments. All other entities can disclose segment information on a voluntary basis.

The regulatory bodies review and monitor financial statements published by the issuers of publicly traded instruments on a regular basis. Regulators frequently challenge aggregation of operating segments, situations of only a single reportable segment, or instances when the information provided in the MD&A is not consistent with segment disclosures.

What's next?

An exposure draft on narrow-scope amendments to IFRS 8 is expected towards the end of 2016. These narrow-scope amendments will clarify IFRS 8 *Operating segments* with respect to issues identified in the post-implementation review. Expected amendments include:

- Emphasis that the application of IFRS 8 facilitates consistency across presentation to investors, MD&A, and segment disclosures, thereby increasing the value of information in each form of reporting.
- Clarification that CODM is a function making operating decisions and that CODM could be an individual or a committee. Disclosure of the nature of CODM will be required.
- Clarified guidance about the types of information most useful to investors (for example non-cash expenses, non-recurring items, other items affecting future cash flows).

Further guidance is available on Inform: In Depth: A fresh look at IFRS 8, "Operating segments".

The PwC leases lab

After the great success of his first experiment, Professor Lee Singh embarks on his second experiment, this time in the real estate industry with the help of his assistant Avni Mashru.

Hypothesis

IFRS 16 will have no impact on the real estate industry.

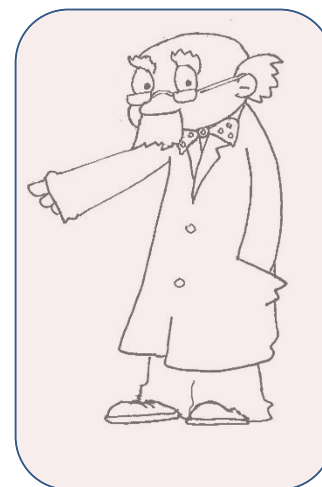
Testing and analysis

The new leasing standard leaves lessor accounting substantially unchanged. Given that the vast majority of entities in the real estate industry are lessors in leasing transactions, you might think they have little to worry about.

In fact, the standard has quite the opposite impact when it comes to the industry's customer base – its tenants (lessees). For example, the retail industry is likely to be one of the most affected by the new standard, given the significant use of rented premises for their stores.

The PwC Global Lease Capitalisation study published in February 2016 indicated that there would be a median debt increase of 98% for retailers (due to the recognition of lease liabilities), and 41% median increase in EBITDA. This is because contracts previously classified as operating leases will no longer have an "operating lease charge" to profit or loss; an entity will instead recognise an interest expense on the lease liability and depreciation on the "right of use" asset).

In a wider context, both retail and commercial property leases can contain a number of common features such as renewal options and variable rental payments. Historically, tenants have accounted for such leases as operating leases recognising rental payments as an operating expense on a straight-line basis and with no significant balance sheet impact. The accounting impact of these under the new standard will mean tenants are likely to pay much closer attention to these features.



Conclusion

Although lessor accounting is substantially unchanged by the new standard, IFRS 16 might actually have a significant commercial impact on real estate entities when it comes to lease negotiations with tenants.

Practical application

The new standard will not only impact tenants' balance sheets but also operating costs, with a split of lease expense between operating and finance costs.

From a lessor perspective an awareness of these impacts for tenants will be critical as they may influence market behaviour towards a preference for shorter term or more flexible leases. Tenants might seek more types of contingent payment terms to minimise the amount they are required to recognise as lease liabilities.

See more of the Professor's analysis of the impact of IFRS 16 Leases on the real estate industry can in our Spotlight.

Cannon Street Press

Insurance and IFRS 9

The IASB tentatively decided to confirm the ED proposals relating to the overlay approach and that an entity should be permitted to apply the temporary exemption only if:

- The entity has not previously applied IFRS 9,
- The entity's activities are predominantly "related to insurance", where such activities comprise:
  - Issuing contracts within the scope of IFRS 4 which give rise to liabilities whose carrying amount is significant, and
  - Issuing investment contracts that are measured at FVPL.

The Board tentatively decided on the definition of the "predominance ratio" and the disclosure requirements for entities using the exemption.

The remaining technical issues will be discussed in the May meeting. The Board aims to issue the amendments to IFRS 4 in September 2016.

Conceptual Framework

The IASB tentatively decided to confirm the ED's proposed purpose of the Conceptual Framework (CF). The Board decided that it would redeliberate the topics that have proved controversial or those for which new information has become available. The staff was asked to:

- Perform a more extensive analysis of the effects that the proposed definitions of assets and liabilities would have on current projects,
- Analyse additional inconsistencies between the revised CF and standards that have been claimed to exist by respondents, and
- Perform a more detailed analysis of the effects of the revised CF for preparers.

The IASB tentatively decided not to develop concepts to address challenges that arise in classifying financial instruments with characteristics of both liabilities and equity as part of this project. These will continue to be addressed as part of the *Financial instruments with characteristics of equity* project, which might lead to further amendments to the revised CF.

At the May meeting the IASB will discuss possible amendments to Chapter 1 *The objective of general purpose financial reporting* and Chapter 2 *Qualitative characteristics of useful financial information*.

Disclosure Initiative: changes in accounting policies and accounting estimates

The IASB tentatively decided to amend the definitions in order to:

- Clarify how accounting policies and estimates relate to each other,
- Add guidance about whether changes in valuation and estimation techniques are changes in accounting estimates, and
- Update examples of estimates provided in IAS 8.

The Board further tentatively decided to not amend the requirement to disclose the nature and amount of a change in an accounting estimate.

The Board will discuss transition for the proposed amendments at a future meeting.

Further discussions

The Board discussed the following topics without making any decisions:

- 2015 Agenda Consultation
- Disclosure Initiative: materiality, disclosure of restrictions on cash and about liquidity
- Financial instruments with characteristics of equity
- Business combinations under common control
- Goodwill and Impairment.

IFRIC Rejections in short - IAS 18

Michel Vique of Accounting Consulting Services examines the practical implications of IC rejections related to IAS 18.

Looking for an answer? Maybe it was already addressed by the experts.

The Interpretations Committee (IC) regularly considers anywhere up to 20 issues at its periodic meetings. A very small percentage of the issues discussed result in an interpretation. Many issues are rejected; some go on to become an improvement or a narrow scope amendment. The issues that are not taken on to the agenda end up as "IFRIC rejections", known in the accounting trade as "not an IFRIC" or NIFRICs. The NIFRICs are codified (since 2002) and included in the "green book" of standards published by the IASB although they technically have no standing in the authoritative literature. This series covers what you need to know about issues that have been "rejected" by the IC. We go standard by standard and continue with IAS 18 as per below.

IAS 18, *Revenue* deals with revenue arising from sales of goods, rendering of services, interest, royalties and dividends. It is one of the standards that requires the highest degree of judgement. Thus it is not surprising that many matters have been raised with the IC over the last 13 years.

Most of the issues have not been added to the IC agenda, emphasizing the need for an overhaul of the revenue recognition standard given the lack of specific guidance in IAS 18. However, some decisions provided some useful clarifications that were incorporated in the new revenue standard, IFRS 15 *Revenue from contracts with customers*.

Extended payment terms and prompt settlement discounts (July 2004)

Entities may agree either to provide extended payment terms to customers, such as six-month's interest-free credit, or offer customers discounts for prompt settlement of the invoiced amount (settlement discounts). Payment terms could have an impact on timing of revenue recognition and on the geography of the income recognition within the income statement. In July 2004, the IC clarified the following:

When an entity provides extended payment terms to a customer, this might indicate that the arrangement effectively constitutes both a sale and a financing transaction. In that case, the time value of money (for the period between delivery and payment) must be accounted for separately. Therefore, the amount of revenue recognised at the time of the sale is reduced and interest income is recognised over the funding period.

When an entity offers a prompt settlement discount, the principle in IAS 18 requires the amount of revenue recognised under the transaction to be reduced by the amount of the discount at the time of sale. The entity should neither recognise revenue up to the nominal amount of the invoice, nor an interest expense for the discount.

IFRS 15 makes it clear that an entity should recognise revenue at an amount that reflects the price that a customer would have paid for the goods or services if the customer had paid cash for those goods or services when they transfer to the customer (that is, the cash selling price).

The amount net of discount due by a customer if the customer accepts to pay on delivery should reflect the cash selling price. Therefore, no change is expected regarding the accounting treatment of prompt settlement discount (i.e. contra revenue at the time of sale). IFRS 15 also requires recognition of less revenue than cash received for payments that are received in arrears of performance, because a portion of the consideration received will be recorded as interest income.

However, IFRS 15 requires that revenue recognised will exceed the cash received for payments that are received in advance of performance, because interest expense will be recorded in such cases.

Subscriber Acquisition Costs in the Telecommunications Industry

The IFRIC considered how a provider of telecommunications services should account for telephone handsets it provides free of

charge or at a reduced price to customers who subscribe to service contracts. The question was whether:

- the contracts should be treated as comprising two separately identifiable components, that is, the sale of a telephone and the rendering of telecommunication services. Revenue would be attributed to each component; or
- the telephones should be treated as a cost of acquiring the new customer, with no revenue being attributed to them.

The IFRIC acknowledged that the question is of widespread relevance and concerns many industries. IAS 18 does not give guidance on what it means by “separately identifiable components” and practices diverge.

In March 2006, the IFRIC decided not to take the topic onto its agenda as it considered that no consensus could be reached on a timely basis. The IFRIC also noted that relevant guidance on this matter should be principles-based and the IASB was developing principles for identifying separable components within revenue contracts.

In May 2105, the IASB issued a new standard on revenue recognition. IFRS 15 provides more guidance on how to identify the distinct goods and services in bundle contracts. IFRS 15 clarifies that a good or service is distinct;

a) if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (for example, because the entity regularly sells the good or service separately), and

b) the good or service is separately identifiable from other goods or services in the contract (for example, the good or service does not significantly modify another good or service promised in the contract).

New rules on how to allocate the transaction price to each component have also been implemented.

The new guidance provided by IFRS 15 will significantly impact the telecommunications industry but also each business with multiple element arrangements given additional revenue may need to be allocated to discounted or “free” products provided at the beginning of a service period.

Summary of IAS 18 rejections

Topic	**Summary conclusion**
Extended payment terms (July 2004)	IAS 39 applies to the receivable. The effect of the time value of money should be reflected when material. However, the IC noted that the wording of IAS 18 lacked clarity and needed to be improved.
Prompt settlement discounts (July 2004)	Discounts arising from prompt settlement of outstanding receivables should be estimated at the time of sale and presented as a reduction in revenues.
Subscriber acquisition costs in telecommunications industry (March 2006)	The IC was asked how a provider of telecommunications services should account for telephone handsets it provides free of charge or at a reduced price to customers who subscribe to service contracts. IAS 18 does not give guidance on what is meant by “separately identifiable components” and practices diverge. However, the IC did not add this issue to its agenda because it concerns many other industries and the IASB was developing principles for identifying separable components within revenue contracts.

Sale of assets in a rental business (March 2007)	The question was raised whether the sale of an asset sold after being rented to third parties should be presented gross (revenue and costs of sales) or net (gain or loss) in the income statement. Even if IAS 16 states that gains arising from derecognition of an item of PPE shall not be classified as revenue, the IC believed that, in some limited circumstances, reporting gross revenue in the income statement would be appropriate and consistent with the Framework and IAS 18. The issue was drawn to the attention of the Board.
Agency relationships in gaming transactions (July 2007)	When a gaming institution takes a position against a customer, the resulting unsettled wager is a financial instrument that meets the definition of a derivative financial instrument under IAS 39. In other situations, a gaming institution provides services to manage the organisation of games between two or more gaming parties and earns a commission for such services regardless of the outcome of the wager. Such a commission is likely to meet the definition of revenue according to IAS 18. The issue was not taken to the IC agenda given there was no widespread divergence in practice in this area.
Agency relationships (September 2007)	The IC received a request for an interpretation for situations in which an entity employs another entity to meet the requirements of a customer under a sales contract. IAS 18 specifies that "in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission." The IFRIC acknowledged that no detailed guidance was given, However, it noted that determining whether an entity is acting as a principal or as an agent depends on facts and circumstances and that judgement is required.
Accounting for trailing commissions (July 2008)	The IC was asked for guidance on how an entity should account for on-going commission arrangements where the contractual obligation for the payment of the commission is not linked to the performance of any future service. The IC noted that the issue concerns many industries and practice in this area is diverse. Given the complexity of the issues and the fact that the Board was considering these issues in its projects on revenue recognition, it decided not to add this issue to its agenda.
Receipt of a dividend of equity instruments (January 2010)	The IC received a request for guidance on the recognition as revenue of a dividend in the financial statements of an investor when the dividend is in the form of the investee's own equity instruments. When all ordinary shareholders are issued a dividend of an investee's own equity instruments on a pro-rata basis, there is no change in the financial position or economic interest of any of the investors. In this situation, the dividend is not recognised as revenue because it is not probable that there is an economic benefit associated with the transaction that will flow to the investor.
Regulatory assets and liabilities (November 2012)	The IC received a request seeking clarification on whether a regulatory asset or regulatory liability should be recognised in a particular situation in which a regulated entity is permitted to recover costs, or required to refund some amounts, independently of the delivery of future services. The IC observed that this issue is too broad to address within the confines of existing IFRSs and the Conceptual Framework. Consequently, and because the IASB resumed a comprehensive project on rate regulated activities, the IC decided not to add this issue to its agenda.

Cryptic IFRS word seek - Solution

E	I	E	V	S	T	A	J	Y	R	V	U	A	I	K	V	R	V	C	U
R	H	E	I	**H**	R	R	**S**	U	G	A	R	Y	**R**	O	Y	A	L	T	Y
T	E	A	**V**	**I**	**R**	**T**	**U**	**A**	**L**	**L**	**Y**	**C**	**E**	**R**	**T**	**A**	**I**	**N**	S
T	N	C	I	**G**	E	U	**F**	L	**E**	E	I	A	**M**	I	I	**P**	N	**O**	D
X	L	A	R	**H**	A	I	**F**	S	**A**	S	E	S	**O**	O	A	**M**	S	**T**	A
A	E	**P**	**O**	**L**	**I**	**C**	**I**	**E**	**S**	S	L	**H**	**T**	**M**	R	I	U	**E**	E
G	Y	**U**	S	**Y**	U	L	**C**	R	**E**	I	D	A	**E**	I	A	M	L	**S**	Y
N	R	**T**	U	**P**	A	T	**I**	W	I	N	**S**	L	A	G	O	M	I	O	G
S	E	**O**	P	**R**	**A**	**T**	**E**	**R**	**E**	**G**	**U**	**L**	**A**	**T**	**I**	**O**	**N**	M	C
Y	G	**P**	R	**O**	B	A	**N**	E	L	R	**B**	I	**S**	I	**M**	O	N	G	A
D	A	**T**	A	**B**	R	S	**T**	A	L	E	**S**	O	**S**	O	**P**	R	A	N	Q
S	T	**I**	S	**A**	U	C	**L**	L	I	T	**I**	B	**O**	S	**R**	**O**	**A**	Q	W
C	T	**O**	O	**B**	T	O	**Y**	**I**	**E**	**L**	**D**	R	**C**	C	**A**	T	**M**	W	E
V	A	**N**	T	**L**	E	T	**L**	O	W	E	**I**	A	**I**	U	**C**	H	**O**	E	R
E	S	H	T	**E**	**R**	**R**	**O**	**R**	I	U	**A**	I	**A**	S	**T**	I	**R**	R	T
X	G	O	O	L	**E**	O	**W**	A	T	E	**R**	K	**T**	I	**I**	S	**T**	T	Z
B	O	W	**A**	**F**	**S**	Y	**E**	**I**	**R**	U	**Y**	E	**E**	F	**C**	I	**I**	Y	D
H	L	L	E	I	**E**	A	**R**	A	C	E	R	T	S	R	**A**	L	**S**	O	J
N	F	O	T	Q	**A**	L	O	O	K	S	R	S	**D**	S	**B**	F	**A**	R	T
A	A	N	W	X	**R**	T	U	**G**	**O**	**O**	**D**	**W**	**I**	**L**	**L**	U	**T**	O	N
E	X	G	U	Z	**C**	Y	Y	**O**	P	E	R	A	**L**	I	**E**	N	**I**	E	T
S	V	U	W	Y	**H**	**A**	**R**	**V**	**E**	**S**	**T**	M	**U**	D	I	I	**O**	M	G
T	**I**	W	**A**	U	O	K	B	**E**	R	N	E	S	**T**	O	I	S	**N**	U	W
S	**C**	**O**	**S**	**T**	A	U	**G**	**R**	**O**	**U**	**P**	E	**E**	U	Y	N	Y	E	N
I	U	U	**S**	L	O	W	U	**N**	O	B	E	L	**D**	I	Y	T	S	I	B
I	A	H	**E**	L	P	M	E	**M**	A	N	U	A	L	O	F	I	F	R	S
P	**R**	**E**	**T**	**R**	**O**	**S**	**P**	**E**	**C**	**T**	**I**	**V**	**E**	I	Q	T	U	L	L
A	E	V	A	S	B	G	S	**N**	L	I	V	E	R	P	O	O	L	A	R
D	A	C	**I**	**N**	**V**	**E**	**S**	**T**	**I**	**N**	**G**	R	E	E	C	E	L	Y	V
Z	D	A	D	B	A	N	T	D	C	N	S	G	N	G	E	S	H	X	V

Horizontal:

Probability criterion (9,7)

A lot of boilerplate language

Until the bitter end (IAS 39)

Temporary topic (4, 10)

An APM

Return

Adjust for this retrospectively if material

Not until the bitter end (IAS 39)

Inherent profitability measure

Is it an asset?

Detachment of produce (IAS 41)

Charge

Accounting family

With hindsight

Cashflows for future profits

Vertical:

Probability criterion (7,8)

Likelihood of being exercised (12,5)

Probability criterion

Topic of the month (... accounting)

Profit before unfortunate debits

Hiding the tree in the wood of words

I might sell? (3,6)

Accounting kid

Accounting companion

Can't be done

Piecemeal consumption

Definitely not an asset

Shareholders' reduced profit share

Repetitive counterparty

Accounting debate club

Basis for future profits

www.pwc.lu/ifrs

The bit at the back...

For further help on IFRS technical issues contact:

Marc Minet, Partner
Commercial and Industrial Companies, IFRS Leader
marc.minet@lu.pwc.com +352 49 48 48 2120

Kenneth Iek, Partner
Real Estate
kenneth.iek@lu.pwc.com +352 49 48 48 2278

Marc Voncken, Partner
Insurance
marc.voncken@lu.pwc.com +352 49 48 48 2461

Fabrice Goffin, Partner
Technical Advices and Banking
fabrice.goffin@lu.pwc.com +352 49 48 48 2155

Michael Delano, Partner
Asset Management
michael.delano@lu.pwc.com +352 49 48 48 2109

Philippe Förster, Director
IFRS, IFRS training and Treasury
philippe.foerster@lu.pwc.com +352 49 48 48 2065

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. It does not take into account any objectives, financial situation or needs of any recipient; any recipient should not act upon the information contained in this publication without obtaining independent professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2016 PricewaterhouseCoopers. All rights reserved. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.