

## Changes in this edition

This section is a brief guide to the changes since the 2017 edition that are incorporated in this 2018 edition of the Bound Volume of *IFRS® Standards–Issued at 1 January 2018* (Red Book).

### Introduction

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This volume includes the Standards as approved by the International Accounting Standards Board (Board) for issue up to 31 December 2017. These Standards include changes that are not yet required at 1 January 2018.

Readers seeking the text of Standards required for accounting periods beginning on 1 January 2018 (ie all Standards with an effective date on or before 1 January 2018) should refer to *IFRS® Standards–Required 1 January 2018* (Blue Book), which was issued in December 2017.

### Changes since the 2017 Red Book

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The following are the main changes made since 1 January 2017:

- the Red Book is presented in three parts;
- one new Standard, IFRS 17 *Insurance Contracts*, has been issued;
- amendments to two Standards, IFRS 9 *Financial Instruments* and IAS 28 *Investments in Associates and Joint Ventures*, have been included;
- one set of *Annual Improvements, Annual Improvements to IFRS Standards 2015–2017 Cycle*, has been included;
- an IFRIC® Interpretation, IFRIC 23 *Uncertainty over Income Tax Treatments*, has been included; and
- an IFRS® Practice Statement, IFRS Practice Statement 2 *Making Materiality Judgements*, has been included.

The following table provides the publication and effective dates of the new Standard, new amendments to Standards, new IFRIC Interpretation and new IFRS Practice Statement in this edition.

Changes in this edition

<b>Standard/ Interpretation/ Amendment/ Practice Statement</b>	<b>When issued</b>	<b>Effective date</b> (early application is possible, unless otherwise noted)	<b>Standards/ Interpretations amended</b>	<b>Standard withdrawn</b>
IFRS 17 <i>Insurance Contracts</i>	May 2017	1 January 2021	IFRS 1, IFRS 3, IFRS 3 (as amended by IFRS 16), IFRS 5, IFRS 7, IFRS 7 (as amended by IFRS 16), IFRS 9, IFRS 15; IAS 1, IAS 7, IAS 16, IAS 19, IAS 28, IAS 32, IAS 36, IAS 37, IAS 38, IAS 40; SIC 27	IFRS 4
<i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9)	October 2017	1 January 2019	IFRS 9	
<i>Long-term interests in Associates and Joint Ventures</i> (Amendments to IAS 28)	October 2017	1 January 2019	IAS 28	
<i>Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IFRS 3 and IFRS 11</i>	December 2017	1 January 2019	IFRS 3, IFRS 11	
<i>Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IAS 12</i>	December 2017	1 January 2019	IAS 12, IAS 32	

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<b>Standard/ Interpretation/ Amendment/ Practice Statement</b>	<b>When issued</b>	<b>Effective date</b> (early application is possible, unless otherwise noted)	<b>Standards/ Interpretations amended</b>	<b>Standard withdrawn</b>
<i>Annual Improvements to IFRS Standards 2015–2017 Cycle: Amendments to IAS 23</i>	December 2017	1 January 2019	IAS 23	
<i>IFRIC 23 Uncertainty over Income Tax Treatments</i>	June 2017	1 January 2019	IFRS 1	
<i>IFRS Practice Statement 2 Making Materiality Judgements</i>	September 2017	n/a	None	

New and revised Standards, Interpretations and Practice Statements are available to eIFRS subscribers at: <http://eifrs.ifrs.org>.

The narrative below further explains the amendments listed in the table.

## Presentation as three volumes

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The 2018 edition of the Red Book is presented in three parts:

- Part A (Issued Standards) contains the IFRS<sup>®</sup> Standards, including IAS<sup>®</sup> Standards, IFRIC<sup>®</sup> Interpretations and SIC<sup>®</sup> Interpretations, together with the *Conceptual Framework for Financial Reporting*.
- Part B (Accompanying Guidance) contains the documents—Illustrative Examples and Implementation Guidance—that accompany the Standards, together with IFRS<sup>®</sup> Practice Statements.
- Part C (Bases for Conclusions) contains the Bases for Conclusions that accompany the Standards, the *Conceptual Framework for Financial Reporting* and the IFRS Practice Statements.

## New Standard

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### **IFRS 17 Insurance Contracts**

IFRS 17 *Insurance Contracts* applies to: insurance contracts, including reinsurance contracts, issued by an entity; reinsurance contracts held by an entity; and investment contracts with discretionary participation features issued by an entity that issues insurance contracts. An insurance contract is defined as ‘a contract under which one party (the issuer) accepts

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significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder’.

In the statement of financial position, profitable insurance contracts are measured at the risk-adjusted present value of the future cash flows plus unearned profit for services to be provided under the contract.

Entities recognise profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, the entity recognises the loss immediately.

Insurance revenue, insurance service expenses, and insurance finance income or expenses are presented separately.

## Amendments to Standards

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### ***Prepayment Features with Negative Compensation (Amendments to IFRS 9)***

By applying *Prepayment Features with Negative Compensation* (Amendments to IFRS 9), particular financial assets—with prepayment features that may result in reasonable negative compensation for the early termination of the contract—are eligible to be measured at amortised cost or at fair value through other comprehensive income, instead of at fair value through profit or loss.

### ***Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)***

*Long-term Interests in Associates and Joint Ventures* (Amendments to IAS 28) clarifies that entities account for long-term interests in an associate or joint venture—to which the equity method is not applied—using IFRS 9 before accounting for any losses or impairment losses applying IAS 28 *Investments in Associates and Joint Ventures*.

### ***Annual Improvements 2015–2017 Cycle***

*Annual Improvements to IFRS Standards 2015-2017* contains amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures a previously held interest in that business.

The amendments to IFRS 11 clarify that when an entity obtains *joint control* of a business that is a joint operation, it does not remeasure a previously held interest in that business.

The amendments to IAS 12 clarify that an entity accounts for all income tax consequences of dividends in the same way, regardless of how the tax arises.

The amendments to IAS 23 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made to obtain that qualifying asset as part of general borrowings.

## **New IFRIC Interpretation**

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### **IFRIC 23 *Uncertainty over Income Tax Treatments***

IFRIC 23 *Uncertainty over Income Tax Treatments* adds to the requirements in IAS 12 *Income Taxes* by specifying how to reflect the effects of uncertainty in accounting for income taxes when it is unclear how tax law applies to a particular transaction or circumstance or it is unclear whether a taxation authority will accept an entity's tax treatment.

## **New IFRS Practice Statement**

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### **IFRS Practice Statement 2 *Making Materiality Judgements***

IFRS Practice Statement 2 *Making Materiality Judgements* provides entities with guidance on how to make materiality judgements when preparing their financial statements, so that those financial statements focus on the information that is useful to investors. The IFRS Practice Statement gathers all the materiality requirements in IFRS Standards and adds practical guidance and examples that entities may find helpful in deciding whether information is material. IFRS Practice Statement 2 is not mandatory and neither changes requirements nor introduces new ones.

## **Other material that has changed**

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The Glossary has been revised.

Minor editorial corrections to Standards (including necessary updating) have been made; a list of these is available on the website at <http://www.ifrs.org/issued-standards/editorial-corrections>.

