AMENDMENTS TO STATUTORY BOARD FINANCIAL REPORTING STANDARDS

Amendments to References to the Conceptual Framework in SB-FRS Standards

(Amendments to SB-FRS Standards)

The amendments apply for annual reporting periods beginning on or after 1 January 2020.
Earlier application is permitted.

CONTENTS

Introduction

Amendments to References to the Conceptual Framework in SB-FRS Standards sets out amendments to Statutory Board Financial Reporting Standards (SB-FRS Standards), their accompanying documents and SB-FRS practice statements to reflect the issue of the revised SB-FRS *Conceptual Framework for Financial Reporting* in 2019 (2019 SB-FRS *Conceptual Framework*).

Some SB-FRS Standards, their accompanying documents and SB-FRS practice statements contain references to, or quotations from, the *Framework for the Preparation and Presentation of Financial Statements* (*Framework*). *Amendments to References to the Conceptual Framework in SB-FRS Standards* updates some of those references and quotations so that they refer to the 2019 SB-FRS *Conceptual Framework*, and makes other amendments to clarify which version of the SB-FRS *Conceptual Framework* is referred to in particular documents.

These amendments amend SB-FRS Standards, their accompanying documents and SB-FRS practice statements that will be effective for annual reporting periods beginning on or after 1 January 2020.

Amendments to SB-FRS 102 *Share-based Payment*

Paragraph 63E is added.

Effective date

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63E *Amendments to References to the Conceptual Framework in SB-FRS Standards*, issued in 2019, amended the footnote to the definition of an equity instrument in Appendix A. An entity shall apply that amendment for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by *Amendments to References to the Conceptual Framework in SB-FRS Standards*. An entity shall apply the amendment to SB-FRS 102 retrospectively, subject to the transitional provisions in paragraphs 53–59 of this Standard, in accordance with SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to SB-FRS 102 by reference to paragraphs 23–28, 50–53 and 54F of SB-FRS 8.

In Appendix A, the footnote to the definition of an equity instrument is amended. New text is underlined and deleted text is struck through.

* The *SB-FRS Conceptual Framework for Financial Reporting* issued in 2019 defines a liability as a present obligation of the Statutory Board ~~arising from~~to transfer a resource as a result of past events~~, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits (ie an outflow of cash or other assets of the entity)~~.

Amendment to SB-FRS 103 *Business Combinations*

In paragraph 11, a footnote to '*Framework for the Preparation and Presentation of Financial Statements*' is added. Paragraph 11 has not been otherwise amended but is included for ease of reference. New text is underlined and deleted text is struck through.

Recognition conditions

11 To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements*[†] at the acquisition date. For example, costs the acquirer expects but is not obliged to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree's employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognise those costs as part of applying the acquisition method. Instead, the acquirer recognises those costs in its post-combination financial statements in accordance with other SB-FRSs.

† For this Standard, acquirers are required to apply the definitions of an asset and a liability and supporting guidance in the *Framework for the Preparation and Presentation of Financial Statements* rather than the SB-FRS *Conceptual Framework for Financial Reporting* issued in 2019.

Amendments to SB-FRS 106 *Exploration for and Evaluation of Mineral Resources*

Paragraph 10 is amended, and paragraph 26A is added. New text is underlined and deleted text is struck through.

Elements of cost of exploration and evaluation assets

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10 Expenditures related to the development of mineral resources shall not be recognised as exploration and evaluation assets. The ~~*Framework**~~*SB-FRS Conceptual Framework for Financial Reporting* and SB-FRS 38 *Intangible Assets* provide guidance on the recognition of assets arising from development.

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Effective date

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26A *Amendments to References to the Conceptual Framework in SB-FRS Standards*, issued in 2019, amended paragraph 10. An entity shall apply that amendment for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by *Amendments to References to the Conceptual Framework in SB-FRS Standards*. An entity shall apply the amendment to SB-FRS 106 retrospectively in accordance with SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to SB-FRS 106 by reference to paragraphs 23–28, 50–53 and 54F of SB-FRS 8.

Amendment to SB-FRS 114 *Regulatory Deferral Accounts*

A footnote is added to the first occurrence of 'reliable' in paragraph 13 .

* In 2019, the *Framework for the Preparation and Presentation of Financial Statements* (*Framework*) was replaced with the SB-FRS *Conceptual Framework for Financial Reporting* (*SB-FRS Conceptual Framework*). The term "faithful representation", which is used in the *SB-FRS Conceptual Framework* issued in 2019, encompasses the main characteristics that the *Framework* called "reliability". The requirement in paragraph 13 of this Standard is based on the requirements of SB-FRS 8, which retains the term "reliable".

Amendments to SB-FRS 1 *Presentation of Financial Statements*

Paragraphs 7, 15, 19–20, 23–24, 28 and 89 are amended and paragraph 139S is added. New text is underlined and deleted text is struck through.

Definitions

7 **The following terms are used in this Standard with the meanings specified:**

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Material **Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.**

Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. ~~The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 21* that 'users~~Users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.~~'~~ Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

...

Fair presentation and compliance with SB-FRSs

15 **Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the ~~*Framework*~~ *SB-FRS Conceptual Framework for Financial Reporting* (*SB-FRS Conceptual Framework*). The application of SB-FRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.**

...

19 **In the extremely rare circumstances in which management concludes that compliance with a requirement in a SB-FRS would be so misleading that it would conflict with the objective of financial statements set out in the ~~*Framework*~~*SB-FRS Conceptual Framework*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.**

20 **When an entity departs from a requirement of a SB-FRS in accordance with paragraph 19, it shall disclose:**

(a) **that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;**

(b) **that it has complied with applicable SB-FRSs, except that it has departed from a particular requirement to achieve a fair presentation;**

(c) **the title of the SB-FRS from which the entity has departed, the nature of the departure, including the treatment that the SB-FRS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the ~~*Framework*~~<u>*SB-FRS Conceptual Framework*</u>, and the treatment adopted; and**

(d) **for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.**

...

23 **In the extremely rare circumstances in which management concludes that compliance with a requirement in a SB-FRS would be so misleading that it would conflict with the objective of financial statements set out in the ~~*Framework*~~<u>*SB-FRS Conceptual Framework*</u>, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:**

(a) **the title of the SB-FRS in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the ~~*Framework*~~<u>*SB-FRS Conceptual Framework*</u>; and**

(b) **for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.**

24 For the purpose of paragraphs 19–23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in a SB-FRS would be so misleading that it would conflict with the objective of financial statements set out in the ~~*Framework*~~<u>*SB-FRS Conceptual Framework*</u>, management considers:

(a) why the objective of financial statements is not achieved in the particular circumstances; and

(b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the ~~*Framework*~~<u>*SB-FRS Conceptual Framework*</u>.

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Accrual basis of accounting

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28 When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the ~~*Framework*~~*SB-FRS* <u>*Conceptual Framework*</u>.

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Profit or loss for the period

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89 Some SB-FRSs specify circumstances when an entity recognises particular items outside profit or loss in the current period. SB-FRS 8 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other SB-FRSs require or permit components of other comprehensive income that meet the ~~*Framework*'s~~ SB-FRS *Conceptual Framework*'s definition of income or expense to be excluded from profit or loss (see paragraph 7).

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Transition and effective date

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139S *Amendments to References to the Conceptual Framework in SB-FRS Standards*, issued in 2019, amended paragraphs 7, 15, 19–20, 23–24, 28 and 89. An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by *Amendments to References to the Conceptual Framework in SB-FRS Standards*. An entity shall apply the amendments to SB-FRS 1 retrospectively in accordance with SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to SB-FRS 1 by reference to paragraphs 23–28, 50–53 and 54F of SB-FRS 8.

Amendments to SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

Paragraphs 6 and 11(b) are amended. A new footnote to paragraph 11(b) is added. The heading before paragraph 54 is amended and paragraphs 54F–54G are added. New text is underlined and deleted text is struck through.

Definitions

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6 Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. ~~The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 21* that 'users~~<u>Users</u> are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.~~'~~ Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

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Selection and application of accounting policies

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11 In making the judgement described in paragraph 10, management shall refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements in SB-FRSs dealing with similar and related issues; and

(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the ~~*Framework*~~ <u>*SB-FRS Conceptual Framework for Financial Reporting* (SB-FRS *Conceptual Framework*)</u>.†

† <u>Paragraph 54G explains how this requirement is amended for regulatory account balances.</u>

...

Effective date <u>and transition</u>

...

<u>54F</u> <u>*Amendments to References to the Conceptual Framework in SB-FRS Standards*, issued in 2019, amended paragraphs 6 and 11(b). An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by *Amendments to References to the Conceptual Framework in SB-FRS Standards*. An entity shall apply the amendments to paragraphs 6 and 11(b) retrospectively in accordance with this Standard. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to paragraphs 6 and 11(b) by reference to paragraphs</u>

23–28 of this Standard. If retrospective application of any amendment in *Amendments to References to the Conceptual Framework in SB-FRS Standards* would involve undue cost or effort, an entity shall, in applying paragraphs 23–28 of this Standard, read any reference except in the last sentence of paragraph 27 to 'is impracticable' as 'involves undue cost or effort' and any reference to 'practicable' as 'possible without undue cost or effort'.

54G If an entity does not apply SB-FRS 114 *Regulatory Deferral Accounts*, the entity shall, in applying paragraph 11(b) to regulatory account balances, continue to refer to, and consider the applicability of, the definitions, recognition criteria, and measurement concepts in the *Framework for the Preparation and Presentation of Financial Statements** instead of those in the SB-FRS *Conceptual Framework*. A regulatory account balance is the balance of any expense (or income) account that is not recognised as an asset or a liability in accordance with other applicable SB-FRS Standards but is included, or is expected to be included, by the rate regulator in establishing the rate(s) that can be charged to customers. A rate regulator is an authorised body that is empowered by statute or regulation to establish the rate or a range of rates that bind an entity. The rate regulator may be a third-party body or a related party of the entity, including the entity's own governing board, if that body is required by statute or regulation to set rates both in the interest of the customers and to ensure the overall financial viability of the entity.

* The reference is to the *Framework for the Preparation and Presentation of Financial Statements*.

Amendments to SB-FRS 34 *Interim Financial Reporting*

Paragraphs 31 and 33 are amended and paragraph 58 is added. New text is underlined and deleted text is struck through.

Same accounting policies as annual

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31 Under the ~~*Framework for the Preparation and Presentation of Financial Statements* (the *Framework*)*,~~*Conceptual Framework for Statutory Board Financial Reporting* (SB-FRS *Conceptual Framework*), recognition is the ~~'~~process of ~~incorporating in the balance sheet or income statement~~ capturing, for inclusion in the statement of financial position or the statement(s) of financial performance, an item that meets the definition of ~~an element~~one of the elements of the financial statements ~~and satisfies the criteria for recognition'~~. The definitions of assets, liabilities, income, and expenses are fundamental to recognition, at the end of both annual and interim financial reporting periods.

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33 An essential characteristic of income (revenue) and expenses is that the related inflows and outflows of assets and liabilities have already taken place. If those inflows or outflows have taken place, the related revenue and expense are recognised; otherwise they are not recognised. ~~The *Framework* says that 'expenses are recognised in the income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably… [The]~~ ~~*Framework*~~*SB-FRS Conceptual Framework* does not allow the recognition of items in the ~~balance sheet~~statement of financial position which do not meet the definition of assets or liabilities.~~'~~

...

Effective date

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58 *Amendments to References to the Conceptual Framework in SB-FRS Standards*, issued in 2019, amended paragraphs 31 and 33. An entity shall apply those amendments for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by *Amendments to References to the Conceptual Framework in SB-FRS Standards*. An entity shall apply the amendments to SB-FRS 34 retrospectively in accordance with SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendments to SB-FRS 34 by reference to paragraphs 43–45 of this Standard and paragraphs 23–28, 50–53 and 54F of SB-FRS 8.

Amendment to SB-FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*

A footnote is added to the definition of a liability in paragraph 10.

* The definition of a liability in this Standard was not revised following the revision of the definition of a liability in the SB-FRS *Conceptual Framework for Financial Reporting* issued in 2019.

Amendment to SB-FRS 38 *Intangible Assets*

A footnote is added to the definition of an asset in paragraph 8.

* The definition of an asset in this Standard was not revised following the revision of the definition of an asset in the SB-FRS *Conceptual Framework for Financial Reporting* issued in 2019.

Amendment to INT SB-FRS 112 *Service Concession Arrangements*

A footnote to '*Framework for the Preparation and Presentation of Financial Statements*' is added to the References section.

* The reference is to the *Framework for the Preparation and Presentation of Financial Statements*, in effect when the Interpretation was developed.

Amendment to INT SB-FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*

A footnote to '*Framework for the Preparation and Presentation of Financial Statements*' is added to the References section.

* The reference is to the *Framework for the Preparation and Presentation of Financial Statements,* in effect when the Interpretation was developed.

Amendment to INT SB-FRS 120 *Stripping Costs in the Production Phase of a Surface Mine*

A footnote is added to 'SB-FRS *Conceptual Framework for Financial Reporting*' in the References section.

* The reference is to the SB-FRS *Conceptual Framework for Financial Reporting*, issued in 2019.

Amendment to INT SB-FRS 122 *Foreign Currency Transactions and Advance Consideration*

A footnote is added to 'SB-FRS *Conceptual Framework for Financial Reporting*' in the References section.

* The reference is to the SB-FRS *Conceptual Framework for Financial Reporting*, issued in 2019.

Amendments to INT SB-FRS 32 *Intangible Assets—Web Site Costs*

Paragraph 5 is amended and the footnote to the '*Framework*' in paragraph 5 is deleted. A new paragraph is added at the end of the section under the heading 'Effective date'. New text is underlined and deleted text is struck through.

Issue

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5 This Interpretation does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and Internet connections) of a web site. Such expenditure is accounted for under SB=FRS 16. Additionally, when an entity incurs expenditure on an Internet service provider hosting the entity's web site, the expenditure is recognised as an expense under SB-FRS 1.88 and the ~~*Framework*~~<u>*SB-FRS Conceptual Framework for Financial Reporting*</u> when the services are received.

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Effective date

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Amendments to References to the Conceptual Framework in SB-FRS Standards, issued in 2019, amended paragraph 5. An entity shall apply that amendment for annual periods beginning on or after 1 January 2020. Earlier application is permitted if at the same time an entity also applies all other amendments made by *Amendments to References to the Conceptual Framework in SB-FRS Standards*. An entity shall apply the amendment to INT SB-FRS 32 retrospectively in accordance with SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, if an entity determines that retrospective application would be impracticable or would involve undue cost or effort, it shall apply the amendment to INT SB-FRS 32 by reference to paragraphs 23–28, 50–53 and 54F of SB-FRS 8.