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# **AMENDMENTS TO STATUTORY BOARD FINANCIAL REPORTING STANDARDS**

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## **Annual Improvements to SB-FRSs 2018–2020**

The amendments apply for annual reporting periods beginning on or after 1 January 2022.  
Earlier application is permitted.

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## Introduction

This document sets out amendments to Statutory Board Financial Reporting Standards (SB-FRSs) made as part of the Annual Improvements to SB-FRSs.

Annual Improvements provide a mechanism for dealing efficiently with a collection of minor amendments to SB-FRSs.

The following table shows the Standards amended and the subjects of the amendments.

<b>Standard</b>	<b>Subject of amendment</b>
SB-FRS 101 <i>First-time Adoption of Financial Reporting Standards</i>	Subsidiary as a First-time Adopter
SB-FRS 109 <i>Financial Instruments</i>	Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
Illustrative Examples accompanying SB-FRS 116 <i>Leases</i>	Lease Incentives
SB-FRS 41 <i>Agriculture</i>	Taxation in Fair Value Measurements

## **Amendment to SB-FRS 101 *First-time Adoption of Financial Reporting Standards***

Paragraph 39AG and, in Appendix D, paragraph D13A are added. Paragraph D1(f) is amended. New text is underlined and deleted text is struck through.

### **Effective date**

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**39AG** *Annual Improvements to SB-FRSs 2018–2020*, issued in November 2020, amended paragraph D1(f) and added paragraph D13A. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

## Appendix D Exemptions from other SB-FRSs

*This appendix is an integral part of the SB-FRS.*

D1 An entity may elect to use one or more of the following exemptions:

...

(f) cumulative translation differences (paragraphs D12–D13A and D13);

...

### **Cumulative translation differences**

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D13A Instead of applying paragraph D12 or paragraph D13, a subsidiary that uses the exemption in paragraph D16(a) may elect, in its financial statements, to measure cumulative translation differences 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 SB-FRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in paragraph D16(a).

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## Amendment to SB-FRS 109 *Financial Instruments*

Paragraph 7.1.9, paragraph 7.2.35 and its heading, and paragraph B3.3.6A are added. Paragraph B3.3.6 is amended. New text is underlined. The requirements in paragraph B3.3.6A have not been amended but have been moved from paragraph B3.3.6.

### Chapter 7 Effective date and transition

#### 7.1 Effective date

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7.1.9 *Annual Improvements to SB-FRSs 2018–2020*, issued in November 2020, added paragraphs 7.2.35 and B3.3.6A and amended paragraph B3.3.6. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

#### 7.2 Transition

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##### **Transition for Annual Improvements to SB-FRSs**

7.2.35 An entity shall apply *Annual Improvements to SB-FRSs 2018–2020* 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.

## Appendix B Application Guidance

*This appendix is an integral part of the Standard.*

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### **Recognition and derecognition (Chapter 3)**

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#### **Derecognition of financial liabilities (Section 3.3)**

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**B3.3.6** For the purpose of paragraph 3.3.2, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted 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. In determining those 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.

**B3.3.6A** If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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## Amendment to Illustrative Examples accompanying SB-FRS 116 Leases

Part 1 of Illustrative Example 13 in paragraph IE5 is amended. New text is underlined and deleted text is struck through.

### Lessee measurement (paragraphs 18–41 and B34–B41)

IE5 ...

#### Example 13—Measurement by a lessee and accounting for a change in the lease term

##### *Part 1—Initial measurement of the right-of-use asset and the lease liability*

*Lessee enters into a 10-year lease of a floor of a building, with an option to extend for five years. Lease payments are CU50,000 per year during the initial term and CU55,000 per year during the optional period, all payable at the beginning of each year. To obtain the lease, Lessee incurs initial direct costs of CU20,000, of which CU15,000 relates to a payment to a former tenant occupying that floor of the building and CU5,000 relates to a commission paid to the real estate agent that arranged the lease. As an incentive to Lessee for entering into the lease, Lessor agrees to reimburse to Lessee the real estate commission of CU5,000 and Lessee's leasehold improvements of CU7,000.*

*At the commencement date, Lessee concludes that it is not reasonably certain to exercise the option to extend the lease and, therefore, determines that the lease term is 10 years.*

*The interest rate implicit in the lease is not readily determinable. Lessee's incremental borrowing rate is 5 per cent per annum, which reflects the fixed rate at which Lessee could borrow an amount similar to the value of the right-of-use asset, in the same currency, for a 10-year term, and with similar collateral.*

At the commencement date, Lessee makes the lease payment for the first year, incurs initial direct costs, receives the lease incentive ~~incentives~~ from Lessor and measures the lease liability at the present value of the remaining nine payments of CU50,000, discounted at the interest rate of 5 per cent per annum, which is CU355,391.

Lessee initially recognises assets and liabilities in relation to the lease as follows.

Right-of-use asset	CU405,391	
Lease liability		CU355,391
Cash (lease payment for the first year)		CU50,000
Right-of-use asset	CU20,000	
Cash (initial direct costs)		CU20,000
Cash (lease incentive)	CU5,000	
Right-of-use asset		CU5,000

~~Lessee accounts for the reimbursement of leasehold improvements from Lessor applying other relevant Standards and not as a lease incentive applying SB-FRS 116. This is because costs incurred on leasehold improvements by Lessee are not included within the cost of the right-of-use asset.~~

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## Amendment to SB-FRS 41 *Agriculture*

Paragraph 22 is amended and paragraph 65 is added. New text is underlined and deleted text is struck through.

### **Recognition and measurement**

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- 22 An entity does not include any cash flows for financing the assets, ~~taxation~~, or re-establishing biological assets after harvest (for example, the cost of replanting trees in a plantation forest after harvest).

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### **Effective date and transition**

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- 65 *Annual Improvements to SB-FRSs 2018–2020*, issued in November 2020, amended paragraph 22. An entity shall apply that amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.