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# ACCOUNTING NEWSLETTER

Issue 2014/01

## Quarterly publication of KPMG in Poland

This quarterly Accounting Newsletter presents selected recent changes in International Financial Reporting Standards (IFRS), Polish accounting principles (including the Accounting Act and National Accounting Standards) and related topics that may be relevant to a significant number of entities operating in Poland. The publication can assist you in staying up to date with evolving application guidance and new regulatory developments concerning those standards.

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### Effective dates – at a glance

The following is a list of recently published standards, amendments and interpretations of standards that need to be considered, and the status of their endorsement by the European Union as at 31 March 2014:

Effective date	Standard	Endorsed by EU?
1 January 2013	IFRS 10 Consolidated Financial Statements	Yes*
	IFRS 11 Joint Arrangements	Yes*
	IFRS 12 Disclosure of Interests in Other Entities	Yes*
	IFRS 13 Fair Value Measurement	Yes
	IAS 19 Employee Benefits (amended 2011)	Yes
	IAS 27 Separate Financial Statements (2011)	Yes*
	IAS 28 Investments in Associates and Joint Ventures (2011)	Yes*
	IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	Yes
	Government Loans (Amendments to IFRS 1)	Yes
	Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	Yes
	Annual Improvements to IFRSs 2009–2011 Cycle – various standards	Yes
	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	Yes*
1 January 2014	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	Yes
	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	Yes
	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	Yes
	IFRIC Interpretation 21 Levies	No
	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	Yes
1 July 2014	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	No
	Annual Improvements to IFRSs 2010–2012 Cycle	No
	Annual Improvements to IFRSs 2011–2013 Cycle	No
1 January 2016	IFRS 14 Regulatory Deferral Accounts	No
Available for adoption**	IFRS 9 Financial Instruments (2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7)	No

\* Each company applying IFRS as adopted by the European Union (IFRS EU) shall apply IFRS 10, IFRS 11, IFRS 12, the amended IAS 27, the amended IAS 28, and the consequential amendments, at the latest, from the commencement date of its first financial year starting on or after **1 January 2014**.

\*\* Mandatory effective date removed by the International Accounting Standards Board ("the IASB"). New effective date of 1 January 2018 tentatively considered by the IASB.

### Status of IFRS endorsement by the European Union (EU)

The status of IFRS endorsement by the EU has not changed during the period from 1 January 2014 through 31 March 2014.

Go to: [EFRAG Endorsement Status Report](#)

► **New IFRS standards, amendments and interpretations**

**IFRS 14 Regulatory Deferral Accounts**

IFRS 14 Regulatory Deferral Accounts was issued by the IASB on 30 January 2014. It provides interim guidance that permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area. Further, the new standard requires entities to present

regulatory deferral account balances and movements therein as separate line items on the face of the financial statements. It also requires specific extensive disclosures to enable users of the financial statements to understand the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances in accordance with the interim standard.

**Go to:** [First Impressions: Regulatory Deferral Accounts \(March 2014\)](#)

**Go to:** [In the Headlines: Accounting for rate-regulated activities \(2014/01\)](#)

**Exposure Draft: Disclosure Initiative (Proposed amendments to IAS 1)**

On 25 March 2014, the IASB published for public comment an exposure draft outlining proposed amendments to IAS 1 Presentation of Financial Statements. The proposal results from one of several short-term projects under the IASB's Disclosure Initiative, a package of several projects aimed at improving the disclosure of financial information.

The exposure draft proposes narrow-focus clarifying amendments to IAS 1 to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when preparing their financial statements.

**The proposed amendments:**

- Clarify the materiality requirements in IAS 1, including an emphasis on the potentially detrimental effect of overwhelming useful information with immaterial information.
- Clarify that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated.
- Add requirements for how an entity should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position.
- Clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order.
- Remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.

**Go to:** [In the Headlines: Making financial statements more relevant \(2014/05\) \(March 2014\)](#)

### **National Accounting Standard No. 8 „Property Development Activities”**

On 21 January 2014, the Accounting Standards Committee passed a resolution to adopt National Accounting Standard No. 8 (“NAS 8”, “the Standard”). The Standard was published in the Official Journal of the Minister of Finance dated 20 February 2014.

In accordance with art. 10 point 3 of the Polish Accounting Act (“the Act”), in selecting their accounting policies for matters not covered by the Act, entities may apply the provisions of national accounting standards as adopted by the Accounting Standards Committee. Entities that have not adopted IAS/IFRS may apply provisions of IAS/IFRSs where no relevant national accounting standard exists.

The scope of NAS 8 includes recognition, measurement and presentation of assets, liabilities, revenue and costs, and the financial result, relating to property development (construction) activities. The Standard provides definitions for a construction project, construction activity (business activity involving one or more development (construction) projects) and construction contract.

NAS 8 contains guidance on how to establish the dates of commencement and completion of a construction project, combining and dividing construction projects, classification of construction contracts (contract to sell a finished product, construction contract and service contract, the last two of which are accounted for under the provisions of National Accounting Standard No. 3 “Construction Contracts”), measurement of project revenue and cost and presentation and disclosure of matters related to development (construction) activity. The Standard also provides guidance and illustrative examples for capitalization of borrowing costs to the value of land designated for the construction project as well as examples to illustrate its other provisions.

We expect to see an improvement in the consistency of application of accounting policies for matters covered by the Standard, in particular in respect of the issues which were not clearly regulated in the Act and IAS/IFRS but were applicable to entities operating in Poland - such as, for instance, capitalization of perpetual land usufruct costs (and their amortization) and the cost of real estate taxes.

The Standard’s complete text (in the Polish language) can be accessed via the link below.

**Go to:** [National Accounting Standard No. 8 \(in Polish\)](#)



### Guide to annual financial statements – Illustrative disclosures for investment funds (December 2013)

This guide illustrates one possible format for the presentation of annual financial statements, based on a fictitious tax-exempt open-ended single-fund investment company, which does not form part of a consolidated entity or hold investments in subsidiaries.

**Go to:** [Guide to annual financial statements – Illustrative disclosures for investment funds \(December 2013\)](#)

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### In the Headlines: Review of business combinations accounting (January 2014)

To help assess whether its new standards and major amendments are working as intended, the IASB conducts post-implementation reviews as part of its due process. In line with this practice, the IASB has issued a request for information (Rfi) on IFRS 3 Business Combinations.

**Go to:** [In the Headlines: Review of business combinations accounting \(2014/02\) \(January 2014\)](#)

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### In the Headlines: Bridging the GAAP – Communicating through alternative performance measures (February 2014)

Investors invest globally, and demand for alternative performance measures (APMs) does not stop at regulatory borders. The European Securities and Markets Authority (ESMA) has issued a consultation paper on APMs in public, regulatory filings. The proposals, once finalised, would apply to non-GAAP information in the 28 member states of the EU, but ESMA's proposals will be followed with interest also beyond the EU.

**Go to:** [In the Headlines: Bridging the GAAP – Communicating through alternative performance measures \(2014/03\) \(February 2014\)](#)

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### In the Headlines: IFRS: New standards (March 2014)

Each quarter, we provide a summary of newly effective and forthcoming standards. This edition covers financial years ending on or after 31 March 2014, including interim periods within these financial years.

**Go to:** [In the Headlines: IFRS: New standards \(2014/04\) \(March 2014\)](#)

### IFRS Newsletters

We also recommend the following selected IFRS-related newsletters recently issued by KPMG's International Standards Group:

- **IFRS Newsletter: Financial Instruments** – issues 19 and 20 highlight the IASB's discussions and tentative decisions in January and February 2014 on its financial instruments (IAS 39 replacement) project.

**Go to:** [IFRS Newsletter: Financial Instruments – issue 19](#)

**Go to:** [IFRS Newsletter: Financial Instruments – issue 20](#)

- **IFRS Newsletter: Insurance** – issues 36, 37 and 38 highlight the IASB and the FASB (the Boards) discussions in January, February and March of 2014 on the joint insurance contracts project as well as summaries of feedback developed by the Boards' staff.

**Go to:** [IFRS Newsletter: Insurance – issue 36](#)

**Go to:** [IFRS Newsletter: Insurance – issue 37](#)

**Go to:** [IFRS Newsletter: Insurance – issue 38](#)

- **IFRS Newsletter: Leases** – issues 13 and 14 provide an overview of the IASB and the FASB discussions of the leases project in January and February 2014.

**Go to:** [IFRS Newsletter: Leases – issue 13](#)

**Go to:** [IFRS Newsletter: Leases – issue 14](#)



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