



**The Institute of  
Chartered Accountants  
of Pakistan**

**CA  
PAKISTAN**

HEAD OFFICE

Circular No.6/ 2017

May 15, 2017

**ALL MEMBERS OF THE INSTITUTE**

Dear Member

**IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers***

The International Accounting Standards Board (IASB) has issued IFRS 9 and IFRS 15, and the Accounting Standards Board of the Institute is considering for recommending for adoption of these IFRS.

**IFRS 9 *Financial Instruments***

IFRS 9 replaces IAS 39, and the improvements introduced by IFRS 9 include a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

Classification and measurement of financial assets: Explains a logical approach for the classification of financial assets, driven by the cash flow characteristics and the business model in which an asset is held. This single, principle based approach replaces existing rule-based requirements that are complex and difficult to apply.

Impairment model: Introduces a new single expected loss impairment model for all debt instruments, irrespective of their classification and subsequent measurement, requiring more timely recognition of expected credit losses.

Hedge accounting: Simplifies hedge accounting which was previously criticized being complex and rule based under IAS 39. The new substantially-reformed model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

**IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 replaces the previous revenue standards: IAS 18 *Revenue* and IAS 11 *Construction Contracts*, and the related Interpretations on revenue recognition: IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue - Barter Transactions Involving Advertising Services*.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

**(Established under the Chartered Accountants Ordinance, 1961 - X of 1961)**

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The full text of the IFRS 9 and IFRS 15 can be downloaded from the IASB website at:  
<http://www.ifrs.org/IFRSs/Pages/IFRS.aspx>

You are requested to send your views, if any, to the Directorate of Technical Services at  
[dtscomments@icap.org.pk](mailto:dtscomments@icap.org.pk) latest by **May 31, 2017**.

Yours truly

Sohail Malik  
Director Technical Services