



IFRS Update

18 June 2020

Webinar will commence shortly

Introduction

Sally Baker
Technical manager
ICAEW



Today's presenters



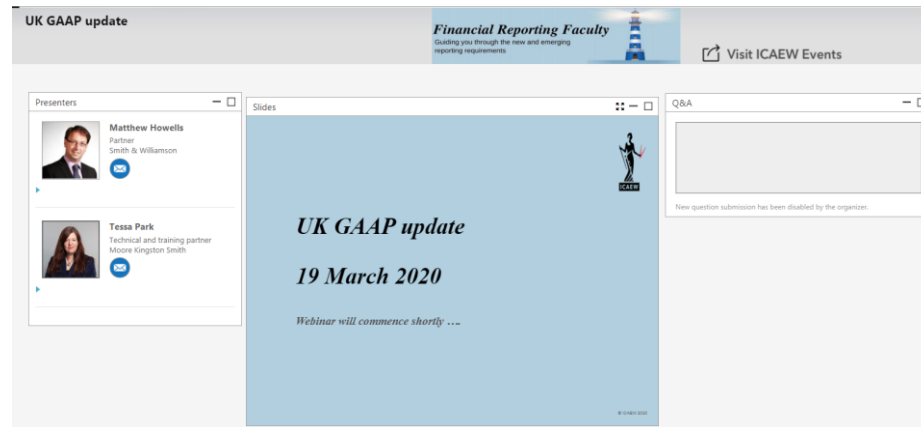
Andrea Allocco
Partner
PwC



Satya Beekarry
Director
PwC

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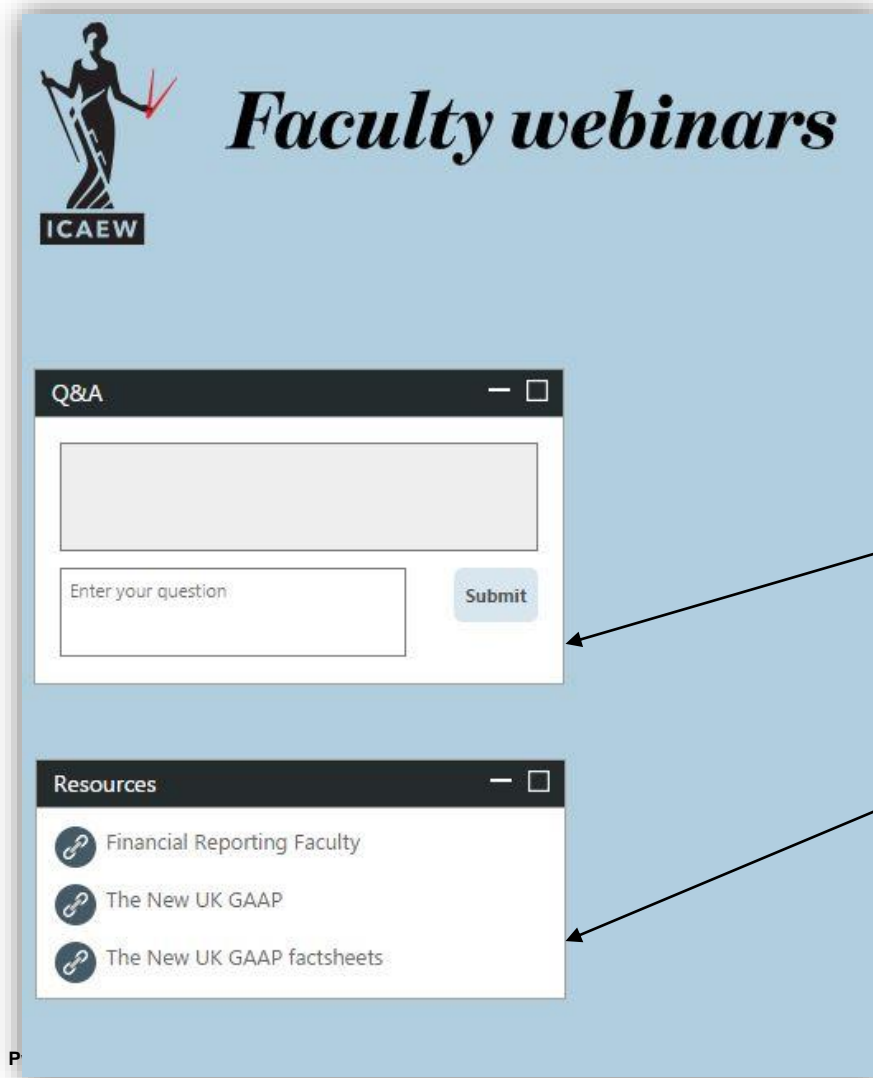
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COVID-19 – accounting and reporting implications

FRC focus areas

IFRS 16 Leases implementation – common pitfalls

IFRS 17 Insurance contracts

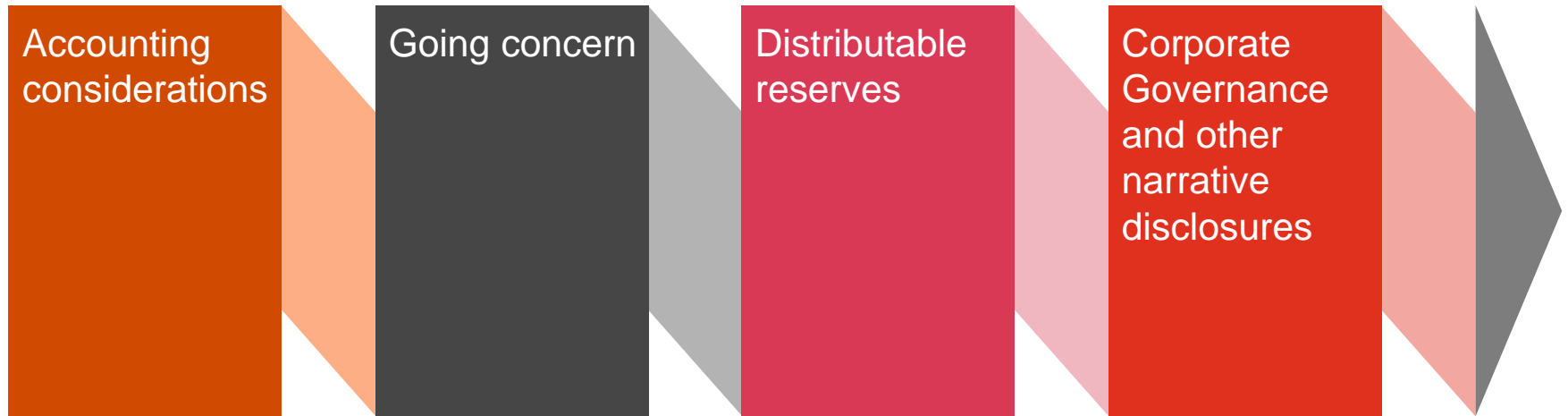
Other accounting-related changes effective 2020

Other accounting-related developments

1

COVID-19 -
Accounting and
reporting
implications

COVID-19 – Implications on financial reporting



COVID-19 – Corporate reporting implications

What to report?

Impact and relevance to business

- Business, industry, geography
- Financial structure and position
- Government support schemes
- 'Uncertainty timeline'
- Risk management and internal control

Liquidity and solvency

- Revenue and cost base
- Debt maturity and cash availability/ restrictions
- Forecasting
- Covenants
- Financing needs/plans
- Judgements and estimates
- Material uncertainties
- Assumptions and degree of confidence for viability

Shareholder priorities

- Capital allocation decisions
- Safeguarding the longer term success of the business
- Understanding the role of the board and of management

Other stakeholder management

- Treatment of key stakeholder groups in line with established culture and values of the organisation

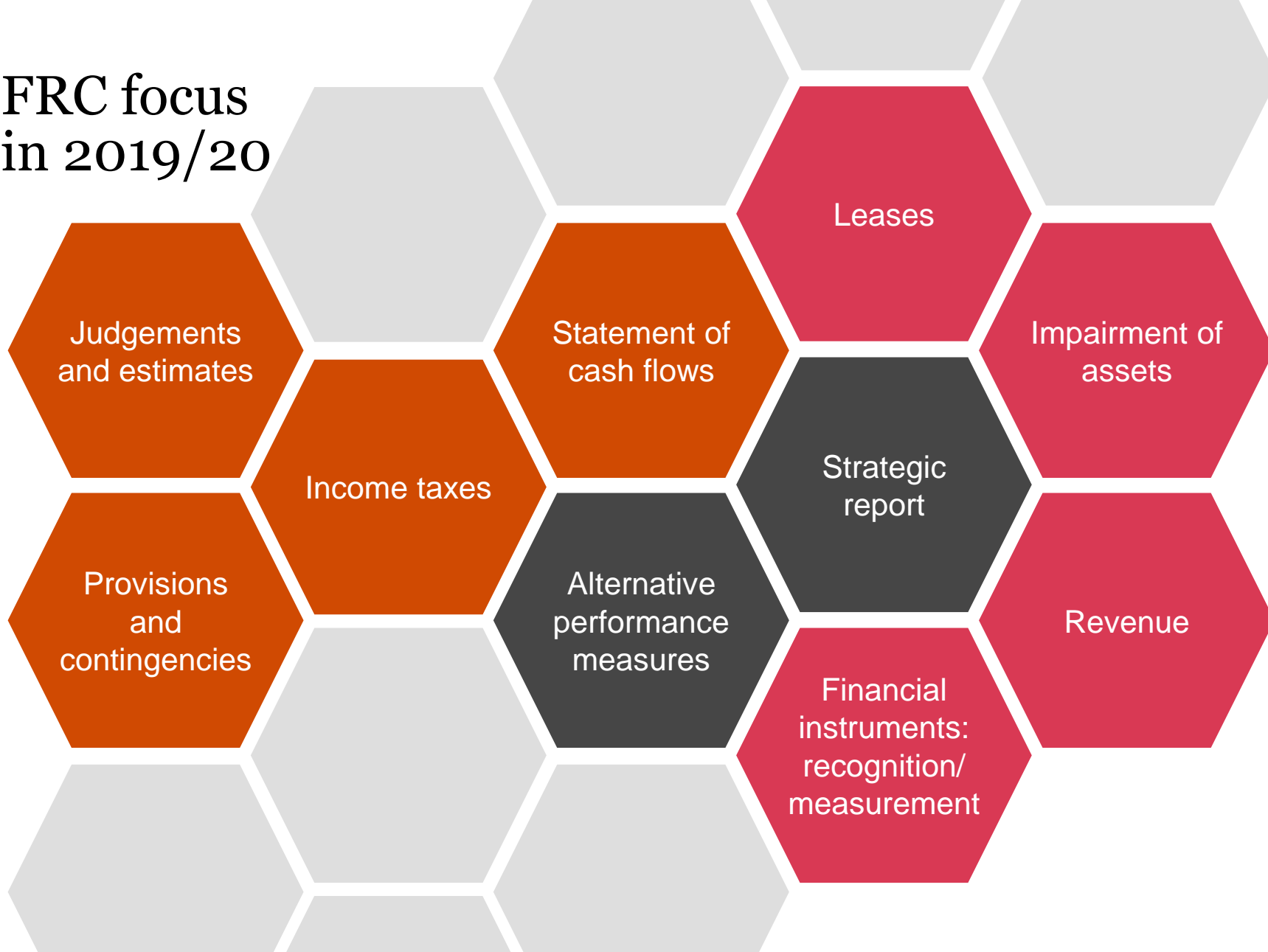
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FRC focus areas

Poll question

What is the number one area that the FRC raised substantive questions on in the 2019 annual review of Corporate reporting?

FRC focus in 2019/20



FRC new focus areas for 2020/21

Areas



- IFRS 16: review of disclosures in the first year of implementation
- **Cash flows and liquidity disclosures**
- IFRS 15: a deeper dive
- The effects of the decision to leave the EU on companies' disclosures
- COVID-19 *

Target industry sectors

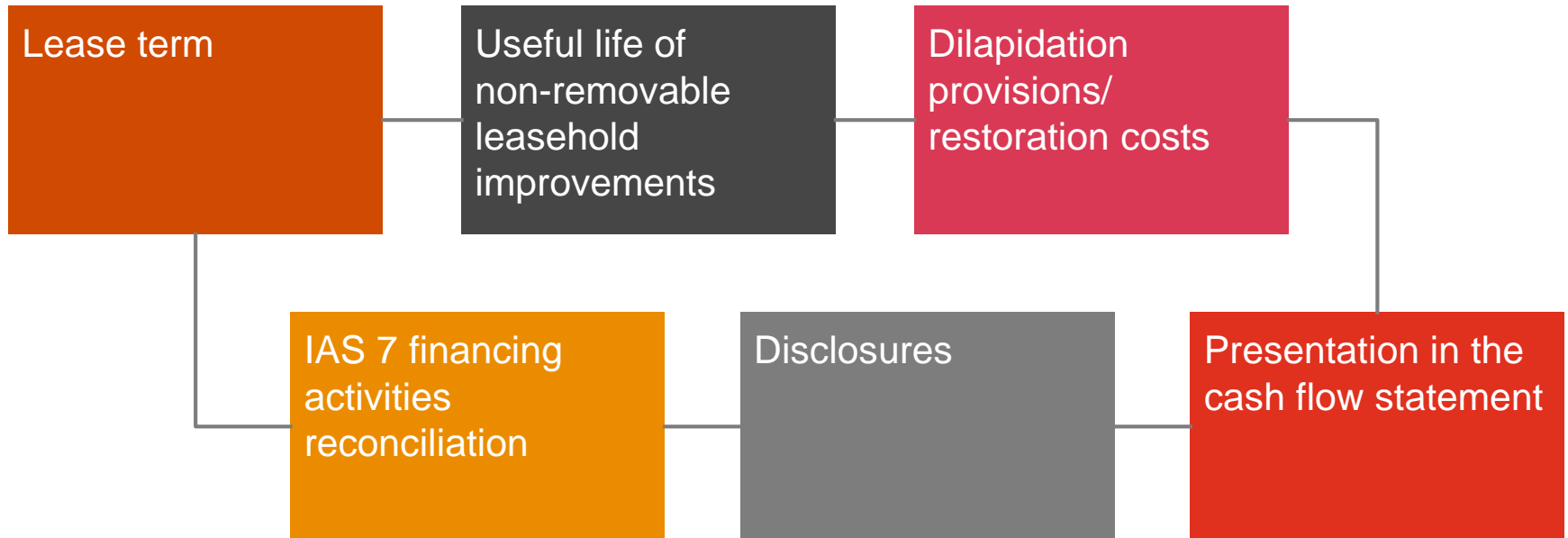


- Financial Services
- Retail, including Retail Property and Travel & Leisure
- Construction and Materials
- Manufacturing

3

IFRS 16 Leases:
implementation –
common pitfalls

IFRS 16 Leases: implementation – common pitfalls



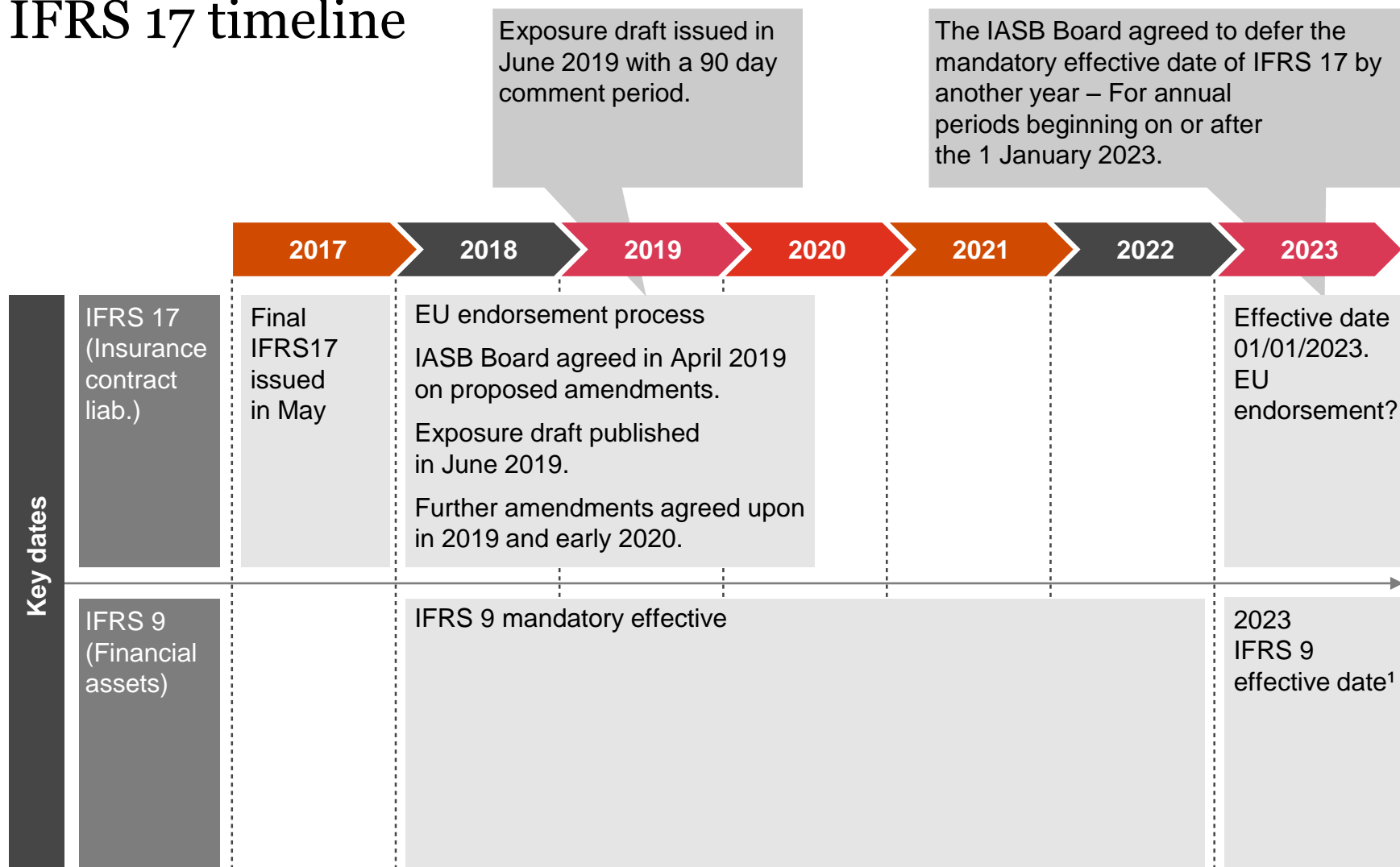
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IFRS 17 – Insurance contracts

Poll question

IFRS 17 - do you think it is going to impact you?

IFRS 17 timeline



¹ Deferral of final mandatory effective date for insurers to align with IFRS 17 effective date.

Are you caught?

IFRS 17 is not just applicable to insurance companies, but to all insurance contracts issued

1

Scope exclusions:

- Product warranties issued by the manufacturer, dealer or retailer
- Residual value guarantees (e.g. leases and equity release mortgages)
- Financial guarantee contracts
- Fixed fee service contracts
- Credit card contracts

2

The following are examples of contracts that might be in scope:

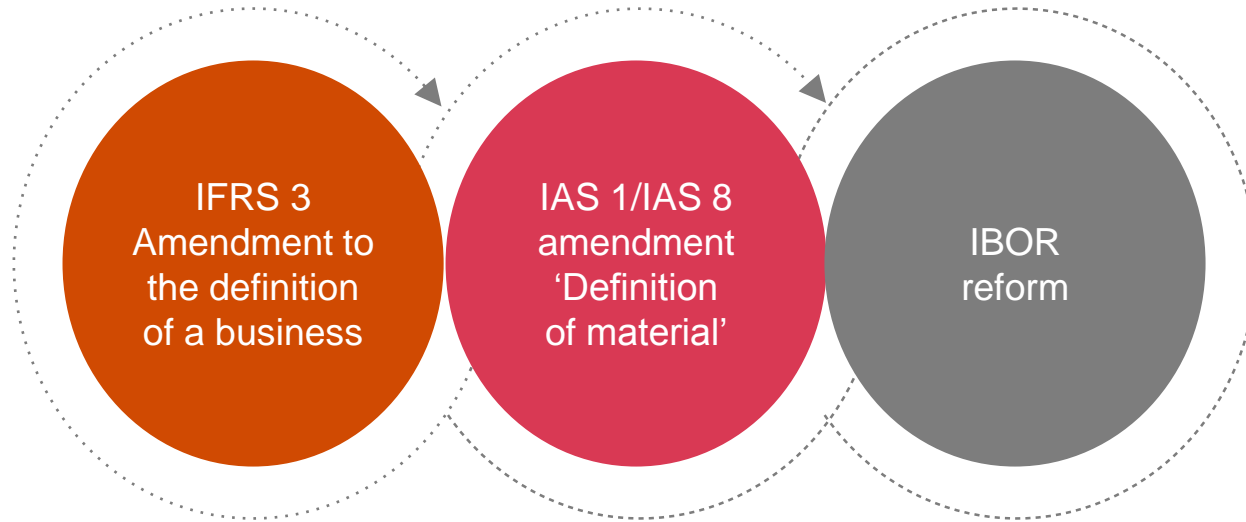
- insurance add-ons sold by car rentals and storage facilities
- warranty contracts issued by a party other than the manufacturer, dealer or retailer
- prepaid funeral plans
- travel insurance

3

5

Other accounting
related changes
effective 2020

Other accounting related changes effective 2020



IBOR reform

Phase I

- Considers reliefs to hedge accounting in the period before the reform
- Phase 1 amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform
- Effective date: Annual periods beginning on or after 1 January 2020 (early adoption permitted)

Phase II

- Address issues that arise once the existing interest rate is replaced with an alternative interest rate
- Exposure draft issued in April 2020
- Proposes amendments to specific requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:
 - (a) modifications of financial assets and financial liabilities, including lease liabilities;
 - (b) hedge accounting; and
 - (c) disclosures.

6

Other accounting
related developments

Primary financial statements – IASB proposals

Required/defined subtotals

- a. Operating profit
- b. Operating profit and share of profit or loss of integral equity method investees
- c. Profit before financing and income tax

Management Performance Measures (MPM)

Disclosed in notes (and also it can be included in addition in the statement of financial performance only if they comply with IAS1)

Reconciliation between the MPM and the most directly IFRS comparable subtotal in a single note

EBITDA

‘Operating profit before depreciation and amortisation’ is not considered MPM

Continued diversity (not all the entities will disclose EBITDA)

Primary financial statements – IASB proposals (cont.)

Statement of cash flows

Eliminate options for the classification of cash flows from interest and dividends

Must use operating profit as the starting point in the indirect method

Disaggregation

Improved principles, definitions and guidance on aggregation (e.g. other balances)

Present primary analysis by nature or by function, whichever provides the most useful information (not a free choice)

Disclosure of unusual income and expenses

Define unusual income and expenses (those with limited predictive value)

Does not affect whether it is included in operating profit

Income statement – Example (by nature)

Revenue	X	
Changes in inventories of finished goods and work in progress	X	Operating
Raw material and consumables used	X	
Employee benefits expense	X	
Amortisation expense	X	
Depreciation expense	X	
Impairment of property, plant and equipment	X	
Operating profit	X	
Share of profit of integral A and JVs	X	
Operating profit and share of profit or loss of integral A and JVs	X	
Changes in the fair value of financial assets	X	Investing
Dividend income	X	
Share of profit of non-integral A and JVs	X	
Profit before financing and income tax	X	
Interest income from cash and cash equivalents	X	Financing
Expenses from financing activities	X	
Unwinding of discount on pension liabilities and provisions	X	
Profit before tax	X	

Next steps



UK endorsement models

No change until end of
Transition Period
(31 December 2020)

1

UK-adopted IFRS is
identical to EU adopted
IFRS as at the end of the
Transition Period

2

Continue to use EU
adopted IFRS until first
year commencing after
end of Transition Period;
UK adopted IFRS
thereafter

3

Draft legislation aims to
permit earlier adoption of
UK adopted IFRS

4

Currently, power to adopt
UK IFRS rests with the
Secretary of State. Will be
delegated to an
Endorsement Board at
some point

5

Changes to reporting
exemptions where
dependent on location of
parent

6

Thank you

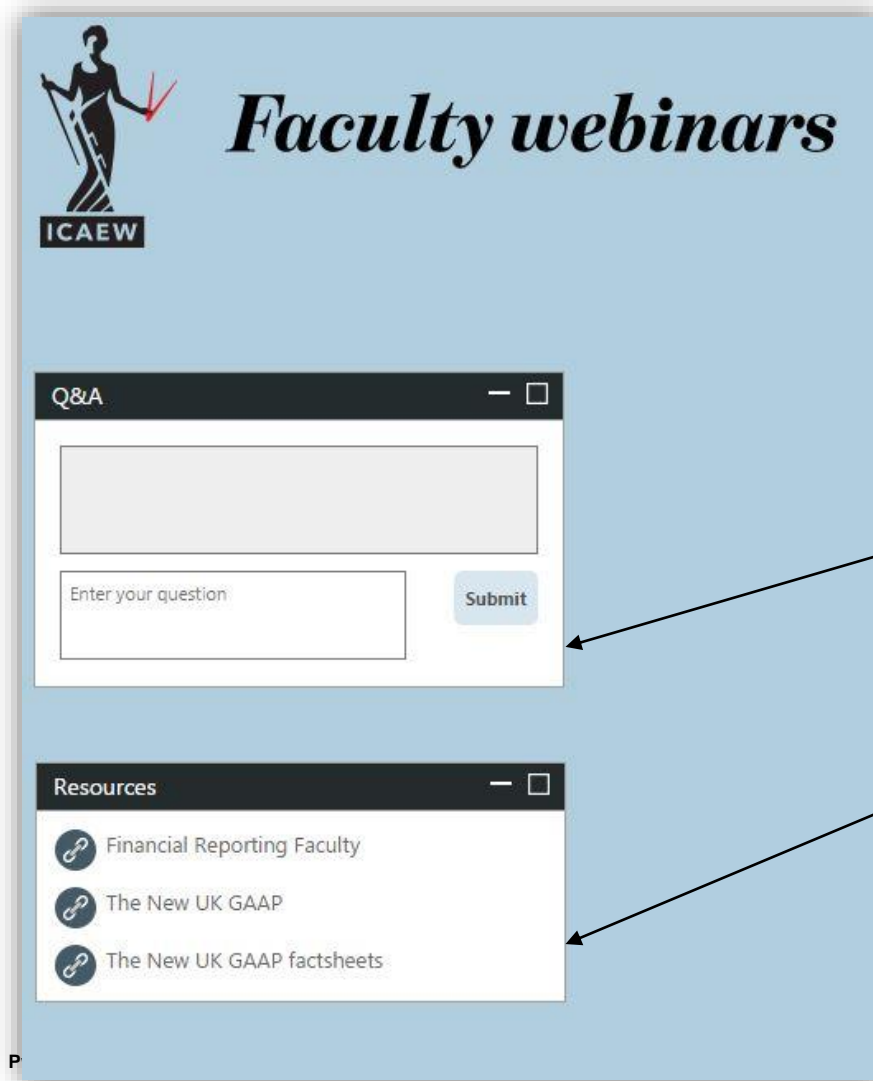
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Faculty resources

icaew.com/ifrsstandards

icaew.com/ifrsfactsheets

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2019 IFRS ACCOUNTS
IFRS FACTSHEET

Practical help in a complex world

Published 13 June 2019
Last updated 13 June 2019

2019 IFRS Accounts
This factsheet highlights new and modified requirements for preparers of IFRS accounts. The factsheet deals primarily with new requirements with mandatory application for annual periods beginning on or after 1 January 2019.

Key regulations for this factsheet
This factsheet includes links and references to key regulations. There's a summary of the links, and guidance on how to use them, on page 2.

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Section 1
Introduction

Significant changes mandatory for 2019 and beyond
The most significant change for 2019 is the new leasing standard, IFRS 16 Leases, which will bring more leases on to the balance sheet for the lessee. IFRIC 23 *Uncertainty over Income Tax Treatments* and a number of narrow-scope amendments are also mandatory from 2019. Although not mandatory until before 2021, the new standard on insurance contracts may affect more entities than might at first be expected. The impact of these new standards should be considered carefully sooner rather than later.

Accounting periods beginning before 1 January 2019
Preparers of accounts for accounting periods beginning before 1 January 2019 should refer to the factsheet *2018 IFRS Accounts*.

Other regulatory changes
This factsheet does not cover other regulatory changes. Entities in the UK can find out more information about such changes in our *UK Regulation for Company Accounts factsheet*.

IFRS accounting standards

International Financial Reporting Standards (IFRSs) are accounting standards and interpretations published by the International Accounting Standards Board (IASB). The standards tracker is a unique tool which allows faculty members to identify quickly and easily the version of a standard which is applicable to a particular accounting period.

For members of the Financial Reporting Faculty to have direct access to the electronic versions of IFRS, you need to have first [logged into eIFRS](#).

IFRS standards
IAS standards
IFRIC standards
SIC standards
IFRS for SMEs

IFRS standards trackers

IFRS standards trackers.

International Financial Reporting Standards (IFRSs)

Financial Reporting Faculty members are reminded that to access electronic versions of IFRS through the links in these standard trackers you need to have first logged into eIFRS.


- > IFRS 1 First-time Adoption of IFRS
- > IFRS 2 Share-based Payment
- > IFRS 3 Business Combinations
- > IFRS 4 Insurance Contracts
- > IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- > IFRS 6 Exploration For and Evaluation of Mineral Rights
- > IFRS 7 Financial Instruments: Disclosures
- > IFRS 8 Operating Segments
- > IFRS 9 Financial Instruments
- > IFRS 10 Consolidated Financial Statements
- > IFRS 11 Joint Arrangements
- > IFRS 12 Disclosure of Interests in Other Entities
- > IFRS 13 Fair Value Measurement
- > IFRS 14 Regulatory Deferral Accounts

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Bitesize Briefings

COVID-19 series



Webinars

10 July: IFRS Standards and climate-related disclosures

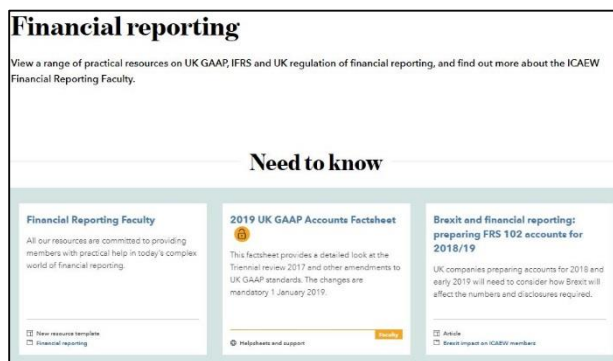
17 September: IFRS 16 – implementation lessons



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Questions



Andrea Allocco
Partner
PwC



Satya Beekarry
Director
PwC

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Contact the Financial Reporting Faculty

+44 (0)20 7920 8533

 frfac@icaew.com

