



# IFRS Pulse

Ιανουάριος | Μάρτιος 2020

## IFR bulletins & IFRS News

### BDO IFR Bulletins

#### BDO Releases IFRS Bulletin 2019/04 - IFRIC Issues Final Agenda Decision for an Assessment of the Lease Term (IFRS 16)

BDO has released a new IFRB Bulletin on the impact of a final agenda decision arising from the November 2019 meeting of the IFRS Interpretations Committee ('the Committee'). At the November meeting, the Committee concluded that in determining the enforceable period of a lease, entities must consider the broader economics of an arrangement and not only contractual 'penalties'.

This decision may have broad reaching effects for entities, particularly for lessees with 'month to month' or related party leases where there is not a defined contractual end date. It may also affect the assessment of the lease term when entities have significant leasehold improvements installed in leased space, since the agenda decision clarifies that these types of potential economic penalties (i.e. abandoning leasehold improvements) may affect the assessment of the lease term.

Please click [here](#) to be redirected to the BDO Global IFRS micro-site to access the suite of BDO IFR Bulletins.

#### BDO Releases Online Course on November 2019 IFRIC Meeting

BDO has published an interactive e-course on the IFRS Interpretations Committee's November 2019 meeting. The course focuses on the effect of the IFRIC's final agenda decision 'lease term and useful life of leasehold improvements (IFRS 16 and IAS 16). The Committee's decision may have wide reaching effects on an entity's assessment of the lease term under IFRS 16, especially for leases that are cancellable or 'month to month'.

The online course can be accessed [here](#).

#### BDO Releases online course on IFRIC 23 Uncertainty over income tax treatments

BDO has released an interactive online course on IFRIC 23. The course explains the scope and implications of IFRIC 23, along with a number of examples in an interactive guide to the standard.

The online course can be accessed [here](#).

#### BDO has released a new IFR Bulletin ('IFRB') - IASB Issues Amendments to IAS 1 - Classification of Liabilities as Current or Non-current.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022. The IFRB explains the impact of the amendments with practical examples.

These amendments may significantly affect how some entities classify liabilities as current or non-current in their financial statements. Therefore, entities must assess the impact of the amendments quickly to ensure the effects are understood. In some cases, entities may wish to renegotiate certain agreements, covenants and arrangements if the amendments could result in the reclassification of certain liabilities from non-current to current.

The IFRB may be accessed [here](#).

#### BDO Releases IFRB 2020/02 - Potential Effects of the Coronavirus Outbreak on 31 December 2019 Year-end Financial Reporting

BDO has published an IFR Bulletin ('IFRB') on the potential effects of the coronavirus on 31 December 2019 year-end financial reporting.

The IFRB discusses the effects of the coronavirus and how they may interact with applicable IFRSs, including IAS 10 and other standards. The IFRB provides guidance on the financial impact of the coronavirus generally being a non-adjusting event in accordance with IAS 10, since significant developments concerning the virus did not take place until January 2020.

The publication can be accessed on BDO's IFRS Reporting Hub [here](#).

### BDO releases IFRB 2020/03 on the potential effects of the coronavirus outbreak on 2020 onward

BDO has issued further guidance applicable to periods ending in 2020 onward.

Coronavirus/COVID-19 is having an unprecedented impact on entities in nearly every sector and industry worldwide. For entities with reporting periods ending after 31 January 2020, the effects of the outbreak will have to be considered in impairment calculation, revenue recognition, going concern disclosures and much more. Regulators and professional bodies have also been issuing communications regularly, which are summarised in the following publications.

The IFR Bulletin may be accessed [here](#).

### BDO releases IFRB 2020/04 - IASB Concludes on Amendments to IFRS 17, Insurance Contracts

BDO has released an IFR Bulletin on the IASB final conclusions on the amendments to IFRS 17, Insurance Contracts. At its March 2020 meeting, the IASB concluded all technical discussions relating to the amendments to IFRS 17, including the decision to defer its effective date to 1 January 2023. Staff will finalise drafting, with the final amendments to be issued by the end of Q2 2020.

The publication may be accessed [here](#).

### BDO releases online training on amendments to IAS 1 affecting the classification of liabilities

BDO has released an online course that provides guidance on the recent amendments to IAS 1 affecting the classification of liabilities as current vs. non-current. The course includes a number of interactive examples and scenarios that illustrate the impact of the amendments, which are effective for annual reporting periods beginning on or after 1 January 2022.

The course may be accessed [here](#).

All of BDO's IFR Bulletins may be accessed [here](#).



## IASB News

### January IFRS Interpretations Committee Update available

The January 2020 IFRIC update has been published. The committee finalised one agenda decision on definition of a lease - shipping contracts (IFRS 16). The agenda decision clarifies how an entity assesses whether it has the right to direct the use of an asset, which is one of the conditions required for a contract to meet the definition of a lease.

The IFRIC update can be accessed [here](#).

### IASB consults on approach to updating IFRS for Small and Medium Entities (IFRS for SMEs)

The IASB has issued a request for information (RFI), which seeks input from stakeholders on whether and how IFRS for SMEs should be aligned with full IFRS Standards. The RFI lays out a number of potential approaches to updating IFRS for SMEs, which have not been modified for a number of years. The RFI also seeks views on whether IFRS for SMEs should be updated for a number of new IFRSs that have been issued since the last update to the standards, such as IFRS 9, IFRS 15 and IFRS 16. Responses are to be submitted by 27 July 2020.

The comprehensive review document may be accessed [here](#) and a summarised 'snapshot' can be accessed [here](#).

### January 2020 IASB Update Available

The January 2020 IASB Update has been published, which provides an overview of the activities of the IASB the IFRIC.

The update may be accessed [here](#).

### IASB Issues Webinar on General Presentation and Disclosure Exposure Draft

The IASB has released a 45 minute webinar that summarises the proposals in the general presentation and disclosure exposure draft. The exposure draft is open for public comment until 30 June 2020. The proposed new IFRS standard would replace IAS 1 and includes several significant proposals that would affect how entities present the statement of financial performance, management performance measures (MPMs) as well as other potentially significant changes.

The webinar may be accessed in English [here](#).

### February IASB Update posted

The February IASB update has been posted, which includes a summary of the IASB's 26-27 February 2020 meeting. Topics included:

- Amendments to IFRS 17 Insurance Contracts
- IBOR Reform and the Effects on Financial Reporting—Phase 2
- Disclosure Initiative—Targeted Standards-level Review of Disclosures
- Disclosure Initiative—Accounting Policies
- Maintenance and consistent application
- Business Combinations under Common Control

The update may be accessed [here](#).

### IASB issues Discussion Paper 2020/1: Business Combinations - Goodwill and Impairment

The IASB has issued a discussion paper on how companies account for acquisitions and the subsequent accounting for goodwill that arises from business combinations. IFRS 3, Business Combinations was issued in 2004, and the discussion paper aims to evaluate how IFRS 3 has served the needs of financial statements users since it became effective. A discussion paper precedes an eventual exposure draft, which may be an outcome if the IASB feels that standard setting should be undertaken to change the existing requirements of IFRS 3.

Key aspects of the discussion paper include the following preliminary views:

- The need for improved disclosures for business combinations, which would allow users of financial statements to evaluate the performance of acquisitions against the intentions and targets established by management;
- The retention of the fundamental accounting model for goodwill (i.e. record and impair), meaning the Board's preliminary views reject the reintroduction of an amortisation approach for goodwill;
- A requirement that entities present a 'total equity before goodwill' in the statement of financial position, essentially 'carving out' the amount of total equity attributable to the carrying value of goodwill; and
- Targeted improvements to the existing goodwill impairment test, including allowing a post-tax discount rate to be used, removing the restriction on including cash flows from uncommitted future restructurings and asset enhancements, and relief from the requirement to perform the test annually if no indicators of impairment exist.

The publication may be accessed [here](#). A summarised 'snapshot' may be accessed [here](#).

### March 2020 IASB update published

The March IASB update has been posted, which highlights the activities of the IASB and IFRIC during March 2020. The update discusses:

- Amendments to IFRS 17;
- Rate-regulated activities; and
- Management commentary.

The update may be accessed [here](#).

### ESMA

#### ESMA Recommends action by financial market participants for COVID-19 impact

The Board of Supervisors met to discuss the market situation and contingency measures related to the effects of COVID-19. ESMA has decided to make recommendations related to financial market participants on the following topics:

- Business continuity planning;
- Market disclosures;
- Financial reporting; and
- Fund management.

The article may be accessed [here](#).

#### ESMA issues guidance on accounting implications of COVID-19 specific to ECL

ESMA has issued a public statement on the audit implications of the COVID-19 outbreak on the calculation of expected credit losses ('ECL') under IFRS 9. The document includes ESMA's views on a number of areas, including:

- Accounting for the modifications resulting

from the introduction of support measures by governments;

- Assessment of whether a significant increase in credit risk has occurred;
- ECL estimation;
- Public guarantees on issuers' exposures; and
- Disclosures.

The public statement may be accessed [here](#).

## IFRS Intelligence & IFRS in Practice

### IFRS in Practice

#### BDO Publishes IFRS In Practice: Distinguishing between a business combination and an asset purchase in the extractives industry (2019/2020)

BDO has published an update to its publication IFRS In Practice: Distinguishing between a business combination and an asset purchase in the extractives industry (2019/2020).

This publication is updated for the amendments made to IFRS 3, Business Combinations and includes examples of how to apply the revised definition of a business to the extractives industry. It also contains information on the practical implications of whether an acquisition is accounted for as a business combination or not.

The publication can be accessed [here](#).

#### BDO Releases IFRS In Practice: IAS 7 (2019/2020)

BDO has released an updated version of IFRS In Practice for IAS 7, Statement of Cash Flows. The

updated edition includes expanded guidance on the preparation of the statement of cash flows, including new guidance relating to the impacts of IFRS 16 on the statement.

This version of IFRS In Practice is also the first to be issued under a new visual format. The table of contents includes hyper-links to every section of the publication, with links at the top of every page to allow easy navigation. BDO comments are also clearly set apart from the body of the publication.

The publication can be accessed on BDO's IFRS Reporting Hub [here](#).

### BDO Releases update to Illustrative Financial Statements as at 31 December 2019

BDO has released an update to its illustrative IFRS financial statements ('A Layout') as at 31 December 2019. This update includes an example disclosure relating to the amendments to IAS 1 issued by the IASB in January 2020 (please see page 43 of the publication). Details on these amendments can be found in BDO's IFR Bulletin 2020/01, which is available [here](#).

This disclosure was added to satisfy the requirements of IAS 8.30, as many entities may issue their 31 December 2019 financial statements subsequent to the amendments to IAS 1 being issued. Entities should customise the illustrative disclosures to their particular circumstances.

The illustrative financial statements may be accessed [here](#).

### BDO Releases IFRS In Practice: IFRS 11 (2019/2020)

BDO has published an update to IFRS In Practice: IFRS 11. This update includes numerous examples and insights relating to IFRS 11, including IFRIC agenda decisions and a section discussing the interaction between IFRS 11 and IFRS 16.

The publication may be accessed [here](#).

All of BDO's IFRS In Practice publication may be accessed [here](#).

All illustrative financial statements may be accessed [here](#).



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