



# IFRS Pulse

Ιανουάριος | Μάρτιος 2021

## IFR bulletins & IFRS News

### BDO IFR Bulletins

#### **IFR Bulletin 2021/07 - IASB Issues Amendments to IAS 1, IAS 8 and IFRS Practice Statement 2**

BDO has released IFR Bulletin 2021/07 summarising the recent amendments to IAS 1, IAS 8 and IFRS Practice Statement 2, issued by the IASB in February 2021. These amendments clarify the distinction between an accounting estimate and an accounting policy and modify IAS 1 to require only the disclosure of material accounting policy information rather than significant accounting policies.

This IFRB answers a number of questions about the amendments as well as provides numerous examples.

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

#### **IFR Bulletin 2021/06 - Classification of Liabilities as Current or Non-Current: FAQs**

BDO has released IFR Bulletin 2021/06 summarising the current requirements of IFRS for classifying liabilities as current or non-current.

COVID-19 has resulted in significant financial difficulties for many entities, which has raised questions about how financial liabilities like bank loans should be classified. The publication includes over a dozen examples of how entities should classify liabilities, including the effects of covenants, changes to covenants, rollover provisions, convertible notes and other common scenarios should be accounted for.

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

#### **IFR Bulletin 2021/05 - IASB proposes extension to COVID-19 Practical Expedient (IFRS 16)**

BDO has released IFR Bulletin 2021/05 summarising the IASB's proposal to extend to the time period over which the practical expedient in IFRS 16 (COVID-19 related rent concessions) is available for use.

The IASB are proposing to extend the criterion for applying the practical expedient to concessions that reduce lease payments originally due on or before 30 June 2022 (criterion was originally 30 June 2021). The IASB is planning to issue an exposure draft as soon as possible with a 14-day comment period.

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

#### **IFR Bulletin 2021/04 - IASB publishes Exposure Draft - Regulatory Assets & Regulatory Liabilities**

BDO has released IFR Bulletin 2021/04 summarising the requirements of the Exposure Draft of a new standard Regulatory Assets & Regulatory Liabilities published by the IASB. This standard would be intended to replace IFRS 14 Regulatory Deferral Accounts.

The ED proposes that the 'total allowed compensation' to which an entity conducting rate regulated activities is entitled for the goods and services supplied in a period should be reflected in the financial performance in the same period. This would be achieved by recognising regulatory assets and regulatory liabilities in the statement of

financial position and regulatory income and regulatory expense in the statement of financial performance.

The proposed standard is expected to have a significant effect on entities in rate regulated sectors such as power, telecommunication, public infrastructure, public transport. Particularly for entities that are currently not accounting for regulatory deferral account balances as permitted by IFRS 14 in limited circumstances, the proposed standard may significantly affect financial performance metrics and ratios.

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

#### **IFR Bulletin 2021/03 - Going Concern - IFRS Foundation publishes guidance on disclosures**

BDO has released IFR Bulletin 2021/03 summarising the educational material issued by IASB with respect to going concern assessment and related disclosures.

The COVID-19 pandemic has resulted in a stressed economic environment on an unprecedented scale in recent history. As a result, going concern assessments may require a greater degree of judgement than usual. To support consistent application of IAS 1 Presentation of Financial Statements, the IFRS Foundation has published educational material which highlights specific going concern disclosure requirements and overarching disclosure principles of IAS 1. The Bulletin summarises the issues addressed in the educational material.

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

#### **IFR Bulletin 2021/02 - Hyperinflationary Economies for the period ended 31 December 2020**

BDO has released IFR Bulletin 2021/02 identifying hyperinflationary economies based on the forecast data published by the IMF.

The financial statements of an entity, with a functional currency being the currency of a hyperinflationary country, need to be restated in accordance with IAS 29 Financial reporting in hyperinflationary economies. In October 2020, IMF published the inflation forecasts for the year 2020. Based on this data, the Bulletin summarises the economies identified as hyperinflationary for the year 2020. The Bulletin also provides a 'watch list' of economies that are at a risk of becoming hyperinflationary in future.

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

#### **IFR Bulletin 2021/01 - 31 December 2020 year-end IFRS update**

BDO has released IFR Bulletin 2021/01 summarising the activities in standard setting by IASB during the year 2020. The Bulletin provides a concise list of standards and amendments that became effective during the last year or will become effective in the coming years. It also provides a snapshot of IASB's standard setting projects, maintenance projects and research projects as well as IFRS Interpretation Committee's activities, including IFRIC agenda decisions.

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

## IASB News

### IASB issues amendment to IFRS 16 to extend practical expedient for COVID-19 related rent concessions by one year

The IASB has published Covid-19-Related Rent Concessions beyond 30 June 2021, which amends IFRS 16 Leases.

The amendment extends the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The practical expedient provided by the amendment to IFRS 16 issued in May 2020 was available for reductions in

lease payments that affected only payments originally due on or before 30 June 2021. The current amendment extends this period to 30 June 2022.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not authorised for issue at 31 March 2021.

The amendment is to be applied retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the

lessee first applies the amendment.

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

### IASB publishes Exposure Draft Disclosure Requirements in IFRS Standards - A Pilot Approach

In response to stakeholders demands for more relevant and effective disclosures in the financial statements, IASB has proposed a new approach to developing the disclosure requirements in IFRS Standards.

The new approach is written as draft guidance for use by the Board when developing disclosure requirements in individual Standards. In applying the guidance, the Board aims to enhance greater investor engagement to understand the information needs, give greater prominence to the objective of disclosure requirements and help companies focus on disclosing material information only.

The Exposure Draft released by the IASB includes the proposed approach to developing disclosure requirements and the proposed amendments to the disclosure requirements in IFRS 13 Fair Value Measurement and IAS 19 Employee Benefits, which have been developed following the new approach.

Comments on the Exposure Draft are requested by 21 October 2021.

The Exposure Draft may be accessed [here](#). A snapshot of the proposals may be accessed [here](#). The IASB has also released a short video introducing the proposals, which may be accessed [here](#).

### IASB issues Disclosure of Accounting Policies (amendment to IAS 1 and IFRS Practice Statement 2) and Definition of Accounting Estimates (amendment to IAS 8)

The IASB has issued following amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:

#### 1. Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2:

In order to help entities apply materiality judgements to accounting policy disclosure, the IASB has amended paragraphs 117-122 of IAS 1, which will require entities to disclose their material accounting policies rather than their significant accounting policies. To support this amendment, the IASB has also amended IFRS Practice Statement 2 to explain and demonstrate the application of the 'four-step materiality process' to accounting policy disclosures.

#### 2. Definition of Accounting Estimates, which amends IAS 8:

Entities find it difficult to distinguish between a change in accounting policy and a change in accounting estimate, especially when it relates to a change in a measurement method. Therefore, to help entities distinguish accounting policies from accounting estimates, the IASB has amended IAS 8 to introduce a definition of 'accounting estimates' and provide other clarifications.

The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The press release by the IASB on these amendments may be accessed [here](#).

### IFRS Foundation Trustees announce next steps in response to broad demand for global sustainability standards

The Trustees of the IFRS Foundation met on 1 February 2021 to review responses to the first three questions asked by their consultation paper on sustainability reporting. The responses indicate a growing demand for global sustainability standards and for IFRS Foundation to play a role in developing the standards. The Trustees agreed that a Trustee Steering Committee be formed to oversee the next phases of work.



The Trustees intend to produce a definitive proposal, including a roadmap with timelines, by the end of September 2021, and may announce the establishment of a sustainability standards board at the meeting of the United Nations Climate Change Conference COP26 in November 2021.

Detailed information on sustainability reporting project is available [here](#).

### IASB proposes new standard on rate regulated activities

The IASB has released Exposure Draft (ED) of a new standard - Regulatory Assets and Regulatory Liabilities that would replace IFRS 14 Regulatory Deferral Accounts.

The proposed standard is intended to give investors better information about the financial performance of companies subject to rate regulation.

In rate regulated activities, in some cases, the period when a company supplies goods or services differs from the period when the company can charge customers for those goods or services and consequently differs from the period when the company reports revenue in its income statement. The current IFRSs do not require companies to give information about these timing differences in the financial statements.

The proposed standard introduces a requirement of reporting regulatory assets and regulatory liabilities in the balance sheet, and related regulatory income and regulatory expense in the income statement; thereby providing a more complete picture to the investors.

The ED can be accessed [here](#). It is open for comments until 30 June 2021.

The IASB has also provided a [snapshot](#) of the proposals and a [debrief video](#) that introduces the proposed requirements.

### IFRS Foundation publishes educational material on going concern requirements

IFRS Foundation has published educational material to support consistent application of IFRS stan-



dards with respect to going concern assessments.

In the current stressed economic environment, resulting from COVID-19 pandemic, going concern assessments may require a greater degree of judgement than usual. This education material elaborates the requirements of IAS 1 Presentation of Financial Statements, with a focus on the interactions of the overarching disclosure require-

ments of IAS 1 with the specific going concern requirements.

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



### EFRAG / ESMA / IOSCO / IVSC

#### IOSCO issues statement on Going Concern Assessment and Disclosures during the COVID-19 pandemic

The International Organization of Securities Commissions (IOSCO) has issued a statement of Going

Concern Assessment and Disclosures during the COVID-19 pandemic.

In the statement, the IOSCO has welcomed the educational material issued by IASB in January 2021 on going concern disclosures. The IOSCO has emphasised the importance of providing complete information to investors about the significant judgements that may have been exercised in going concern assessments by management, especially related to mitigation of material uncertainties about the entity's ability to continue as a going concern.

The IOSCO has also discussed the implications for auditors, including reporting requirements of Key Audit Matters (KAMs) which may deal with going concern, significant judgements and material uncertainties in the current economic environment.

The IOSCO has reminded issuers, audit committees and/or those charged with governance (TCWG), and external auditors of the important role each plays in providing investors with high quality, reliable, timely, and transparent financial information.

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

#### IOSCO expresses an urgent need for globally consistent, comparable and reliable sustainability disclosure standards

The International Organization of Securities Commission (IOSCO) Board met on 24 February 2021 and discussed the progress made over the past year by its Sustainable Finance Task Force (STF).

The IOSCO has released a statement, expressing an urgent need for globally consistent, comparable and reliable sustainability disclosure standards.

The IOSCO Board has identified following three priority areas for improvement in sustainability-related disclosures:

- Encouraging Globally Consistent Standards
- Promoting Comparable Metrics and Narratives
- Coordinating Across Approaches

To advance these priorities, IOSCO will engage with IFRS Foundation Trustees with the following objectives:

- Establishing a Sustainability Standards Board (SSB) with a Strong Governance Foundation
- Building on Existing Efforts
- Encouraging a “Building Blocks” Approach

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

### **IOSCO releases a statement on enhancing collaboration between IASB and FASB on accounting for goodwill**

The International Organization of Securities Commission (IOSCO) has released a statement calling for enhanced collaboration between IASB and FASB on accounting for goodwill.

The IOSCO has recently submitted a Comment Letter to the IASB on its Discussion Paper Business Combinations-Disclosures, Goodwill and Impairment. The FASB is also revisiting its requirements on accounting for goodwill.

The IOSCO has observed in its statement that when the requirements under U.S. GAAP are as aligned as possible with those under IFRS on accounting for goodwill, there is greater comparability in financial statements prepared under IFRS and U.S. GAAP. Based on its experience, the IOSCO has called on the IASB and the FASB to work collaboratively to achieve a converged outcome.

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

### **IVSC publishes a Perspectives Paper on ESG and Business Valuation**

The International Valuation Standards Council (IVSC) has published a Perspectives Paper on Environmental, Social and Governance (ESG) factors and business valuation.

The Perspectives Paper observes that ESG factors have become central tenets in the capital allocation process for both the providers of capital and

the users of capital. It notes the initiatives related to ESG framework undertaken by various authoritative bodies/ standard setters including IFRS Foundation, EFRAG, CFA Institute.

The Perspectives Paper emphasises the need to incorporate ESG factors into business valuation framework and discusses approaches towards that objective.

The Perspectives Paper may be accessed [here](#).

### **IVSC publishes Perspectives Paper: Challenges to Market Value**

The International Valuation Standards Council (IVSC) has published a Perspectives Paper - Challenges to Market Value that looks at valuation challenges due to heightened uncertainty in a pandemic world.

The uncertainty permeating all markets has raised some specific challenges such as how does a valuer quantify market value given the lack of market comparable information; where market comparable information is available, have the parties ‘acted knowledgeably, prudently and without compulsion; Does a pandemic environment enable parties to undertake ‘proper marketing’ etc.

The Perspectives Paper may be accessed [here](#).

### **EFRAG launches survey relating to the post-implementation review of IFRS 10, 11 and 12 by IASB**

In December 2020, IASB issued a request for information (RFI) as part of its post-implementation review (PIR) of IFRS 10, 11 and 12.

With the aim of providing inputs to this RFI, EFRAG has launched a survey on the application of these Standards. The survey addresses a number of areas of the Standards that have been identified as potentially unclear or open to significant judgement.

The survey contains separate questions for preparers and users of financial statements. Auditors, standard setters and regulators are also invited to participate in the survey.

Responses to the survey are requested by 16 April 2021.

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

### **Revisions to the International <IR> Reporting Framework published by the International Integrated Reporting Council (IIRC)**

The IIRC has published revisions to the International <IR> Reporting Framework to enable more decision-useful reporting.

The revisions focus on a simplification of the required statement of responsibility for the integrated report; improved insight into the quality and integrity of the underlying reporting process; a clearer distinction between outputs and outcomes; and a greater emphasis on the balanced reporting of outcomes and value preservation and erosion scenarios.

The revised framework may be accessed [here](#).

### **Hyperinflationary economies: IPTF’s latest Discussion Document on Monitoring Inflation in Certain Countries published**

The International Practices Task Force (IPTF) of the Centre for Audit Quality (CAQ) compiles the inflation data by country and categorizes the countries based on their cumulative inflation rates in accordance with the implementation guidance in ASC 830. The categorization criteria followed by IPTF are similar to those under IAS 29 ‘Financial Reporting in Hyperinflationary Economies’.

IPTF’s latest Discussion Document on Monitoring Inflation in Certain Countries (dated November 10, 2020) is now available on CAQ’s website.

The Discussion Document identifies the following countries as having three-year cumulative inflation rates exceeding 100%:

- Argentina
- Iran
- Lebanon

- South Sudan
- Sudan
- Venezuela
- Zimbabwe

The Discussion Document also lists countries in other categories such as countries with projected three-year cumulative inflation rates greater than 100% in current year, countries with three-year cumulative inflation rates exceeding 100% in recent years etc.

The Discussion Document may be accessed [here](#).



## **BDO Publications & IFRS in Practice**

### **IFRS in Practice**

#### **Illustrative Interim IFRS Financial Statements for the quarter ended 31 March 2021**

BDO has released illustrative interim IFRS financial statements for the quarter ended 31 March 2021. These illustrative financial statements include disclosures relating to the effects of COVID-19, as well as an illustration of an entity adopting the recent amendments to IFRS 16 COVID-19 Related Rent Concessions Beyond 30 June 2021.

This publication is a great resource for anyone who must prepare or review interim financial statements.

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

#### **IFRS In Practice 2021/2022: IFRS 10 Consolidated Financial Statements**

Determining whether your company controls another entity is one of the most fundamentally important areas to consider in preparing consolidated financial statements in accordance with IFRS.

BDO's IFRS In Practice 2021/2022: IFRS 10 Consolidated Financial Statements provides a comprehensive overview of IFRS 10 with dozens of examples and insights from BDO's IFRS experts.

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

#### **IFRS in Practice 2021/2022 - Accounting for convertible notes**

Convertible notes are a very common form of financing used by companies to raise capital. These

convertible notes often contain dozens of different clauses, terms and conditions, which may significantly affect how the notes are accounted for in accordance with IFRS, including the important distinction between a financial liability and equity.

BDO's IFRS In Practice publication includes dozens of examples explaining how convertible notes should be accounted for including numerous flowcharts and practice aids, which summarise the requirements of IAS 32 and IFRS 9.

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

#### **ESG and the Business Case for Dealing with Climate Change**

The need for companies to deal with the effects of climate change is growing and has been attracting significant attention from investors who increasingly want to know which companies are well prepared and have sustainable business models in the short, medium and long term, and those which do not.

Refer to BDO's new publication 'ESG, and the business case for dealing with climate change', which explains the business imperative for effective climate reporting by companies and summarises the recommendations of the TCFD.

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

#### **IFRS At a Glance as at 31 December 2020**

BDO has published an update to its IFRS At a Glance publication series, including a brand new visual format. This update summarises all IFRS standards

into a few pages each and includes all IFRS standards and amendments issued up to 31 December 2020.

The complete IFRS At a Glance publication series may be accessed [here](#).

#### **BDO Online Courses**


**BDO releases online course on December 2020 IFRIC Meeting**

BDO has released an interactive online course summarising the final agenda decision arising from the December 2020 IFRIC meeting.

The final agenda decision deals with Supply Chain Financing Arrangements - Reverse Factoring.

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





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