Financial Reporting News

Public Statement on IAS 12 Income Taxes

The European Securities and Markets Authority (ESMA) has published a Public Statement setting out its expectations regarding the application of the requirements relating to the recognition, measurement and disclosure of deferred tax assets arising from unused tax losses in IFRS financial statements.

The Public Statement which can be accessed at www.esma.europa.eu stems from the findings and discussions of the European Enforcers Coordination Sessions (EECS) where a number of cases highlighted that significant divergence exists in the application and enforcement of the requirements on deferred tax losses arising from unused tax losses carried forward.

Source: www.iaasa.ie

Amendments to FRS101 Definition of a Qualifying Entity

In July 2019 amendments were made to FRS 101 which amends the definition of a qualifying entity so that insurers cannot apply FRS 101 from the effective date of IFRS 17 Insurance Contracts. Unlike accounts that apply IFRS in full, those prepared in accordance with FRS 101 must comply with detailed accounting requirements set out in company law. Some of these requirements conflict with the requirements of IFRS 17. This amendment to FRS 101 was necessary to ensure continued compliance with company law that applies to non-IAS accounts. The Amendment to the Standard is available on the CPA website in the Accounting Standards Resource section.

Source: www.frc.org.uk

Amendments to FRS 102

In May 2019 the FRC issued Amendments to FRS 102 – Multi-employer defined benefit plans. These narrow-scope amendments respond to a current financial reporting issue regarding where to present the impact of an employer's transition from defined contribution accounting to defined benefit accounting; it shall be presented in other comprehensive income. The transition is required by FRS 102 when sufficient information about the multi-employer defined benefit plan becomes available for the employer to apply defined benefit accounting for the first time. The amendments do not affect the requirement to recognise the relevant liability (or asset) in relation to the plan.

The amendments are effective for accounting periods beginning on or after 1st January 2020, with early application permitted. The Amendments to the Standard is available on the CPA website in the Accounting Standards Resource section.

Source:www.frc.org.uk

Update on the financial condition of the credit union sector

The Central Bank of Ireland has published its fifth issue of the report on financial conditions of the credit union sector.

Total sector assets continue to rise, now standing at a record high of €18bn. 55 credit unions, with balance sheets of at least €100m, now account for 58% of total sector assets.

The report highlights improvements in the financial position of credit unions at a sectoral level, with a reversal in the decline in loan to asset ratios; a critical driver of income generation. Credit union boards continue to hold reserves in excess of minimum requirements, with the average reserve ratio of 16.5% across the sector.

Incremental changes in the overall lending profile continue to be reported by some credit unions, with early indications of an increase in credit risk appetite and an increase in the proportion of larger loans and loans of a longer duration.

The previously observed loan to asset ratio decline across the sector is beginning to reverse, however it remains close to an historic low level averaging 28% across the sector. Whilst it ranges from 11% to 72% in individual credit unions, given the reliance on loans to generate income, a low loan to asset ratio in some credit unions presents sustainability challenges. The average cost-income ratio across the sector remains high at 78%, highlighting the need for improved efficiencies.

The pace of decline in return on assets across the sector is also of concern given the current benign trading environment. The low loan to asset ratio, coupled with declining investment returns in a prevailing low interest rate environment, have continued to impact on overall returns across the sector.

Total member savings have increased from €11.8bn in 2014 to €15bn in 2019, with average savings per member in the region of €4,400. While credit unions are permitted to hold savings up to €100,000 per member, individual credit unions may set individual savings limits which are below €100,000 to take account of their particular business requirements and strategy.

Source: www.centralbank.ie