

Financial Reporting News

IFRS 16 Leases – accounting for Covid-19 related rent concessions

The International Accounting Standards Board (IASB) has proposed to amend IFRS 16 Leases to make it easier for lessees to account for Covid-19 related rent concessions such as rent holidays and temporary rent reductions.

IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. However, applying those requirements to a potentially large volume of Covid-19 related rent concessions could be practically difficult in light of the many other challenges faced by businesses as a result of the pandemic. The standard requires lessees to assess individual lease contracts to determine whether the concessions are to be considered lease modifications and, if that is the case, the lessee must remeasure the lease liability using a revised discount rate.

Under the proposed amendment lessees would be exempted from having to consider whether particular Covid-19 related rent concessions are lease modifications, allowing them to account for these changes as if they were not lease modifications.

Source: www.ifrs.org

IAASA Publishes Compendium of Financial Reporting Decisions

The Irish Auditing and Accounting Supervisory Authority (IAASA) recently published financial reporting decisions regarding the accounting treatments applied by Bank of Ireland Group plc, Crown Global Secondaries IV plc, Irish Residential Properties REIT plc, Kerry Group plc, Kenmare Resources plc, and Smurfit Kappa Group plc.

The decisions cover a range of accounting matters including:

- IFRS 9 Financial Instruments;
- IFRS 13 Fair Value Measurement;
- IFRS 15 Revenue from Contracts with Customers;
- IAS 1 Presentation of Financial Statements; and
- IAS 36 Impairment of Assets.

Decisions include instances where the company voluntarily agrees to enhance its accounting treatment and/or disclosures in future financial reports to address matters identified in the course of IAASA's examinations. They may also include instances where IAASA agrees with or does not disagree with the accounting treatment applied by the company and, consequently, no corrective actions by the company are required.

The financial reporting decisions for each issuer are included in a compendium of decisions which can be accessed at www.iaasa.ie.

Source: www.iaasa.ie

Covid-19 Infographic

The Financial Reporting Lab of the Financial Reporting Council (FRC) has recently published a Covid-19 infographic as guidance for companies to help them understand what investors seek information on.

The five current questions on investors seek information are how much cash a company has, the extent to which the company has access to cash and liquidity in the short term, management of expenditure in the short term, other actions taken by the company to ensure its viability and how the company is protecting its key assets and value drivers.

source: www.frc.org.uk

Covid-19 and the calculation of expected credit losses in accordance with IFRS 9

The European Securities and Markets Authority (ESMA) has issued a public statement to promote the consistent application of IFRS 9 and in particular in relation to the calculation of expected credit losses in accordance with the standard.

In response to the Covid-19 pandemic banks have been implementing a variety of measures to assist businesses with the economic consequences of the outbreak, such as moratoria on repayment of loan facilities.

Careful consideration will be required by entities of the related impact on financial reporting and, in particular, with respect to the requirements of IFRS 9. Assessing the impacts will require a detailed assessment of conditions based upon the facts and circumstances of individual entities.

The public statement issued by ESMA addresses specific aspects related to the application of IFRS 9 in relation to the calculation of expected credit losses and related disclosure requirements, including

- Assessment of significant increase in credit risk;
- Expected credit loss estimation;
- Public guarantees on exposures; and
- Transparency and disclosures

source: www.esma.europa.eu