

Financial Reporting News

Covid-19 - Going Concern

The IFRS Foundation has recently published guidance Going Concern – a focus on disclosure to assist both companies and accountants in deciding whether a business is a going concern. Whilst the guidance is based upon the requirements of the International Financial Reporting Standards (IFRS), it is also likely to be of use to companies and accountants preparing their financial statements in accordance with FRS 102 as many of the principles are consistent to both frameworks.

A fundamental decision management have to make in preparing financial statements is whether to prepare them on a going concern basis. In the current stressed economic environment, brought about by the ongoing impact of Covid-19, a greater degree of judgement may be needed by management in determining whether or not the financial statements should be prepared on a going concern basis.

Financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. Management in making its assessment of an entity's ability to continue as a going concern is required to consider all available information about the future.

The publication provides guidance on the additional factors that management may need to consider before concluding on whether preparing financial statements on a going concern basis is appropriate, including:

- The effect(s) of any temporary shut-down or curtailment of the entity's activities;
- Possible restrictions on activities that might be imposed by governments in the future;
- The continuing availability of government supports; and
- The effects of longer-term structural changes in the market for example, changes in customer behaviour.

The guidance also addresses the specific disclosure requirements of IAS 1 in relation to going concern, including the disclosure of judgements that have the most significant effect on amounts recognised in the financial statements and the requirements where an entity is no longer a going concern. The guidance can be accessed at <https://cdn.ifrs.org/-/media/feature/news/2021/going-concern-jan2021.pdf?la=en>.

Source: www.ifrs.org

FRC consults on annual review of FRS 101

The Financial Reporting Council (FRC) has recently issued FRED 77 Draft Amendments to FRS 101 Reduced Disclosure Framework – 2020/21 cycle proposing amendments to FRS 101 following the latest annual review.

The Exposure Draft proposes amendments to FRS 101 to provide certain disclosure exemptions in relation to IAS 16 Property, Plant and Equipment and for consistency with IAS 1 Presentation of Financial Statements.

Paragraphs 39 and 40 of IAS 1 were deleted by the Annual Improvements to IFRS's 2009-2011 Cycle and were therefore only applicable to accounting periods beginning before 1 January 2013. Fred 77 therefore also proposes an amendment to FRS 101 to remove a reference to paragraphs 39 and 40 of IAS 1.

Source: www.frc.org.uk

IFRS 8 – Identification of Chief Operating Decision Maker

IFRS 8 – Operating Segments requires disclosure of information about a company's operating segments. Determining the Chief Operating Decision Maker (CODM) is an important step for companies in identifying operating segments for the purpose of these disclosures.

The Irish Auditing and Accounting Supervisory Authority has recently published an information note, the purpose of which is to assist companies in determining the CODM.

Source: www.iaasa.ie