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ACCOUNTING UPDATE 2020

Standards Issued and Effective Dates

Introduction

The following is a summary of new standards and pronouncements that are in issue and effective in the 2020 sets of financial statements of entities or thereafter. Preparers should take note of these amendments during the preparation of their annual financial statements or when planning forthcoming data capturing requirements.

Narrow Scope Amendments Effective on or after 1 January 2020

	Standard	Change

1	IFRS 3 *Business Combinations*	*Definition of Business:* The amendments:
		• confirmed that a business must include inputs and a process, and clarified that:
		  ▪ the process must be substantive; and
		  ▪ the inputs and process must together significantly contribute to creating outputs.
		• narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
		• added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

2	IFRS 7 *Financial Instruments Disclosures,* IFRS 9 *Financial Instruments &* IAS 39 *Financial Instruments: Recognition and Measurement*	*Interest Rate Benchmark Reform*: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. • The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. ▪ In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.
3	IAS 1 *Presentation of Financial Statements*	*Definition of Material:* The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

	Standard	Change
4	IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Definition of Material:* The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.
5	References to the Conceptual Framework	The revised Conceptual Framework was published in March 2018. Together with the publication, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Standards Issued and Effective on or after 1 January 2022

	Standard	Change
1	IFRS 17 *Insurance Contracts*	IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. This standard replaces IFRS 4 – Insurance contracts. The key principles in IFRS 17 are that an entity: a) identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain, future event (the insured event) adversely affects the policyholder. b) separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts. c) divides the contracts into groups it will recognise and measure. d) recognises and measures groups of insurance contracts at a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all the available information about the fulfilment cash flows in a way that is consistent with observable market information plus (if this value is a liability) or minus (if this value is an asset) an amount representing the unearned profit in the group of contracts (the contractual service margin); e) recognises the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk, if a group of contracts is or becomes loss-making, an entity recognises the loss immediately. f) presents separately insurance revenue, insurance service expenses and insurance finance income or expenses. g) discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of the entity. To do this, an entity discloses qualitative and quantitative information about:

	Standard	Change
		• the amounts recognised in its financial statements from insurance contracts. • the significant judgements, and changes in those judgements, made when applying the Standard; and • the nature and extent of the risks from contracts within the scope of this Standard.

Narrow Scope Amendments Effective on or after 1 January 2022

	Standard	Change
1	IAS 1 *Presentation of Financial Statements*	*Classification of Liabilities as Current or Non-current:* Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

Deferred until further notice

	Standard	Change
1	IAS 28 *Investments in Associates and Joint Ventures*	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28):* Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

In conclusion

Preparers should note that IAS 8 requires an entity to disclose:

- the effects of adoption of a standard, amendment or pronouncement that is mandatory for the first time in the financial year presented. The disclosure required includes the title of the standard, nature of the change in accounting policy, the impact of the change and transitional provisions including any retrospective impacts.
- where an entity has not applied the requirements of a new standard, amendment or pronouncement that has been issued but is not effective/mandatory, the standard/pronouncement in question, the known or reliably measured impact of adoption of the change, the date that the change is effective and the date that the entity expects to adopt the change. The standard requires an entity that has not fully evaluated the impact to make a statement to that effect.