March 2020 IFRS for SMEs Update published

The March 2020 IFRS for SMEs Update is available. It includes news about SMEIG Q&A 35.1 on transition to the *IFRS for SMEs* Standard; an update on the second Comprehensive Review of the *IFRS for SMEs* Standard; an update on the SME Implementation Group (SMEIG); and a reminder of online resources.

(Source: https://www.ifrs.org/)

The Coronavirus and the IFRS Foundation's Work

The IFRS Foundation shares global concerns about the impact of the coronavirus (covid–19) pandemic and is monitoring developments guided by statements from public health authorities. The Foundation recognises that this is a difficult time for its stakeholders and is supporting them by reconsidering the timelines, providing supporting application, through ongoing calendar updates and by being contactable. Despite the challenges arising from the coronavirus pandemic, the International Accounting Standards Board (Board) and its technical staff continue to advance time-sensitive projects, such as the projects on IBOR reform and amendments to IFRS 17 *Insurance Contracts*, in accordance with the original project plans. Recognising the importance of giving the stakeholders enough time to respond effectively to the Foundation's work. To support the consistent and robust application of IFRS 9 *Financial Instruments* during this period of enhanced economic uncertainty arising from the coronavirus pandemic, the Foundation published educational materials. It replaced regular meetings with virtual meetings where possible. Provided digital access to public meetings and regular updates on specific meeting arrangements and these are reflected in the meetings calendar. The Foundation closed its London office on 16 March 2020. Board members and staff are working from home.

(Source: https://www.ifrs.org/

Application of IFRS 9 in the Light of the Coronavirus Uncertainty

A document, *IFRS 9 and covid-19—accounting for expected credit losses,* responding to questions regarding the application of IFRS 9 *Financial Instruments* during this period of enhanced economic uncertainty arising from the covid-19 pandemic was published recently. The document is prepared for educational purposes, highlighting requirements within the Standard that are relevant for companies considering how the pandemic affects their accounting for expected credit losses (ECL). It does not change, remove nor add to, the requirements in IFRS 9 *Financial Instruments*. It is intended to support the consistent and robust application of IFRS 9, which was developed in response to requests by the G20 and others to provide more forward-looking information about loan losses than the predecessor Standard and to give transparent and timely information about changes in credit risk. The document acknowledges that estimating ECL on financial instruments is challenging in the current circumstances and highlights the importance of companies using all reasonable and supportable information available—historic, current and forward-looking to the extent possible—when determining whether lifetime losses should be recognised on loans and in measuring ECL. It reinforces that IFRS 9 does not provide bright lines nor a mechanistic approach in accounting for ECLs. Accordingly, companies may need to adjust their approaches to forecasting and determining when lifetime losses should be recognised to reflect the current environment. The IFRS Foundation and the International Accounting Standards Board continue to work in close cooperation with regulators and others regarding the application of IFRS 9, and the document encourages companies to consider guidance provided by prudential and securities regulators.

(Source: https://www.ifrs.org/)

Effective date for IFRS 17 and the expiry of the temporary exemption from IFRS 9 will be delayed by another year

The International Accounting Standards Board (IASB) has decided that the effective date for IFRS 17 and the expiry of the temporary exemption from IFRS 9 will be delayed by another year. The amendments are now expected to be issued in June. This is a welcome decision, especially when technical policy decisions are still to be agreed or there are plans for significant technology transformation to build finance and actuarial functions fit for the future. There is a spectrum of IFRS 17 programmes underway, all with different

budgets and objectives. For a start, the focus ranges from cost minimisation (i.e. how can we deliver IFRS 17 compliance using existing technologies and processes without breaking the bank) to benefits (i.e. how can we align IFRS 17 with other finance transformation initiatives or strategic technology plans). The progress of the clients towards IFRS 17 implementation also ranges from those that have not started to those that have a working solution. The message is to use the additional year in the most effective way possible and leave enough time for contingency, testing and transition. Revisit business case, programme plan, and deliver by the effective date in 2023.

FASB Proposes Improvements to Accounting for Contributed Nonfinancial Assets by Not For-Profit Organisations

The Financial Accounting Standards Board (FASB) recently issued a proposed Accounting Standards Update (ASU) intended to improve transparency around how not-forprofit organisations present and disclose contributed nonfinancial assets, also known as gifts-in-kind. Examples of contributed nonfinancial assets include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and/or recognised contributed services. The proposed ASU would require a not-for-profit organisation to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It would also require a not-for-profit to disclose:

a. Contributed nonfinancial assets received disaggregated by category that depicts the type of contributed nonfinancial assets, and

b. For each category of contributed nonfinancial assets received, as identified in (a): (i) Qualitative information about whether the contributed nonfinancial assets were or are intended to be either monetized or utilized during the reporting period and future periods. If utilised, a description of the programs or other activities in which those assets were or are intended to be used.

   (ii) A description of any donor restrictions associated with the contributed nonfinancial assets.

   (iii) The valuation techniques and inputs used to arrive at a fair value measure, including the principal market (or most advantageous market) if significant, in accordance with the requirements in Topic 820, Fair Value Measurement.

Stakeholders are encouraged to review and provide input on the proposed ASU by April 10, 2020. The proposed ASU, including a "FASB in Focus" overview and information about how to submit comments, is available at www.fasb.org

(Source: www.fasb.org)

IFAC Released the Second Installment of "Exploring the IESBA Code"

IFAC recently released the second instalment of its Exploring the IESBA Code educational series: The Conceptual Framework – Step 1, Identifying Threats. Exploring the IESBA Code is a twelve-month series providing an in-depth look at the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). Each installment focuses on a specific aspect of the Code using real-world situations in a manner that is relatable and practical. Readers will gain a better understanding of the thought process behind more complicated areas of the Code through storytelling and expert analysis from professionals involved in developing the standards. The first installment of the Series looked at the five Fundamental Principles of ethics, which establish the standard of behavior expected of all professional accountants. Compliance with these principles enable accountants to meet their responsibility to act in the public interest. This second installment highlights key aspects of the Code's Conceptual Framework, which is an approach that all professional accountants are required to apply to comply with the five principles. The installment focuses on identifying threats and will be supplemented by two subsequent installments that will deal with evaluating and addressing threats. A professional accountant can often come across complex or challenging situations that are not black and white. These challenging situations require ethical considerations, some of which are expressly dealt with in the Code. The unique and informational series was developed by IFAC in collaboration with the International Ethics Standards Board for Accountants (IESBA) to help explain how the Code assists in navigating some of these challenges. To read and download this and future installments, visit the IFAC website.

(Source: https://www.ifac.org)