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Technical Updates

Part 1: FINANCIAL REPORTING - International

1.1 IASB proposes amendments to IAS 1 and IFRS Practice Statement 2 to improve accounting policy disclosures



The IASB is also proposing to add guidance to IAS 1 to help companies understand what makes an accounting policy material and to update IFRS Practice Statement 2 by adding further explanations and examples to help companies apply the concept of materiality in making decisions about accounting policy disclosures.

The IASB is asking stakeholders to comment on the proposed amendments and is particularly interested in comments on whether the examples proposed for inclusion in the Practice Statement are helpful.

ED/2019/6 Disclosure of Accounting Policies (proposed amendments to IAS 1 and IFRS Practice Statement 2) is open for comment until 29 November 2019.

On 1 August 2019, the International Accounting Standards Board (IASB) published an exposure draft (ED) on proposed narrow-scope amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures to users of financial statements.

IAS 1 requires companies to disclose their 'significant' accounting policies. The IASB is proposing to replace the reference to 'significant' with a requirement to disclose 'material' accounting policies to clarify the threshold for disclosing information.

The proposals state that information about an accounting policy is material if, when considered together with other information included in a company's financial statements, it can influence financial statement users' decisions about the company.

To access the ED, please go to the following URL:

<https://www.ifrs.org/-/media/project/disclosure-initiative/disclosure-initiative-accounting-policies/ed-di-accounting-policies-ias-1-ifs-practice-statement-2.pdf?la=en>

Technical Updates

1.2 IASB proposes narrow scope amendments to accounting for deferred tax

On 17 July 2019, the IASB published an ED on proposed changes to IAS 12 Income Taxes. The amendments clarify how companies account for deferred tax on leases and decommissioning obligations.

IAS 12 specifies how a company accounts for income tax, including deferred tax, which represents amounts of tax payable or recoverable in the future.

In specific circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. There has been some uncertainty in the market about whether the exemption applies to leases and decommissioning obligations. Therefore, to promote consistent application of IAS 12, the IASB has proposed narrow-scope amendments.



According to the proposed amendments, the exemption in IAS 12 would not apply to leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability. The proposed amendments would result in companies recognising deferred tax on such transactions.

ED/2019/5 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is open for comment until 14 November 2019.

To access the ED and other related materials, please go to the following URL:

<https://www.ifrs.org/news-and-events/2019/07/iasb-proposes-amendments-to-accounting-for-deferred-tax/>

Technical Updates

1.3 IASB proposes amendments to IFRS 17 to aid implementation

On 26 June 2019, the IASB published an ED on proposed amendments to IFRS 17 Insurance Contracts. The aim of the amendments is to continue supporting implementation by reducing the costs of implementing IFRS 17 and making it easier for companies to explain their results when they apply IFRS 17.

IFRS 17 was issued in May 2017. It is the first truly international accounting standard for insurance contracts and addresses the many inadequacies in accounting for such contracts.

Following discussions with those affected by IFRS 17 after it was issued, the IASB decided to propose amendments to IFRS 17 to alleviate concerns and challenges raised about implementing IFRS 17.

The proposed amendments are designed to minimise the risk of disruption to implementation already underway. They do not change the fundamental principles of IFRS 17 or reduce the usefulness of information for investors.

In the light of the proposed amendments, the IASB has also proposed to defer the effective date of the Standard by one year to 2022.

ED/2019/4 Amendments to IFRS 17 is open for comment until 25 September 2019.

To access the ED and other related materials, please go to the following URL:

<https://www.ifrs.org/news-and-events/2019/06/iasb-consults-on-amendments-to-aid-implementation-of-ifrs-17/>



Technical Updates

1.4 IFRS Foundation issues draft question and answer (Q&A) pertaining to the IFRS for SMEs Standard.



On 7 August 2019, the IFRS Foundation issued a draft Q&A on the application of the IFRS for SMEs Standard. The draft Q&A is the second to be published since the initial comprehensive review of the IFRS for SMEs Standard, completed in May 2015.

The draft Q&A responds to a question from stakeholders about the application of the undue cost or effort exemption for investment property on the date of transition to the IFRS for SMEs Standard. The draft Q&A concludes that additional cost or effort due to the elapse of time between the date of transition and the date of preparing the first IFRS for SMEs financial statements is not considered.

The draft Q&A has been developed by the SME Implementation Group (SMEIG), which assists the IASB in supporting the application of the IFRS for SMEs Standard. Developing non-mandatory and timely guidance on applying the IFRS for SMEs Standard is one of the two main responsibilities of the SMEIG. The group also advises the IASB on amendments to the IFRS for SMEs Standard.

During the 2019 Comprehensive Review of the IFRS for SMEs Standard, the IASB will consider the guidance developed by the SMEIG since the issue of the 2015 amendments to the IFRS for SMEs Standard and decide whether to incorporate the responses in the IFRS for SMEs Standard.

The consultation is open for comment until 7 October 2019.

To access the Q&A, please go to the following URL:

<https://www.ifrs.org/-/media/project/2019-sme-implementation-group-draft-qa-section-35-issue-1/draft-smeig-qa-351-ifs-for-smes-undue-cost-or-effort.pdf>

Technical Updates

Part 2: ETHICS - International

2.1 Global Ethics Board for Accountants Proposes Changes to Promote Role, Mindset Expectations

On 31 July 2019, the International Ethics Standards Board for Accountants proposed changes to the Code of Ethics for Professional Accountants (including International Independence Standards) ("Code") to promote the role and mindset expected of all professional accountants. The ED Proposed Revisions to Promote the Role and Mindset Expected of Professional Accountants, puts forward changes that further strengthen the Code.

The proposed revisions respond to stakeholder calls for the IESBA to explore whether and how the Code could contribute to strengthening the application of concepts underlying professional skepticism by all professional accountants.

Among other matters, the proposals:

- Highlight professional accountants' wide-ranging role in society and the relationship between compliance with the Code and a professional accountant's responsibility to act in the public interest;
- Include enhancements to the robustness of the fundamental principles of integrity, objectivity and professional behaviour;
- Further strengthen the Code through requiring professional accountants to have an inquiring mind when applying the conceptual framework; and
- Highlight the importance of being aware of bias and having the right organizational culture.

The IESBA will host a webinar in September 2019 to provide an overview of the proposed revisions.

The ED is open for comment until 31 October 2019.



To access the ED, please go to the following URL:

<https://www.ifac.org/publications-resources/exposure-draft-proposed-revisions-code-promote-role-and-mindset-expected>

Technical Updates

Part 3: AUDIT & ASSURANCE - Singapore

3.1 ISCA issues enhancements to Statement of Auditing Practice (SAP) 2 (Revised)

On 28 June 2019, the Institute of Singapore Chartered Accountants (ISCA) issued enhancements to SAP 2 (Revised) Auditors and Public Offering Documents.

SAP 2 (Revised) provides guidance on the reporting auditor's roles and responsibilities when engaged as a professional in a public offering exercise, and general principles governing engagements relating to public offering documents.

As there were divergence in practice among reporting auditors when issuing private reports on profit forecast, SAP 2 has been enhanced to include a new section on the guidance on what reporting auditors should comment on their private reports.

The following key enhancements have been made to SAP 2:

- Updated references to the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivative Contracts) Regulations 2018 (SFR 2018).
- New section on private reports on profit forecast. These are meant to provide guidance on what reporting auditors should comment on their private reports.
- Additional example report 6 in Appendix 1, of a private report on prospective financial information to provide illustrative guidance.

The enhancements are effective for reports dated on or after 1 October 2019.

To access the enhanced version of SAP 2 (Revised), please go to the following URL:

<https://isca.org.sg/media/2823044/sap-2-revised-june-2019.pdf>



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