



Webinar Actualia IFRS 2020

Agenda

IFRS update

*IFRS
for 2020
and beyond*

Covid-19

*Potential impact
on 2020 IFRS
financial
statements*






IFRS update IFRS for 2020 and beyond



2020 IFRSs endorsed in the EU

2020

Narrow-scope amendments	Amendments to References to the Conceptual Framework in IFRS Standards	
	Amendments to IFRS 3: <i>Definition of a Business</i>	
	Amendments to IAS 1 and IAS 8: <i>Definition of Material</i>	
	Amendments to IFRS 9, IAS 39 and IFRS 17: <i>Interest Rate Benchmark Reform (phase 1)</i>	
Narrow-scope amendment	Amendment to IFRS 16: <i>Rent Concessions (NB 2020 response to COVID-19)</i>	

2022-2023 IFRSs *not* yet endorsed by EU

2022-2023

		IASB effective date	
		2022	2023
Narrow-scope amendments	Amendments to IAS 37 Provisions: <i>Onerous Contracts</i>	✓	
	Amendments to IAS 16 Property, Plant & Equipment: <i>Proceeds before Intended Use</i>	✓	
	Amendments to IFRS 3: <i>Business Combinations</i>	✓	
	<i>Annual Improvements 2018-2020</i>	✓	
	Amendments to IAS 1 Presentation of Financial Statements: <i>Classification of Liabilities as Current or Non-current</i>		✓
New standard	<i>IFRS 17 Insurance Contracts</i>		✓

ED 2019/7 General Presentation and Disclosures (amendments to IAS 1)

Amendments to IFRS 9, IAS 39 and IFRS 17 – Interbank Offered Rate (IBOR) reform

2020
(phase 1)

2021
(phase 2)

EU

Reform of IBOR, may impact financial instruments practice & accounting

IFRS

Reliefs i.e. in respect of hedge accounting



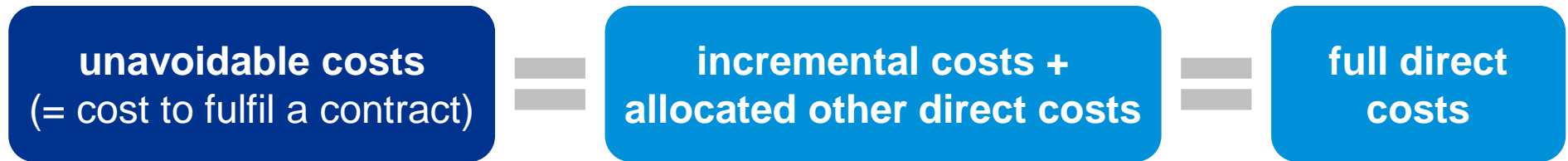
PHASE 1

IFRS

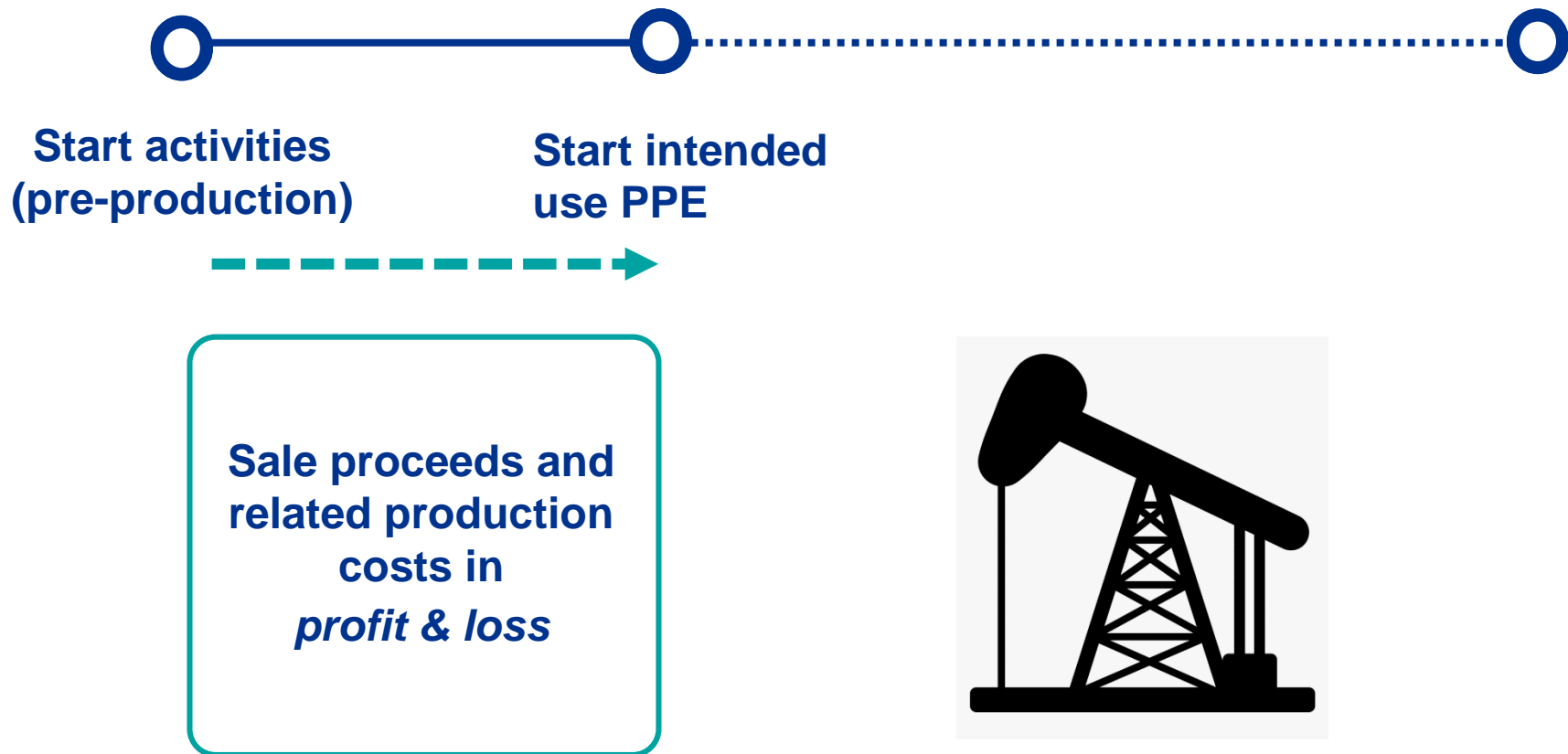


PHASE 2

Amendments to IAS 37 - Onerous Contracts



Amendments to IAS 16 - Proceeds *before* PPE's intended use



Amendments to IAS 1 - Classification of liabilities as *current or non-current*

Amendments could have a significant impact on classification of liabilities

Right to defer settlement

'substance'
(before: 'unconditionally')

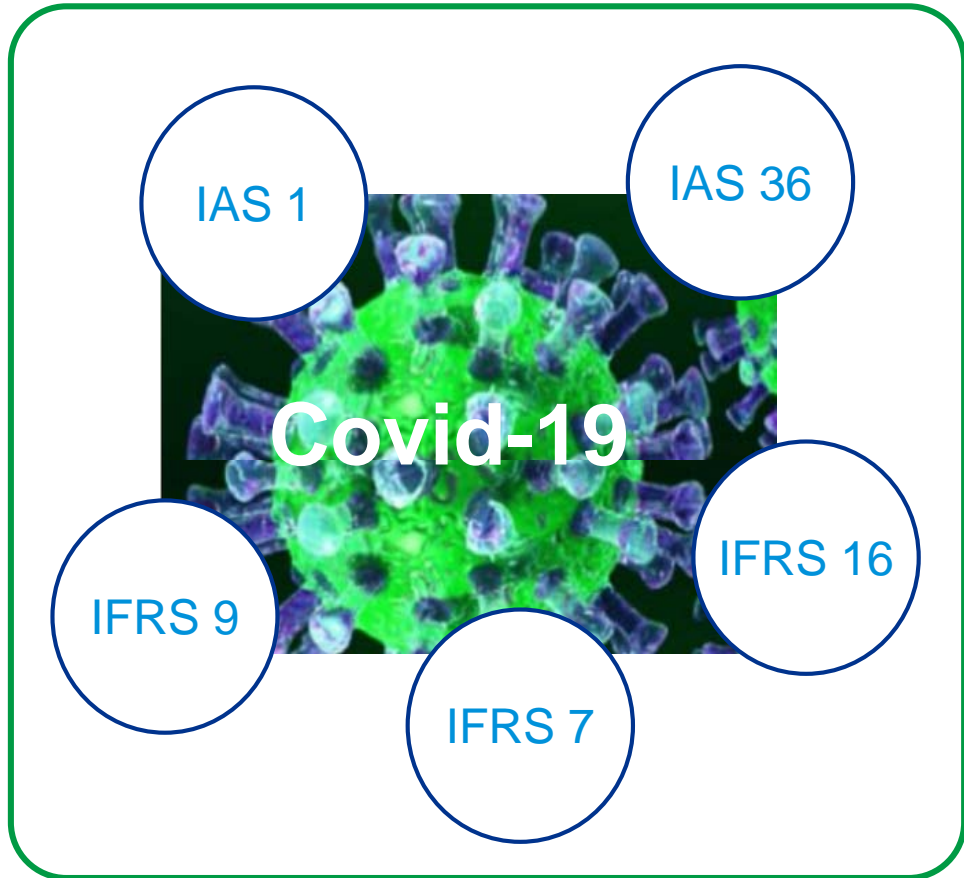
exist at balance sheet date

For convertible debt only ignore conversion options classified as equity

Article 403 and possible impact of Brexit



Regulators enforcement priorities 2020



Non-Financial Information (NFI) disclosures

Application of the ESMA Guidelines in relation to APMs



IFRS Update

General presentation and disclosures



ED IAS 1: Future re-shaping of financial statement presentation

Proposals
ED IAS 1

Income statement *key changes*

- Newly defined, mandatory subtotals
- Allocation of income and expenses between four new major categories
- Presentation of analysis of operating expenses on the face, either by nature or by function – mixed presentation prohibited
- Columnar presentation of management performance measures (MPMs) prohibited

EXAMPLE
ON THE
NEXT SLIDE

Proposed income statement

Proposals
ED IAS 1

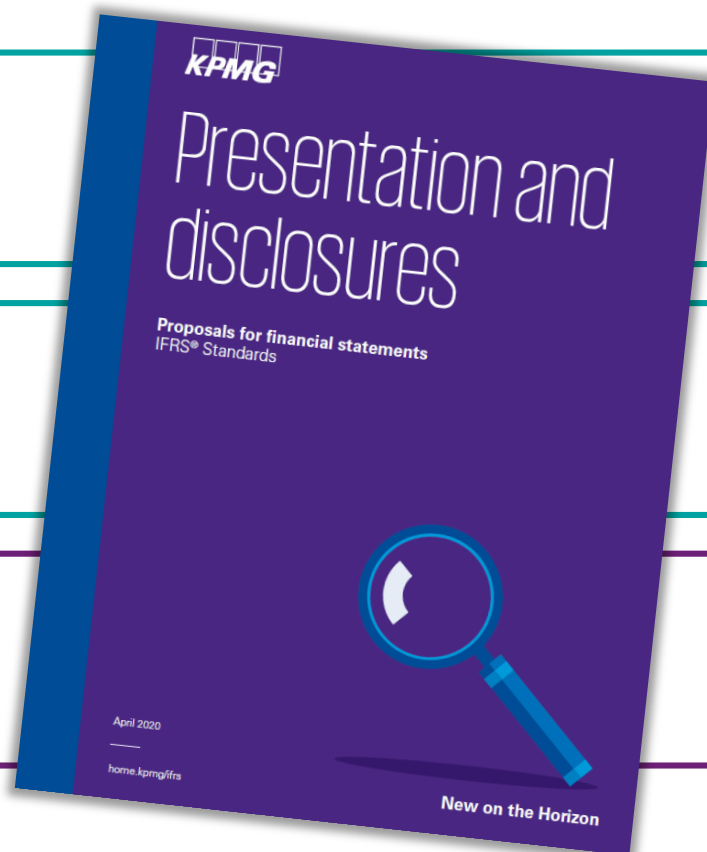
example

3 new subtotals

Revenue	X	} Operating
Operating expenses (analysed by nature or by function as appropriate)	(X)	
Operating profit	X	
Share of profit or loss of integral associates and joint ventures	X	} Integral associates and joint ventures
Operating profit and income and expenses from integral associates and joint ventures	X	
Share of profit or loss of non-integral associates and joint ventures	X	} Investing
Income from investments	X	
Profit before financing and income tax	X	
Interest revenue from cash and cash equivalents	X	} Financing
Expenses from financing activities	(X)	
Unwinding of discount on pension liabilities	(X)	
Profit before tax	X	

ED IAS 1: Future re-shaping of financial statement presentation

Balance sheet <i>key changes</i>	<ul style="list-style-type: none">— New line items
Cash flow statement <i>key changes</i>	<ul style="list-style-type: none">— Starting point— Elimination of options— New line items
Notes <i>key changes</i>	<ul style="list-style-type: none">— New disclosure requirements



<https://home.kpmg/xx/en/home/insights/2020/01/presentation-disclosures-primary-financial-statements-exposure-draft.html>



Covid-19

Potential impact on 2020 IFRS financial statements



Covid-19: various accounting issues

Accounting issues

Potential issues to be addressed for 2020 IFRS financial statements

- Rent concessions (i.e. reductions, deferrals)
- Deferral of loan payments
- Current/non-current classification of debts
- Accounting for government grants (wage costs subsidies; compensation for non-performed services)
- Impairment of non-current assets (i.e. goodwill)
- Presentation of expenses related to Covid-19

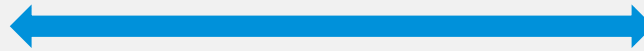


Rent concessions related to Covid-19

2020 Amendment to IFRS 16

**Covid-19 related Rent Concession:
waiver / reduction / deferral of
lease payments**

Lessor



Lessee



Lease modification



Negative variable
lease payments

Presentation of expenses related to Covid-19

Covid-19 expenses

Companies may incur costs (directly) related to Covid-19

IAS 1 Presentation in the income statement:
Only expenses that are incremental and directly attributable to Covid-19

Limited presentation possibilities

- Definition of 'exceptional'?
- Presentation should fit in current structure of income statement

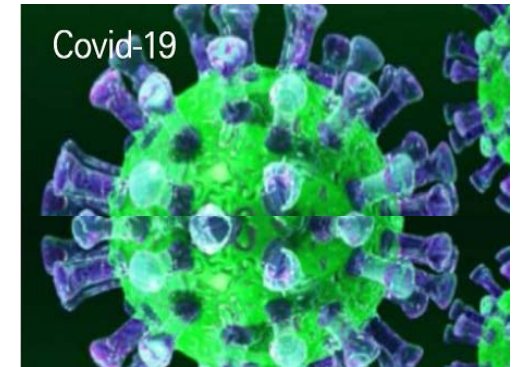
Notes

EXAMPLE
ON THE
NEXT
SLIDE

Presentation of expenses related to Covid-19 - example

Example income statement (*expenses by nature*)

		20XX
Revenue		1,000
Other income		
Insurance recoveries from COVID-19 related claims	40	
Other	110	
		150
Changes in inventories of finished goods and work in progress		(120)
Raw material and consumables used		(160)
Employee benefit expense		
Temporary hazard pay to employees due to COVID-19	(70)	
Other employee benefit expense	(180)	
		(250)
Depreciation and amortisation expense		(100)
Other expenses		
Cleaning and sanitation costs incurred to prevent the spread of COVID-19	(30)	
Other	(50)	
		(80)
Profit before income tax		440



Covid-19: impact on impairment assessment

*Impact
Covid-19*

Impairments

- Covid-19 may give rise to indicators of impairment of fixed assets at year end
- Even if no indicators, Covid-19 may impact impairment testing of goodwill
- Recoverable amount of a CGU or asset likely be impacted



Goodwill

**Indefinite useful life
intangible assets**

**All other assets
within the
scope of IAS 36**

Annual impairment test

Test if indicators exist at the reporting date

Traditional approach vs. ECF approach

Traditional approach	Component 3: Uncertainty about the future CFs	ECF approach
Reflected in the discount rate	Component 2: Risk-premium	Reflected in the cash flows
	Component 1: r_f	Reflected in the discount rate



Under ECF approach the discount rate excludes risks that are reflected in the cash flows to avoid double counting.

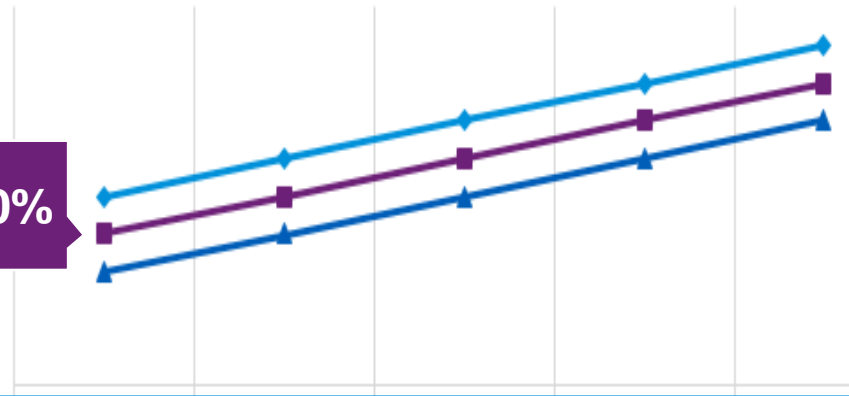
Impact on projecting cash flows - *example*

Cash flows projections

BEFORE COVID-19

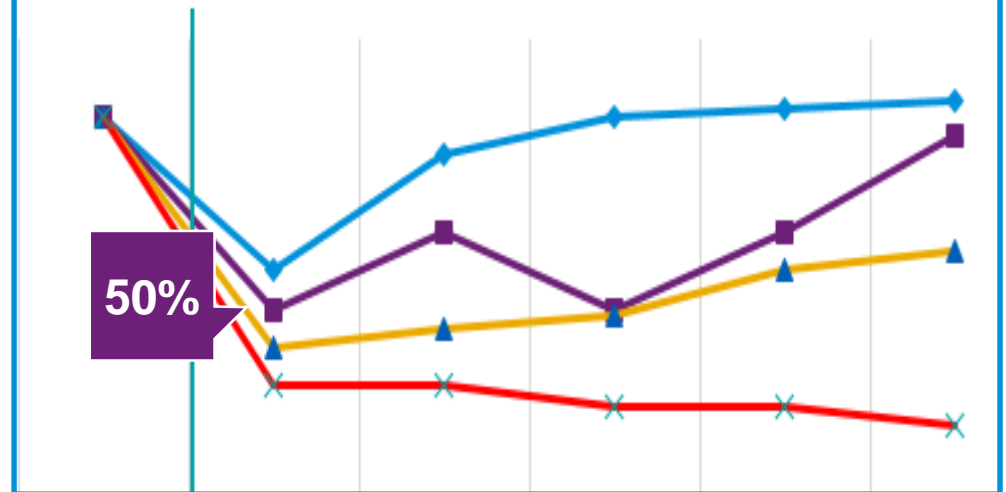
◆ Upside ■ Base case ▲ Downside

90%

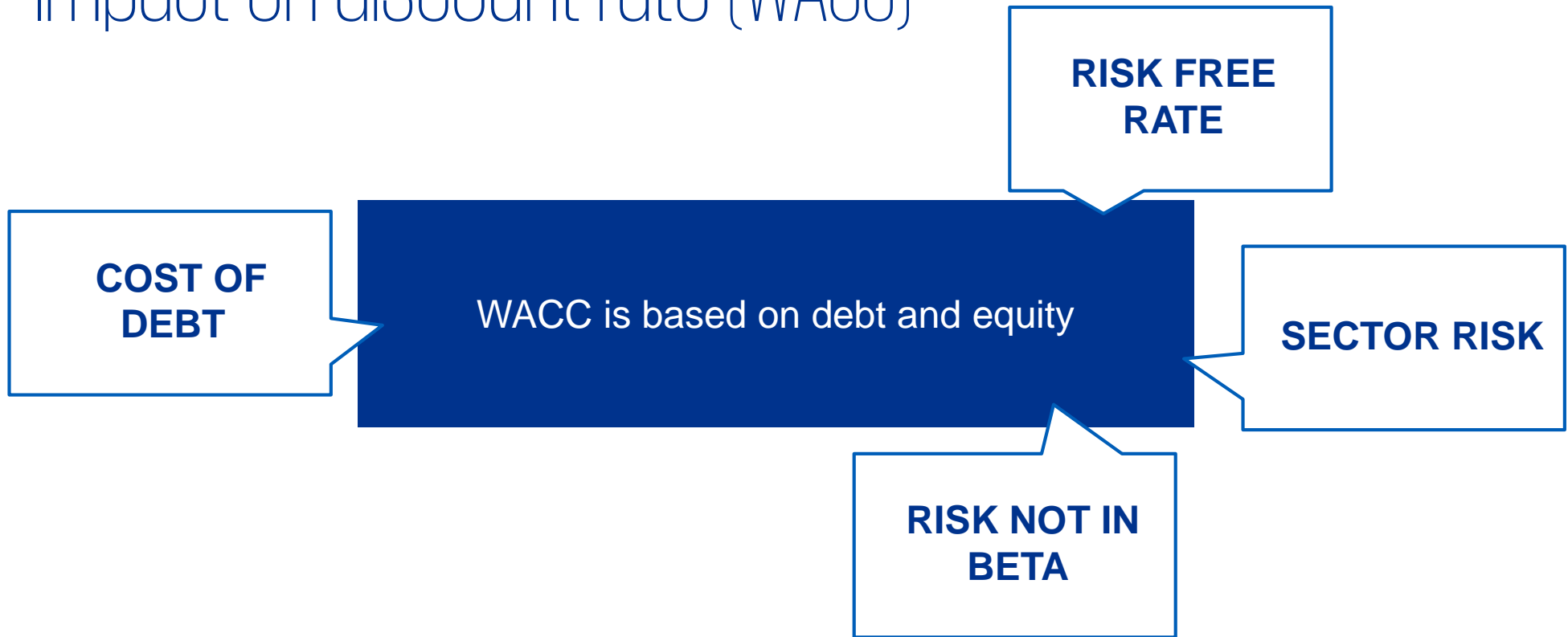


AFTER COVID-19

50%



Impact on discount rate (WACC)



WACC may increase due to higher uncertainty



Covid-19: available information

COVID-19 | Financial reporting

Resource centre on the financial reporting impacts of coronavirus.



Are assets being carried at appropriate amounts?

How should COVID-19 impacts appear in the income statement?

How should government assistance be accounted for?

...and many more

<https://home.kpmg/xx/en/home/insights/2020/03/covid-19-financial-reporting-resource-centre.html>



Thank you



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