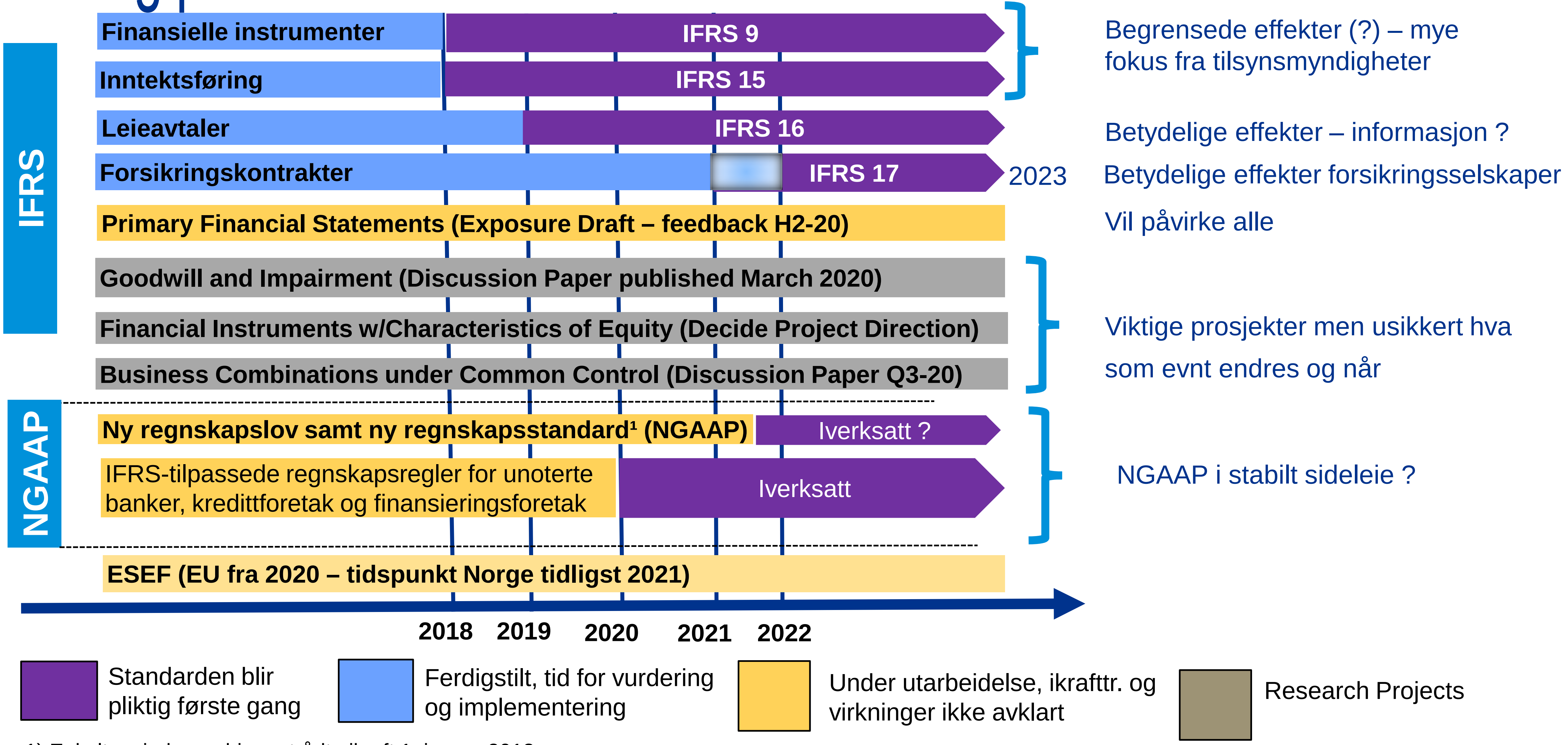
IFRS Update 2020

19. juni 2020

Agenda

- The big picture
- New, and changes to IFRS standards
- News from IFRIC
- 24th Extract from the EECS's Database of Enforcement
- News from Finanstilsynet
- Wrap-up, incl. reminder on ESMA guidance on IAS 34 interim reporting

The big picture



1) Enkelte mindre endringer trådte ikraft 1. januar 2018

New, and changes to IFRS standards

Which standards are newly mandatory for your financial year?

Annual reporting periods ending…	31 Dec 2020	31 Dec 2021	31 Dec 2022	
Amendments to References to Conceptual Framework in IFRS Standards				
Definition of a Business (Amendments to IFRS 3)				
Definition of Material (Amendments to IAS 1 and IAS 8)				
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)				
IFRS 17 Insurance Contracts				1.1.2023
Classification of liabilities as current or non-current (Amendments to IAS 1)				1.1.2023?
Change in IFRS 16 due to COVID-19	1.6.2020			
Annual Improvements to IFRS Standards 2018-2020			1.1.2022	
Amendments to IFRS 3, IAS 16 and IAS 37			1.1.2022	
Sale or contribution of assets between an investor and its associate or JV (amendments to IFRS 10 and IAS 28)	Optional			

Not endorsed by the EU as of 3 June 2020

EFRAG
European Financial Reporting Advisory Group

THE EU ENDORSEMENT STATUS REPORT

3 JUNE 2020

IASB/IFRIC documents not yet endorsed [Revisions to this schedule are marked in bold]	EFRAG draft endorsement advice	EFRAG endorsement advice	ARC Vote	When might endorsement be expected	IASB Effective date	Expected to be endorsed before the effective date
IFRS STANDARDS[1] AND INTERPRETATIONS						
IFRS 17 *Insurance Contracts* (issued on 18 May 2017)					01/01/2021	
AMENDMENTS						
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* (issued on 23 January 2020)					01/01/2022*	▲
Amendments to IFRS 3 *Business Combinations*; IAS 16 *Property, Plant and Equipment*; IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as well as Annual Improvements (issued 14 May 2020)					01/01/2022	▲
Amendment to IFRS 16 *Leases Covid 19-Related Rent Concessions* (issued on 28 May 2020)	√ 30/04/2020	√ **02/06/2020**	22/06/2020	Q3/Q4 2020	01/06/2020	▼

*The IASB has issued an exposure draft to defer the effective date to 1 January 2023 – the comment date is 3 June 2020.

IFRS 3 amendments – Clarifying what is a business

The IASB's clarification to its definition brings IFRS 3 closer to US GAAP.

Previous definition of a business:

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing *a return in the form of dividends, ~~lower costs~~ or other economic benefits directly to investors or other owners, members or participants*.

New definition of a business:

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing *goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities*.

IFRS 3 amendments – Clarifying what is a business

Optional concentration test

Election to use a concentration test: An asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

Assessment focuses on substantive process

If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

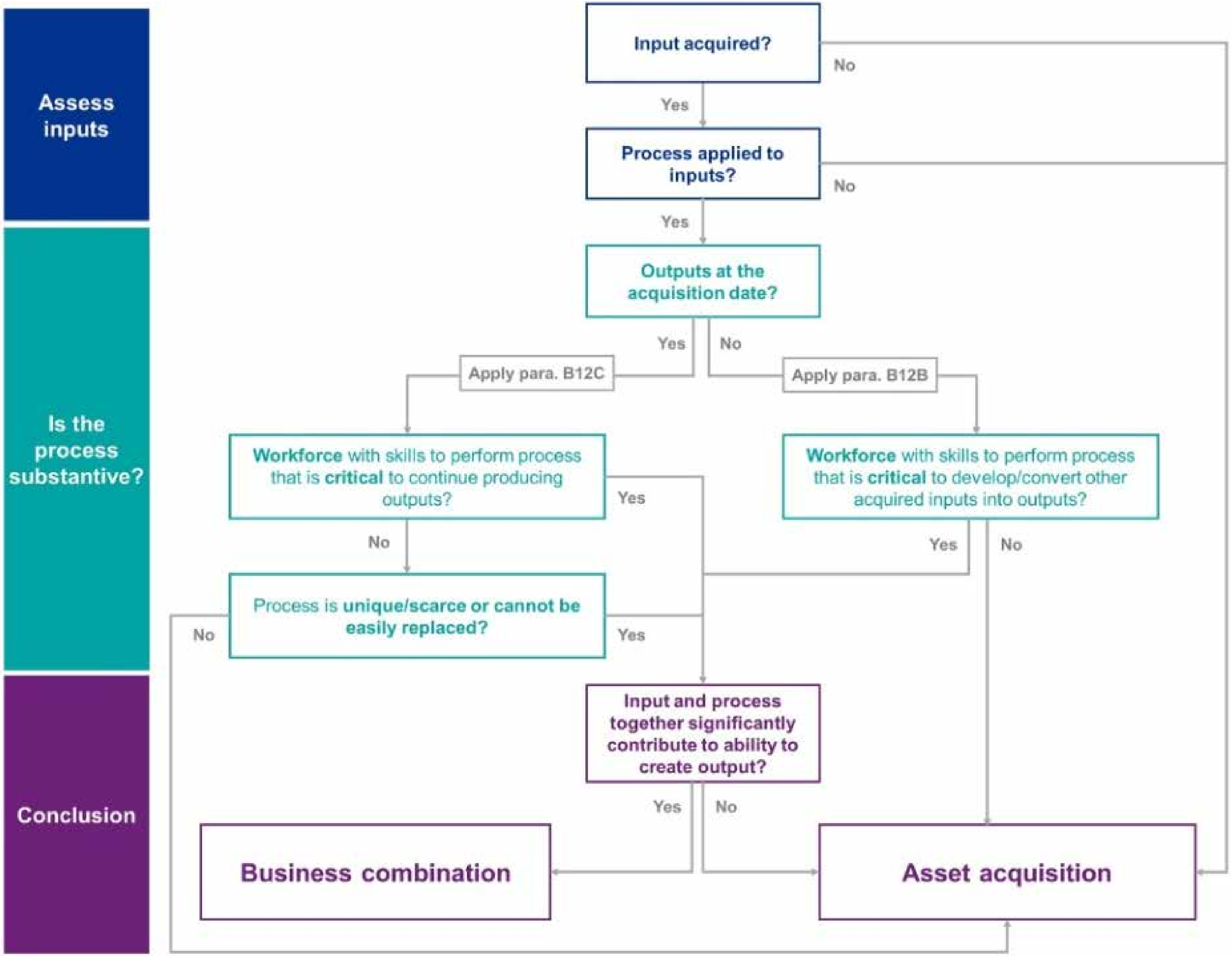
Narrower definition, potential complexity

The effect of these changes is that the new definition of a business is narrower – this could result in fewer business combinations being recognised. But may require a complex assessment

IFRS 3 amendments

Clarifying what is a business

[KPMG publication]



Definition of material (Amendmends to IAS 1 and IAS 8)

New definition of Material:

*"Information is material if omitting, misstating or **obscuring** it could **reasonably be expected** to influence the **decisions** that the **primary** users of general purpose financial statements make on the basis of those financial statements, which provide **financial information about a specific** reporting entity."*

IFRS Practice Statement 2 – Making Materiality Judgements

***Remember**:*

IAS 8.8

IFRSs ..need not be applied when the effect of applying them is immaterial. However, it is inappropriate to make, or leave uncorrected, immaterial departures from IFRSs to achieve a particular presentation of an entity's financial position, financial performance or cash flows.

Amendment to FRS 16 - COVID-19 related rent concessions

Lessor

Reduction / deferral of lease payments

Lessee

IASB has amended IFRS 16 to allow **lessees** not to account for COVID-19-related rent concessions as lease modifications.

The practical expedient will only apply if:
- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to give additional disclosers

If not modification accounting – typically accounted for as variable lease payment
- Rent relief: Derecognition of liability (IFRS 9 no. 3.3.1) and gain in P&L – to the extent the relief is unconditional
- Rent deferral: No derecognition but potentially net present value effect on liability
- No effect on ROU asset
  - However, impairment indicators may be present and impairment test may have to be performed

No relief for lessors.

Webinar on IFRS 16 and COVID-19 related rent concessions

The corona pandemic involves rent concessions such as rent holidays, rent reductions and changes in rental agreements.

Serge Fjærvoll, partner in KPMG Norway and CEO Terje Glesaaen in Share Control explains the covid-19 changes in IFRS 16 and demonstrates how the changes are recorded in Share Control Contract & IFRS 16.

- Accounting of
    - Rent holidays and temporary rent reductions Amendment of IFRS 16
    - Government grants
    - Other changes to leases
    - Terminations
    - Impairment of ROU asset
- Questions and answers

The webinar is held on three occasions: June 16 and 23 and August 25.
Time: In Norwegian at 09.00 to 10.00, in English at 17.00 to 18.00, in Swedish at 11.00 – 12.00

Registration: Click here

Changes not mandatory in 2020

IAS 1: Classifying liabilities as current or non-current

Effective date:
1.1.22 or 23, retrospective application, earlier application permitted. Not yet EU endorsed.

IAS 1.69

An entity shall classify a liability as current when:

(a) it expects to settle the liability in its normal operating cycle;

(b) it holds the liability primarily for the purpose of trading;

(c) the liability is due to be settled within twelve months after the reporting period; or

Current regulation:

(d) it does not have an *unconditional right* to defer settlement of the liability for at least twelve months after the reporting period (see paragraph 73). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Forthcoming regulation:

(d) it does not have the *right at the end of the reporting period* to defer settlement of the liability for at least twelve months after the reporting period

An entity shall classify all other liabilities as non-current.

IAS 1: Classifying liabilities as current or non-current

The right to **defer settlement** for at least 12 months after reporting period must
- **exist** at end of reporting period
- have **substance**

Exist: only if in compliance (with any specified conditions) at end of reporting period, even if lender does not test for compliance until later date

Substance: not much guidance

Settlement: could be of
- cash or other economic resources
- the entity's own equity instruments*

- Classification of roll over facilities may change
- Convertible debt may become current*

* See paragraph 76B

Example 1

Term loan of 1 million	Rollover facility of 1 million
– Five-year term loan, fully drawn down. – Term loan drawn down at 1 October 2020, with a due date of 30 September 2025. – Annual covenant test based on information at 30 September that renders loan repayable on demand if breached.	– Five-year facility, fully drawn down. – One-year loan drawn down at 1 October 2020, with an intent to roll over on 1 October 2021. – Ability to roll over loan is conditional on compliance with the same covenant test as the term loan.

Assessment as at 31 December 2020 (the end of the reporting period)

Classification under existing requirements	
Non-current The loan is not due for settlement in the coming 12 months, either in accordance with its maturity or because of breaches of the covenant that exist at the reporting date. The existence or probability of breaches after the reporting date are irrelevant.	**Current** The rollover facility only gives the company a right to avoid repayment if it meets certain conditions at a future date. In other words, under an existing criterion[1], the right is not 'unconditional' and the liability is classified as current.
Classification after applying the amendments	
Non-current The same analysis and conclusion still apply.	**Potentially non-current** At the reporting date, the company has the right to roll over the facility at a future date. This right is conditional on compliance with covenants at a future date. As the amendments removed the word 'unconditional' and replaced it with 'a right at the end of the reporting period', the amount drawn down under the rollover facility may potentially be classified as non-current, like the term loan that is economically similar. However, this will depend on whether this right has substance. Assessing if a right has substance will require judgement. Assuming the right has substance, the company has to comply with the covenant test at the end of the reporting period, even if the lender does not test compliance until a future date. If it complies, the liability is classified as non-current.

[1] Paragraph 69(d) of IAS®1 *Presentation of Financial Statements*

Annual Improvements to IFRS Standards 2018-2020

Final amendments	KPMG insight
IFRS 1 First-time Adoption of International Financial Reporting Standards	
If a subsidiary adopts IFRS later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards.	This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by: reducing undue costs; and avoiding the need to maintain parallel sets of accounting records.
IFRS 9 Financial Instruments	
This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.	This is a welcome clarification that is largely consistent with our existing guidance in Insights into IFRS. [Insights 7.6.410.20]
IFRS 16 Leases, Illustrative Example 13	
The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.	The amendments will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.
IAS 41 Agriculture	
This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement.	The Board's change is welcome. When a present value technique is used to measure fair value, the assumptions used for the cash flows and discount rates should be internally consistent – i.e. using either after tax or pre-tax for both. The amendments provide the flexibility to use either, as appropriate, in line with IFRS 13. The assumptions about cash flows and discount rates should reflect market participants' views, which in practice are predominantly performed on a post-tax basis.

Other amendments (Effective date: 1.1.2022)

Amendments to IFRS 3 *Business Combinations*

Update a reference in IFRS 3 to the Conceptual Framework without changing accounting requirements for bus. combinations.

Amendments to IAS 16 *Property, Plant and Equipment*

Prohibit a company from deducting from the cost of PP&E amounts received from selling items produced while the company is preparing the asset for its intended use.

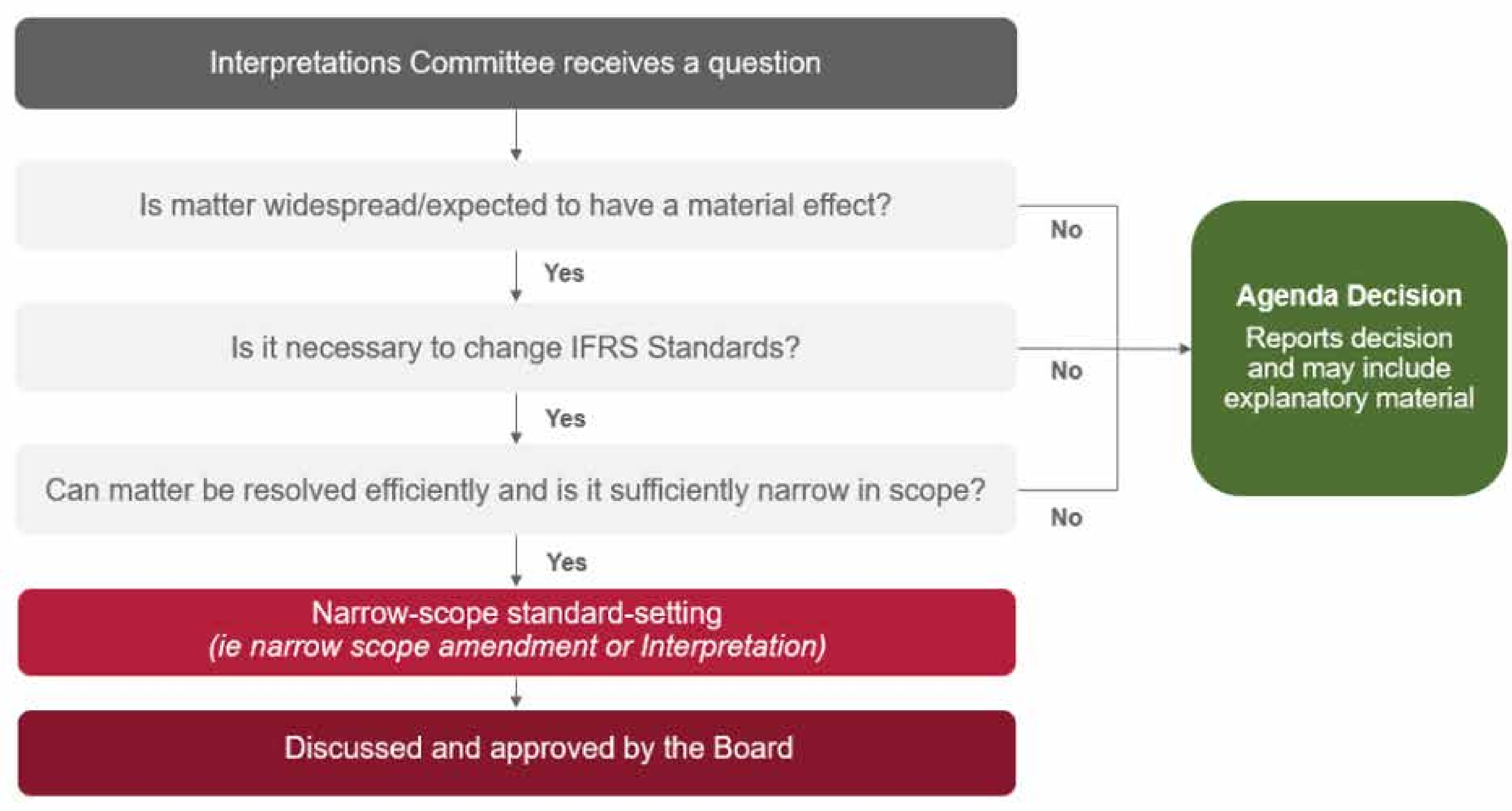
Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Specify which costs a company includes when assessing whether a contract will be loss-making.

News from IFRIC

Saksgangen hos IFRIC



Nytt fra IFRIC (etter vår Q4 update)

Link to documents 2020 meeting:

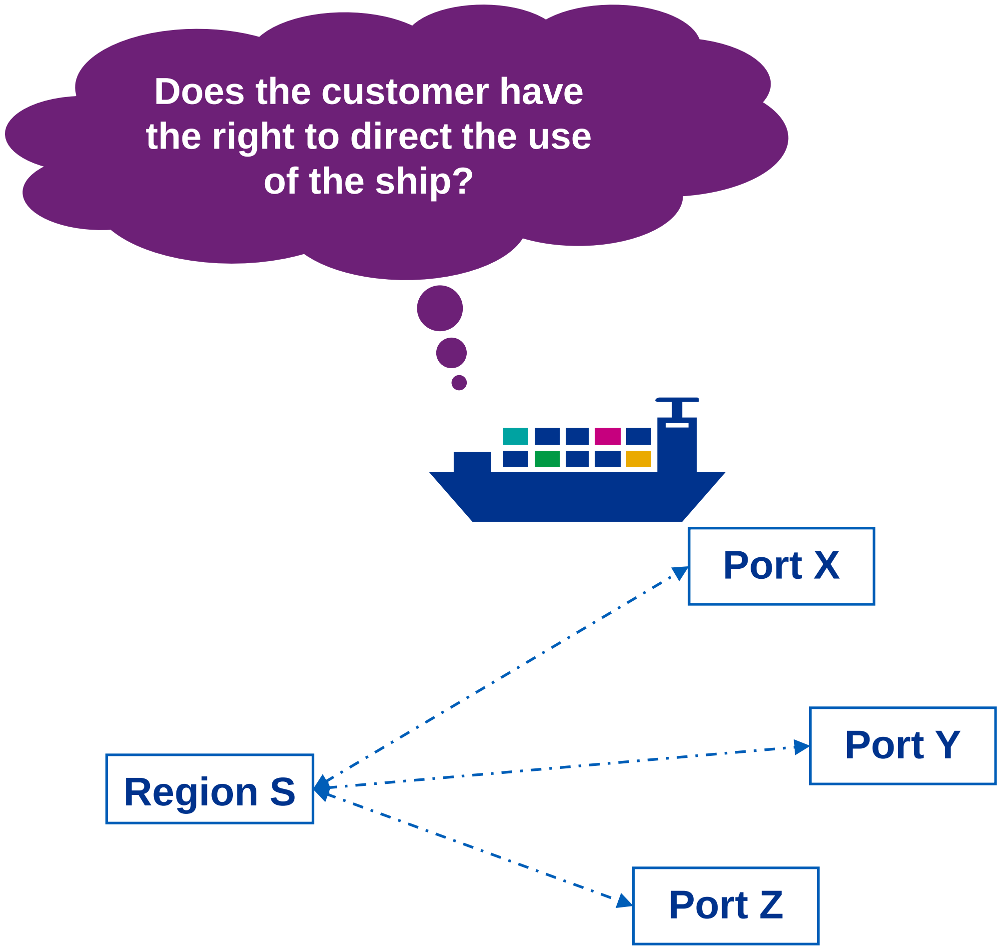
- [21 January]
- [29 April]
- [3 March]
- [16 June]

New / WIP issues	Tentative agenda decision	Final agenda decision
• IFRS 9 - Hedge of variability in Cash flow in real terms • IFRS 16 – Sale and leaseback in a corporate wrapper	• Supply chain financing – Reverse factoring	• IFRS 16 – Definition of a lease – Shipping contract • IFRS 15 – Training costs to fulfill a contract • IFRS 16 – Sale and leaseback with variable payments • IAS 12 – Deferred tax related to a an investment in a subsidiary • IAS 38 – Player transfer payments • IAS 12 – Multiple tax consequences of recovering an asset • IAS 21 & IAS 29 – Cumulative exchange diff. arising before a foreign op. becomes hyperinflationary

KPMG

Final agenda decision

IFRS 16 – Definition of a lease – Shipping contract



Predetermined in few cases

Predetermined rights of many relevant decisions about HAFWP define the scope of the customer's right of use

Within that scope, customer has the right to make all the relevant decisions about HAFWP

Supplier's decisions re. operation and maintenance do not give it the right to direct HAFWP.

Final agenda decision

IFRS 15 – Training costs to fulfil a contract

Are training costs incurred to fulfil a contract within the scope of IFRS 15 recognised as an asset or an expense when incurred?

- Company A supply outsourced services to Customer B, in scope of IFRS 15.
- A incurs costs to train its employees, A does not identify the training as a performance obligation.
- A permitted to recharge to B for
  1. the training costs for those employees at the beginning of the contract and
  2. any new employees A hires as a result of B's expansion of operations.

In the fact pattern, B recognises the training costs as an expense when incurred.

- Training costs are within the scope of IAS 38 (IAS 38.5)
  - no control over expected future economic benefits arising from the training because employees can leave the entity's employment, and are expensed as incurred (IAS 38.69(b)).
- IFRS 15.95 - recognise an asset from the costs incurred to fulfil a contract not within the scope of another Standard, only if the costs meet all the specified criteria.
  - IFRS 15.95 would provide same outcome ("..generate or enhance resource of the entity..", BC308: "..<u>costs must meet the definition of an asset</u>..")
- Re-charge/re-imbursement does not affect the decision

Final agenda decision

IFRS 15 – Training costs to fulfil a contract

IFRS 15 BC308

IFRS 15 clarifies that only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered are eligible for recognition as assets. Those requirements ensure that only costs that meet the definition of an asset are recognised as such and that an entity is **precluded from deferring costs merely to <u>normalise profit margins</u> throughout a contract by allocating revenue and costs evenly over the life of the contract.** To provide a clear objective for recognising and measuring an asset arising from the costs to fulfil a contract, the boards decided that only costs that relate directly to a contract should be included in the cost of the asset.

IFRS 16 – Sale and leaseback with variable payments (1/3)

Agenda decision

How does the seller-lessee measure the right-of-use asset and determine any gain or loss recognised in this sale and leaseback transaction?

Fact pattern:

- Sale and leaseback for 10 years.
- The amount paid by the buyer-lessor equals the asset's fair value (CU 1,800,000)
- Payments for the lease (which are at market rates) are variable, e.g. calculated as a percentage of the seller-lessee's revenue generated using the asset during the lease term.
- The present value of the expected leaseback payments is CU450,000
- The variable payments are not in-substance fixed payments as described in IFRS 16.

IFRS 16.24 ..the cost of the ROU asset comprises **(a) the amount of the initial measurement of the lease liability;** …

IFRS 16.27 ..the lease payments included in the measurement of the lease liability comprise **(a) fixed payments (including in-substance fixed payments); (b) variable lease payments that depend on an index or rate;** …

IFRS 16 - Sale and leaseback with variable payments (2/3)

Agenda decision

Possible way to calculate:

ROU asset: 250.000

IFRS 16,100(a) ..the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee

$$\underset{\textit{(previous carrying amount of the asset)}}{\text{CU1,000,000}} \times \frac{\underset{\textit{(value of right of use retained)}}{\text{CU450,000}}}{\underset{\textit{(fair value of the asset)}}{\text{CU1,800,000}}}$$

Gain: 600.000

IFRS 16,100(a) ..recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

$$\underset{\textit{(total gain on sale of the asset)}}{\text{CU800,000}} \times \frac{\underset{\textit{(value of the rights transferred to the buyer-lessor)}}{\text{CU1,800,000 - CU450,000}}}{\underset{\textit{(fair value of the asset)}}{\text{CU1,800,000}}}$$

IFRS 16 - Sale and leaseback with variable payments (3/3)

Agenda decision

Dr. Cash	1,800,000	
Dr. Right-of-use asset	250,000	
Cr. PPE		1,000,000
Cr. Liability	Day 2 accounting? 1)	450,000
Cr. Gain on rights transferred		600,000

1) IASB April tentatively decided narrow scope standard setting:

- Not reassess future variable lease payments, difference to payments actually made accounted for as variable lease payments to P&L.
- If modification or change lease term: revised lease payments = revised expected payments

IAS 12 – Deferred tax related to a subsidiary's undistributed profits

Agenda decision

Issue

How should an entity in its consolidated financial statements account for deferred tax related to its investment in a subsidiary, when operating in a jurisdiction in which:

- the profits are taxable only when distributed
- profit distributions made by the entity are not taxable to the extent that the subsidiary has already been taxed on that profit

The request asked whether the entity recognises a deferred tax liability for the taxable temporary difference associated with its investment in the subsidiary.

Key points

- The subsidiary does not recognise the income tax consequences of dividends before it recognises a liability to pay a dividend (IAS 12.57A).
- The conditions for applying the exception from recognising a deferred tax liability in IAS 12.39 are not satisfied because the entity expects the subsidiary to distribute its undistributed profits in the foreseeable future.
- The entity expects to recover the carrying amount of its investment in the subsidiary through distributions of profits by the subsidiary, which would be taxed at the distributed tax rate.

24th Extract from the EECS's Database of Enforcement

24th Extract EECS's Enforcements (May 2018 – Oct 2019)

I. Identification of performance obligation (IFRS 15)

— non-proprietary multi-client licenses. One performance obligation, point in time license also for primary sale

II. Liquidity risk of notes with early redemption option (IFRS 7)

— Maturity date 2040, early redemption option (10 days) which is waived for 12 months at YE. Maturity >1Y

III. Deferred tax assets related to a change of accounting policy due to first application of IFRS 9 (IFRS 9, IAS 12)

— Equity effect 1.1.18. Change in tax rules during 2018 => change in related DTA – to P&L

IV. Assessment of De-facto control (IFRS 10)

— Related party (4%) considered together => 43%. Other widely dispersed. Voting patterns. => Practical ability to direct

V. Disaggregation of revenue (IFRS 15)

— Revenue for 1 product disclosed outside the FS. Different quality and customer base and price volatility.

VI. Presentation of condensed interim income statement (IAS 34)

— Only a few P&L items and limited other information

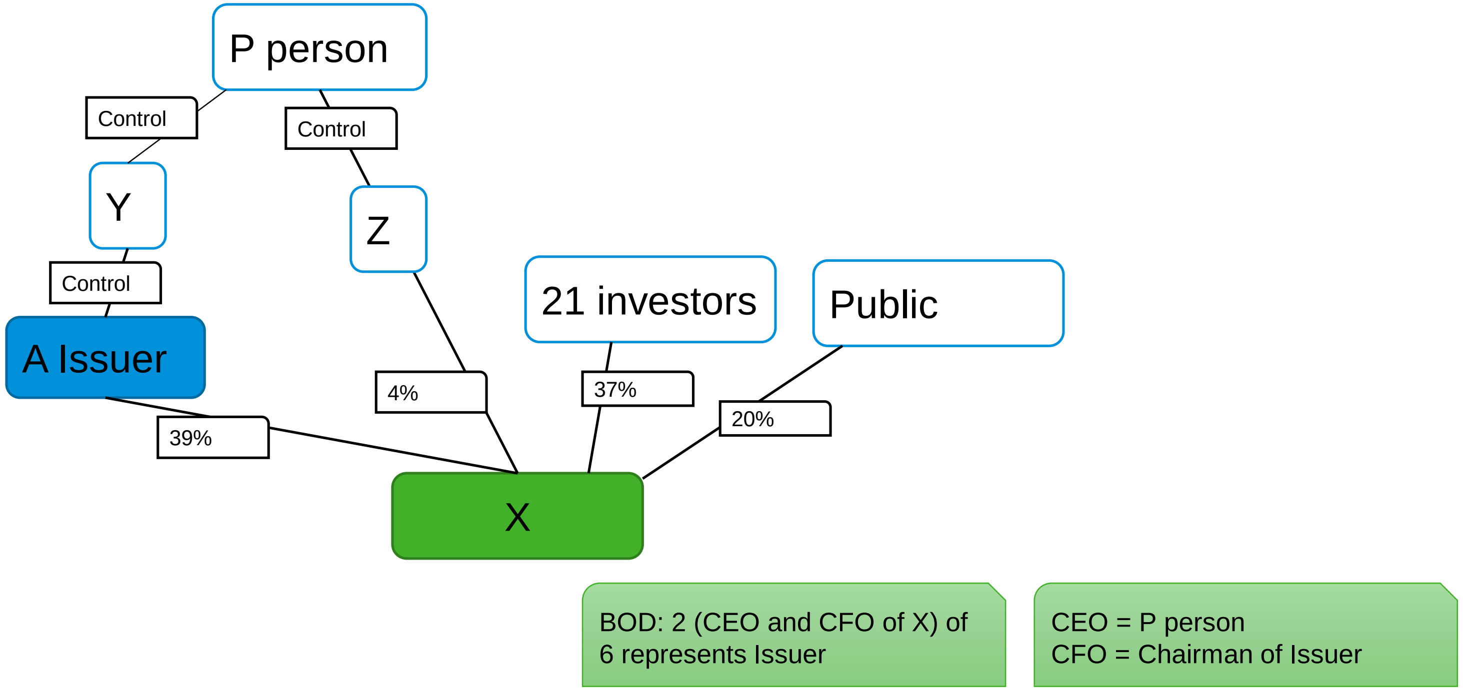
VII. Accounting for a framework agreement (IFRS 15)

— Moulds and parts separate performance obligations

VIII. Identifying components in lease contracts (IFRS 15, IFRS 16)

— Operating services for building and rental units are non-lease components. Principal for some, agent for others.

Assessment of De-facto control (IFRS 10)



Last two shareholders' meetings, 60% and 62% of the total shares were present. The issuer+ Z = 65-68% of the voting rights of the shareholders represented.

(i) the issuer holds significantly more voting rights than any other vote holder and the other shareholdings are widely dispersed;

(ii) the voting patterns at previous shareholders' meetings; and

(iii) the fact that the issuer and Company X have the same CEO and the same CFO,

=> enforcer considered that the issuer had since 2017 the practical ability to direct the relevant activities of Company X, and thus de facto power over Company X.

Norwegian Financial Supervisory Authority (FSA)

Finanstilsynet - selected news

Entra ASA - listed 20% of already listed bond loans, without preparing an EEC prospectus.

Skagerak Sparebank - did not consolidate its subsidiaries (NGAAP).

Salmones Camanchaca S.A. - valued immature fish at cost, presented some of their biological assets as non-current, reognised proceeds from the participation in a joint account partnership as operating revenue.

Aqua Bio Technology ASA - had not written down inventory or patents.

Saving banks - dividends to customers according to special law for saving banks shall be recognized as distribution of equity.

Melhus Sparebank – 2018 FS too general and missing disclosures (estimation uncertaintees, sensitivities, IFRS 7 disclosures etc). Missing separate statement of compliance from responsible persons (BOD and CEO).

Thematic reviews - IFRS 15 published. IFRS 9 and 16 in pipeline.

Risk Outlook report - FT emphasises the significant economic uncertainty and the strong impact the corona crisis could have on the Norwegian economy. The banks are well positioned to handle increased losses that may arise in the wake of the crisis, but it is important that the capital that has been built up is retained in the banks. This is necessary to enable them to provide new loans to creditworthy customers.

KPMG

ESMA - implications of COVID-19 on IAS 34 financial reports

ESMA - implications of COVID-19 on IAS 34 financial reports

Consistent application

Transparancy

Timely, relevant and reliable information, and not unduly delay publication.

Update on the latest annual report expected to be more extensive than normal.

Provide comparable, relevant and reliable information and an adequate level of disclosure and transparency to market participants

Adequately reflect current and expected impact of COVID-19,

Entitlement to various relief and support measures

Caution – not separate presentation of COVID-19 effect in P&L or new APM, but separate note

Principal risks and uncertainties and subsequent events.

Disclosures, estimates, sensitivities, changes

Going concern

Financial risks

Impairment

Deferred tax assets, fair values, onerous contracts and provisions

- Finanstilsynet will follow-up on the half-year reporting
- Remember also disaggregation of revenues, ref. IFRS 15 thematic review

ESMA - implications of COVID-19 on IAS 34 financial reports

Purpose: Promote transparency and consistent application of requirements for the information provided in IAS 34 financial reports under the current circumstances related to the COVID-19 outbreak.

ESMA reminds on the objective of timely, relevant and reliable information, and not unduly delay publication.

Interim financial statements

- Adequately reflect current and expected impact of COVID-19
- Principal risks and uncertainties and subsequent events.
- Update on the latest annual report expected to be more extensive than normal.
    - Disclosures, estimates, sensitivities, changes
- Entitlement to various relief and support measures
- Going concern
- Financial risks
- Impairment of non-financial assets
- Deferred tax assets, fair values, onerous contracts and provisions
- A single note of the impacts of COVID-19

ESMA - implications of COVID-19 on IAS 34 financial reports

Interim management report

Detailed and entity specific information regarding:

- the impact of COVID-19 on strategic orientation and targets, operations, financial performance, financial position and cash-flows (liquidity position, liquidity risk management strategy, decrease of revenues, disruptions in supply chains and/or production);
- measures taken to address and mitigate the impacts of the COVID-19 on operations and performance and progress/state of completion (incl. if applied or considering to apply for public support measures, details regarding the nature, amounts and conditions of such assistance, the planned renegotiation of major contracts); and
- where available, the expected future impact on financial performance, financial position and cash-flows, related risks and contingency measures planned to mitigate the expected future impact and risk and uncertainties identified.

Also include narrative information regarding the estimates and judgements made as well as assumptions used to determine the future impact of the COVID-19 on the business and how the different uncertainties faced affected the estimates made and the strategy undertaken to address the impact of COVID-19.

Any new APMs shall follow the APM guidance

IFRS Update 2020 | Webinarserie

Vorspiel - Ny presentasjonsstandard

17. juni inviterer IASB og EFRAG sammen med Norsk RegnskapsStiftelse (NRS) og Norsk Finansanalytikeres Forening (NFF) til en norsk rundebordskonferanse i forbindelse med utkast til ny presentasjonsstandard.

Det foreslås innført mer struktur i resultatrapporteringen, med delsummer og mer veiledning for aggregering og disaggregering av resultatlinjer. IASB tar noen av APM'ene inn i regnskapet og de innfører også pliktige notekrav for "uvanlige poster".

Vi gir deg en rask innføring av forslagene og diskusjonspunktene, slik at du kan delta i debatten.

Dato: 15. juni 2020

Tid: 11.30-12.30

Q2 Rapporteringen og makrobildet

Som en oppfølging av vårt Q1 seminar i april, vil vi diskutere problemstillinger børsnoterte selskaper må ta stilling til i sin Q2-rapportering og hva man bør tenke over når noter og annen regnskapsinformasjon skal utarbeides.

Brukerne av regnskapsinformasjon etterlyser selskapspesifikk informasjon, både knyttet til selskapets egne forhold og selskapets syn på markedet. Leif-Rune Husebye Rein fra Nordea Liv vil dele sine makroperspektiver med oss, og gi oss innsikt i hvordan investorene tenker.

Siste post på programmet er en dypere innsikt i mislighets- og korrupsjonsrisiko. På hvilke områder har Covid-19 medført en økt risiko på disse områdene, og hvordan endrer denne innsikten hva selskapene bør ha på sin agenda?

Dato: 18. juni 2020

Tid: 11.30-12.30

Tradisjonelle IFRS nyheter

Etter en tid med force majeure også på regnskapsområdet, hvor covid-19 effekter og fortsatt drift-vurderinger har stått i fokus, gir vi deg i dette seminaret endelig en oppdatering av de viktigste endringene på IFRS-området;

- Endringer i regnskapsstandarer (f. eks. ny definisjon av vevenirksomhet)
- Tolkningsuttalelser fra IFRIC
- Uttalelser og tilsynsbrev fra Finanstilsynet og ESMA
- IASBs pågående prosjekter

Dato: 19. juni 2020

Tid: 11.30-12.30

Thank you

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VEDLEGG

IFRS Practice Statement 2 – Making Materiality Judgements

A four-step materiality process

Step 1—**identify**.

Identify information that has the potential to be material.

Step 2—**assess**.

Assess whether the information identified in Step 1 is, in fact, material.

Step 3—**organise**.

Organise the information within the draft financial statements in a way that communicates the information clearly and concisely to primary users.

Step 4—**review**.

Review the draft financial statements to determine whether all material information has been identified and materiality considered from a wide perspective and in aggregate, on the basis of the complete set of financial statements.

IBOR reform

Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7 have been issued.

- The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.
- Disclosures

Phase 2: ED contained amendments to specific requirements in IFRS Standards relating to:

- modifications of financial instruments and lease liabilities;
- hedge accounting; and
- disclosures.

https://home.kpmg/xx/en/home/insights/2019/05/ibor-reform-ifrs-hedge-accounting-libor-interest-rates-ifrs9-ias39.html

Figure 1 (IAS 1.76B)

† IAS 32 *Financial Instruments: Presentation*

Example 2

Foreign currency convertible bond

- A foreign currency convertible bond that matures on 31 December 2023.
- The bond comprises a financial liability and an option granted to the holder to convert the bond into a fixed number of the company's ordinary shares at any time before maturity.
- The conversion option does not meet the definition of an equity instrument because it fails the 'fixed-for-fixed' criteria and is an embedded derivative recognised separately from the host liability.

Assessment as at 31 December 2020 (the end of the reporting period)

Classification under existing requirements	Classification after the amendments
Mixed practice Current IAS 1 is unclear.	**Current** The transfer of the company's own equity instruments is a form of settlement. As the holder has an option to convert the host liability into the company's own equity instruments at any time before maturity, the company does not have the right to defer settlement for at least twelve months from the reporting date. The host liability is therefore classified as current.

Finanstilsynet - Selected news (1/4)

COVID-19

A separate page on its webpage for FSAs follow-up of COVID-19.

Published and support all ESMA activities, as well as some IASB and EBA.

Suggested that the Goverment required no dividends from banks and insurance companies – was not approved.

26.5.2010

Entra ASA extended and listed 20% of already listed bond loans, without preparing an EEC prospectus.

The issue must be less than 20% to be exempt from EEC prospectus (1 bond too much issued).

The company informed FSA of the error, FSA critized the company but no other reaction in this case.

01.04.2020

Skagerrak Sparebank did not consolidate its subsidiaries. According to NGAAP, consolidation is not required if

— subidiaries separateley and in aggregate does not have effect for evaluation of the Group’s position and result, or

— are temporarily acquired with view of sale (within 12 months).

FSA evaluated that at least one of the «not-temporary» subsidiaries were significant and one did not qualify for being temporary.

Significant test for a bank should be based on net interest income and net result.

Finanstilsynet - Selected news (2/4)

27.3.2010

Salmones Camanchaca S.A. – Until Q3 2019, the Company valued immature fish at cost, arguing that fair value could not be reliably measured. In Finanstilsynet's view, the Company should be able to estimate fair value based on internal and external supportable assumptions.

Finanstilsynet also questioned the presentation of biological assets as current and non-current assets in the statement of financial position, ref normal operating cycle.

Proceeds from the participation in a joint account partnership had been recognised as operating revenue. Salmones receives 1/3 of the result, without having joint control or significant influence. The proceeds from the partnership is reclassified and presented as "Other income (losses)" in the statement of net income.

Finanstilsynet - Selected news (3/4)

11.3.2020

Aqua Bio Technology ASA (ABT, a biotechnology company developed an ingredient for use in cosmetics)

FSA believes inventories should have been written down to zero, and that there were indication of impairment of patents at 31.12.2018. Auditor also concluded the same.

17.2.2020

Saving banks - dividends to customers according to special law for saving banks.

FSA concluded that these shall be recognized as distribution of equity, without proper discussion if this is according to IFRS.

13.12.2019

Melhus Sparebank (IFRS) 2018 FS

Estimation uncertainty (IAS 1.125) – too general, not concrete on the uncertaintees and sensitivities (especially re ECL)

Disclosures on loss on loans and guarantees (IFRS 7) – a number of comments to the description of the model, classes of instruments (not split private and business customers), not classified all default loans in stage 3 and not explained large increase in default, has disclosed individual impairment on defaulted loans – FSA believes total impairment is more relevant, not sufficient disclosure on security for the loans (e.g. loans within 60%, 80%, 100% of the value of security), etc.

A number of other comments to the notes and presentation.

Missing separate statement of compliance from responsible persons (BOD and CEO)

Finanstilsynet - Selected news (4/4)

IFRS 15

FSA published a thematic review at the end of 2019 based on 2018 annual FS and half year 2019 reports

- "The FSA notes that most of the companies reviewed have a significant potential for improvement. The FSA will pay greater attention to the disclosure and presentation requirements of IFRS 15 in its review of the annual accounts for 2019"
- The FSA concentrated on the following areas:
  - information on accounting policies and significant judgements (incl. identification of performance obligations (PO), determination of transaction price, allocation of transaction price and satisfaction of PO)
  - presentation of contract assets and liabilities and related note information
  - Disaggregation of revenues
  - transaction price allocated to remaining performance obligations

IFRS 16

FSA in process of conducting a thematic review

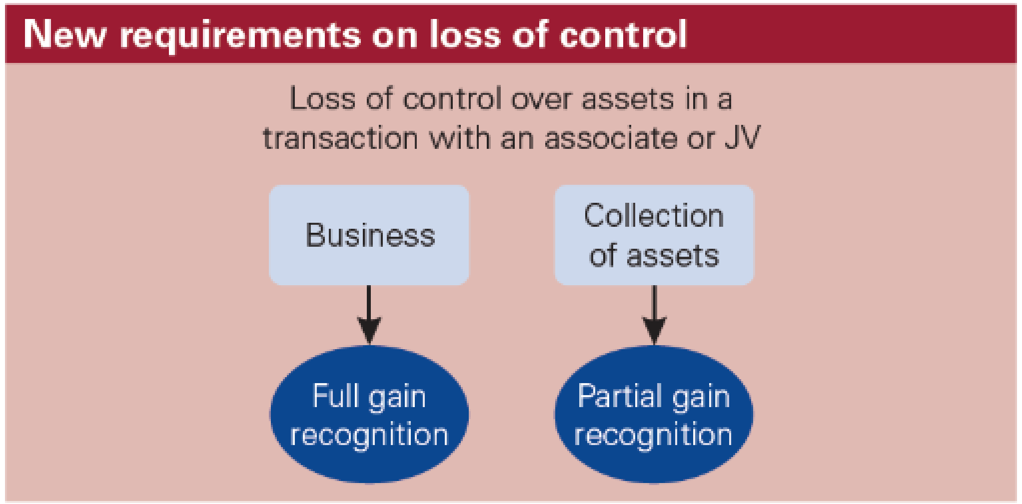
IFRS 9

Still focus of the FSA. Thematic review of 9 banks and some other financial institutions, not published.

Expected focus areas

- ECL (estimation, transparancy, disclosures) and other forward looking information, significant estimates
- Significant increase in credit risk (SICR)

Sale or contribution of assets between an investor and its associate of joint venruters (IFRS 10 and IAS 28)



Not endorsed by the EU

Both ‘upstream’ and ‘downstream’ transactions should be affected by the amendments to IFRS 10 and IAS 28.

The effective date has been postponed until the completion of a broader review of accounting for associates and joint ventures. Early application permitted.

Better communication in financial reporting

Financial statements

Primary Financial Statements

Primary Financial Statements

Exploring potential targeted improvements to the structure and content of primary financial statements, focusing on the statement of financial performance and the statement of cash flows.

Exposure draft issued in December 2019

Ongoing

Materiality Judgements on Accounting Policis

Developing guidance and examples to help entities apply materiality judgements to accounting policy disclosure.

Exposure draft issued in August 2019

Standards-level Review of Disclosures

Identifying targeted improvements to disclosure requirements in existing IFRS Standards and developing guidance to the International Accounting Standards Board to use when drafting disclosure requirements in new or revised IFRS standards.

Exposure draft expected in H2 2020.

Disclosure Initiative

Amendments to IAS 1 Presentation of Financial Statement

Encouraging management to apply professional judgement in determining what information to disclose in their financial statements.

Effective 1 January 2016

Amendments to IAS 7 Statement Cash Flows

Requiring new disclosure that help users evaluate changes in liabilities arising from financing activities

Effective 1 January 2017

Completed

IFRS Practice Statement 2 Making Materiality Judgements

Facilitating management`s judgements on applying the materiality concept to the financial statements. It builds on the Amendments to IAS 1.

Non-mandatory practie statement effective since issue in September 2017

Amendments to IAS 1 and IAS 8 Definition of Material

Refining the definition of materiality and clarifying its characteristics.

Effective 1 Januar 2020

Principles of Disclosure (PoD)

Identiying disclosure issues and developing a set of principles for disclosure in IFRS Standards to address them.

Project summary issued March 2019

Outside financial statements

IFRS Practice Statement 1 Management commentary

Exploring ways to update this guidance to support more rigorous management commentary.

Exposure draft expected in H2 2020

Business combinations under common control

Appendix A—Illustration of the Board's tentative decisions on when the acquisition method and the predecessor approach would apply