The Journal is running a series of updates on IFRS, IAS, IFRIC and SIC. In this issue, Mr. Mohammad Samsul Arefin ACMA (UK), CGMA, FCMA has taken the responsibility to update the reflection on some latest pronouncements by IASB in their website.

Mr. Arefin has been working as Head of Internal Audit & Compliance in RAK Ceramics (Bangladesh) Limited.

IFRS Update

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The International Accounting Standards Board met on 22 July 2019 to continue its discussion of comments on the Exposure Draft Classification of Liabilities, which proposes amendments to paragraphs 69–76 of IAS 1 Presentation of Financial Statements.

Liabilities with equity-settlement features

Paragraph 69(d) of IAS 1 states that 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 as current or non-current.

The Board tentatively decided to amend IAS 1 to clarify that this statement applies only to a counterparty conversion option recognized separately from the liability as an equity component of a compound financial instrument. Any other term of a liability that could result in its settlement by the transfer of the entity's own equity instruments does affect the classification of the liability as current or non-current.

Transition and early application

The Board tentatively decided to :

a) require an entity to apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

b) provide no exemption for an entity adopting IFRS Standards for the first time; and

c) permit an entity to apply the amendments before their effective date (early application), but to require an entity that applies the amendments early to disclose that fact.

Next steps

At a future meeting, the Board will review the due process steps carried out on this project; decide whether to give staff permission to begin the balloting process; and select an effective date for the amendments.

Disclosure Initiative - Targeted Standards - level Review of Disclosures

The International Accounting Standards Board met on 24 July 2019 to discuss amendments to the disclosure objectives in IAS 19 Employee Benefits.

IAS 19 disclosure objectives–defined benefit plans

The Board tentatively decided to include a high-level, catch-all disclosure objective in IAS 19 for defined benefit plans. Such an objective would, among other things, address aggregation and disaggregation of information provided to meet the specific disclosure objectives.

These objectives would require an entity to disclose information that enables users of financial statements to:

i) understand the amounts and components of those amounts, in the entity's statements of financial performance, financial position and cash flows arising from its defined benefit plans.

ii) understand the:

  a) nature of the benefits provided by the entity's defined benefit plans;

  b) nature and extent of risks, in particular the investment risks, to which those plan(s) expose the entity; and

  c) the entity's strategies for managing the plan(s) and associated risks.

iii) understand the expected future cash flows resulting from the defined benefit obligation and the nature of those cash flows.

vi) understand the time period over which payments will continue to be made to members of plans that are closed to new members and for which the entity still has an obligation.

v) understand the significant actuarial assumptions used in determining the defined benefit obligation.

vi) understand the drivers of changes in the net defined benefit liability or asset from the beginning of a reporting period to the end of that period.

Other user information needs

The Board tentatively decided not to develop specific disclosure objectives to address the information needs of users of financial statements about:

a) alternative defined benefit plan valuations to those required by IAS 19.

b) sensitivity of the defined benefit obligation to different assumptions.

c) the forecasting of future defined benefit obligations.

IAS 19 disclosure objectives–employee benefits other than defined benefit plans

The Board tentatively decided to include a high-level, catch-all disclosure objective in IAS 19 requiring an entity to disclose information that enables users of financial statements to understand how defined contribution plans affect the entity's statements of financial performance and cash flows.

Multi-employer and group plans :

The Board tentatively decided that an entity that accounts:

a) for its multi-employer or group plan as a defined benefit plan should comply with the disclosure objectives for defined benefit plans.

b) for its multi-employer plan as a defined contribution plan should comply with the disclosure objective for defined contribution plans.

The Board tentatively decided that an entity that accounts for its share of a defined benefit multi-employer plan or group plan as if it were a defined contribution plan should comply with:

a) the disclosure objective for defined contribution plans; and

b) a specific disclosure objective to disclose information that enables users of financial statements to understand the:

  i) nature of the benefits provided by its defined benefit plans;

  ii) nature and extent of risks, in particular the investment risks, to which those plan(s) expose the entity; and

  iii) entity's strategies for managing the plan(s) and associated risks.

Other employee benefits :

The Board tentatively decided to include a high-level, catch-all disclosure objective in IAS 19. Such an objective would require an entity to disclose information that enables users of financial statements to understand:

a) the nature of termination benefits and other long-term employee benefits; and

b) how those benefits affect the entity's statements of financial performance, financial position and cash flows.

The Board tentatively decided to include a high-level, catch-all disclosure objective in IAS 19 requiring an entity to disclose information that enables users of financial statements to understand how short-term employee benefits affect the entity's statements of financial performance and cash flows.