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

The International Accounting Standard Board (IASB) is an independent group of experts with an appropriate mix of recent practical experience in setting accounting standards. The Board issued updates on amendment initiatives to its respective standards and other undertakings during last 2 months (March – April 2021). Some important updates are as follows:

IASB publishes Exposure Draft Disclosure Requirements in IFRS Standards—A Pilot Approach

In response to stakeholders' demands for more relevant and effective disclosures in the financial statements, IASB has proposed a new approach to developing the disclosure requirements in IFRS Standards.

The new approach is written as draft guidance for use by the Board when developing disclosure requirements in individual Standards. In applying the guidance, the Board aims to enhance greater investor engagement to understand the information needs, giver greater prominence to the objective of disclosure requirements and help companies focus on disclosing material information only.

The Exposure Draft Disclosure Requirements in IFRS Standards—A Pilot Approach released by the IASB includes the proposed approach to developing disclosure requirements and the proposed amendments to the disclosure requirements in IFRS 13 Fair Value Measurement and IAS 19 Employee Benefits, which have been developed following the new approach.

Comments on the Exposure Draft are requested by 21 October 2021.

IASB extends support for lessees accounting for covid-19-related rent concessions

The International Accounting Standards Board (Board) has today extended by one year the application period of the practical expedient in IFRS 16 Leases to help lessees accounting for covid-19-related rent concessions.

In response to calls from stakeholders and because the covid-19 pandemic is still at its height, the Board has extended the relief by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022.

The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021.

IASB proposes amendments to IAS 21 setting out accounting when there is lack of exchangeability

The IASB has published proposed amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates.

At present, IAS 21 does not set out the exchange rate to be used when there is lack of exchangeability between two currencies e.g. when a currency cannot be converted into a foreign currency. The proposed amendments seek to help entities identify when such a lack of exchangeability exists and to clarify the accounting to be applied in such cases.

The amendments propose that when there is lack of exchangeability between two currencies at a measurement date, an entity shall estimate the spot exchange rate at that date. The proposed amendments also specify the conditions that the estimated exchange rate needs to meet.

Comments of the Exposure Draft are requested by 1 September 2021.

IASB decides to extend the comment period for Exposure Draft Regulatory Assets and Regulatory Liabilities

The International Accounting Standards Board met on 23 March 2021 and decided to extend by 30 days the comment period for the Exposure Draft Regulatory Assets and Regulatory Liabilities to give stakeholders more time to respond. The comment period will now end on 30 July 2021.

What about Rate-regulated Activities:
Rate regulation determines how much compensation a company is entitled to charge customers for goods or services supplied in a period and when the company can include that compensation in the regulated rates charged. In some cases, a difference in timing arises because part of the compensation for goods or services supplied in a period must be included in the regulated rate charged for goods or services supplied in a different period (past or future).

When those differences in timing occur, the revenue reported by a company for a period in its statement of financial performance and the assets and liabilities reported in its statement of financial position do not give a complete picture of the compensation that the rate regulation entitles the company to charge for goods or services supplied in that period. Currently, IFRS Standards do not require companies to inform investors about those differences in timing. This incomplete information makes it unnecessarily difficult for investors to make good assessments of cash flows that will arise from future revenue and future expenses.

The Board developed proposals to introduce a requirement for companies to give investors such information by reporting regulatory assets and regulatory liabilities in their statement of financial position, and related regulatory income and regulatory expense in their statement of financial performance. This information would help investors understand which fluctuations in the relationship between a company's revenue and expenses are caused by those differences in timing so that investors could make better assessments of the company's prospects for future cash flows.

If finalized as a new IFRS Standard, the Board's proposals would replace IFRS 14 Regulatory Deferral Accounts.

Source of information:

IASB website
BDO Global