



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.

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## IFRS Update

### Proposal for amendment to IFRS 16:

The International Accounting Standards Board has proposed to amend IFRS 16 Leases to make it easier for lessees to account for covid-19-related rent concessions such as rent holidays and temporary rent reductions.

The objective of the amendment is to give timely relief to lessees when applying IFRS 16 to covid-19-related rent concessions.

IFRS 16 specifies how lessees should account for changes in lease payments, including concessions. However, applying those requirements to a potentially large volume of covid-19-related rent concessions could be practically difficult, especially in the light of the many challenges stakeholders face during the pandemic. The Standard requires lessees to assess individual lease contracts to determine whether the concessions are to be considered lease modifications and, if that is the case, the lessee must re-measure the lease liability using a revised discount rate.

The proposed amendment would exempt lessees from having to consider whether particular covid-19-related rent concessions are lease modifications, allowing them to account for these changes as if they were not lease modifications. The amendment would apply to covid-19-related rent concessions that reduce lease payments due in 2020.

## Suggested changes:

The changes proposed in ED/2020/2 Covid-19-Related Rent Concessions (Proposed amendment to IFRS 16) would amend IFRS 16 to

1. provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification;
2. require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications;
3. require lessees that apply the exemption to disclose that fact; and
4. require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures (a lessee would recognize any difference arising on initial application of the amendment in opening retained earnings (or other component of equity, as appropriate) in the annual reporting period that includes the date of initial application).

The proposed amendment would not supersede the educational material recently published on the same topic, but rather the two complement each other.

The IASB is not proposing any additional relief for lessors as the current situation is not as equally challenging for lessors, as most have operating leases and even if they have lease modifications, the required accounting is not as complicated.

## Effective date

The Board expects to finalize the amendment to IFRS 16 by the end of May 2020 and proposes an effective date of 1 June 2020 for the final amendment (earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued).

## IASB proposes deferring IAS 1 amendments' effective date due to covid-19:

The International Accounting Standards Board (Board) has proposed to defer by one year the effective date of Classification of Liabilities as Current or Non-current, which amends IAS 1 Presentation of Financial Statements.

The IAS 1 amendments were issued in January 2020, effective for annual reporting periods beginning on

or after 1 January 2022. However, in response to the covid-19 pandemic, the Board is proposing to provide companies with more time to implement any classification changes resulting from the amendments by deferring the effective date by one year to annual reporting periods beginning on or after 1 January 2023.

The Board is not proposing any changes to the original amendments other than the deferral of the effective date.

## Other discussions ongoing:

The International Accounting Standard Board also met remotely on 21 - 23 April 2020 to keep progressing on discussions with the following topics:

- ❖ Amendments to IFRS 17 Insurance Contracts
- ❖ Financial Instruments with Characteristics of Equity
- ❖ Post-implementation Reviews of IFRS 10, IFRS 11 and IFRS 12
- ❖ Maintenance and consistent application
- ❖ Management Commentary
- ❖ Review of the IFRS for SMEs Standard
- ❖ Disclosure Initiative—Subsidiaries that are SMEs

### Source of information:

IASB website

IASplus.com