



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

The International Accounting Standard Board (IASB) published respective updates on its relevant standards during last 2 months (July – August 2020). Some important updates are as follows:

### **IBOR Reform:**

The International Accounting Standards Board (IASB) has finalized its response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. This includes:

- ❖ IFRS 9 Financial Instruments,
- ❖ IAS 39 Financial Instruments: Recognition and Measurement,
- ❖ IFRS 7 Financial Instruments: Disclosures,
- ❖ IFRS 4 Insurance Contracts and
- ❖ IFRS 16 Leases.

The amendments are aimed at helping companies to provide investors with useful information about the effects of the reform on those companies' financial statements.

The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

The amendments in this final phase relate to:

- ❖ **Changes to contractual cash flows**—a company will not have to derecognize or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- ❖ **Hedge accounting**—a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- ❖ **Disclosures**—a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

These amendments are effective for annual reporting periods beginning on or after 1 January 2021, with early adoption permitted.

### Deferral of the effective date of amendments to IAS 1:

The International Accounting Standards Board (Board) has issued an amendment 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.

Classification of Liabilities as Current or Non-current was 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 has deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from those amendments. Classification of Liabilities as Current or Non-current is now effective for annual reporting periods beginning on or after 1 January 2023.

The Board did not make any changes to Classification of Liabilities as Current or Non-current other than the deferral of the effective date.

### Meeting Updates:

Apart from issuing updates on amendments for the respective standards the International Accounting Standard Board also met remotely in the month of July' 2020 to discuss on following matters:

- ❖ IBOR Reform and its Effects on Financial Reporting—Phase 2
- ❖ Disclosure Initiative—Accounting Policies
- ❖ IFRS Taxonomy (oral update)
- ❖ Maintenance and consistent application
- ❖ Extractive Activities
- ❖ Management Commentary

There was no meeting in the month August 2020

### Source of information:

IASB website