



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 (May – June 2021). Some important updates are as follows:

IASB clarifies the accounting for deferred tax on leases and decommissioning obligations

The International Accounting Standards Board (Board) has issued targeted amendments to IAS 12, the IFRS Standard on income taxes, to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

IAS 12 Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future.

In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time.

Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognize both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions.

The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

IASB consults on a new framework for management commentary reflecting changes in corporate reporting landscape

The International Accounting Standards Board (Board) has published for public comment a proposed comprehensive framework for companies preparing management commentaries aligned with investors' information needs.

Management commentary—in some countries referred to as management discussion and analysis—is a report that complements a company's financial statements.

The proposed framework represents a major overhaul of IFRS Practice Statement 1 Management Commentary. It builds on innovations in narrative reporting and would enable companies to bring together in one place the information investors need to assess a company's long-term prospects—such as information about the company's intangible resources and relationships and about sustainability matters that affect the company.

Management commentary would thus not only explain a company's financial statements but also give investors insights into factors that affect a company's ability to create value and generate cash flows, including in the long term. It would be based on information used to manage the business, including financial and non-financial metrics used to monitor performance.

The proposed framework sets out disclosure objectives for information about the company's business model, strategy, resources and relationships, risks, external environment and financial performance and position. The disclosure objectives are designed to enable companies to identify and provide information that is material to investors, and to enable regulators and auditors to assess compliance with the proposed framework.

IFRS Standards do not require companies to provide management commentary—this is unchanged by the proposed new framework. However, regulators may require companies to provide management commentary in accordance with the proposed framework or companies may choose to do so. The Board envisages that companies would be able to apply the proposed framework along with national reporting requirements and in conjunction with frameworks that address particular topics, such as sustainability matters.

Hans Hoogervorst, Chair of the International Accounting Standards Board, said:

“The proposed new framework provides a robust basis for bringing together in a single report financial, sustainability and other information about the matters that are fundamental to a company's long-term prospects.”

The deadline for comments on the Exposure Draft Management Commentary is 23 November 2021.

Meeting Update:

The Board met remotely on 24–27 May 2021 to keep progressing on followings:

Research and standard-setting:

- ◆ Dynamic Risk Management
- ◆ Financial Instruments with Characteristics of Equity
- ◆ Goodwill and Impairment
- ◆ Primary Financial Statements
- ◆ Second Comprehensive Review of the IFRS for SMEs Standard
- ◆ Disclosure Initiative—Subsidiaries that are SMEs

Source of information:
IASB website.