بسم الله الرحمن الرحيم

INSTITUTE OF CHARTERED ACCOUNTANTS OF THE MALDIVES

IFRS UPDATES

April - June 2023

1. IFRS (International Financial Reporting Standards)

i. New Standards

TITLE	DESCRIPTION	EFFECTIVE DATE
NA		

ii. Amendments to Existing Standards

TITLE	DESCRIPTION	EFFECTIVE DATE
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	On 25th May 2023 IASB has issued disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1st January 2024
International Tax Reform- Pillar Two Model Rules (Amendments to IAS 12)	On 23rd May 2023, IASB has issued amendments to IAS 12 Income Taxes. The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The OECD published the Pillar Two model rules in December 2021 to ensure that large	1st January 2023

	multinational companies would be subject to a minimum 15% tax rate. More than 135 countries and jurisdictions representing more than 90% of global GDP have agreed to the Pillar Two model rules. The IASB has taken urgent action to respond to stakeholders' concerns about the uncertainty over the accounting for deferred taxes arising from the implementation of the rules.	

iii. Exposure Drafts

TITLE	DESCRIPTION	COMMENTS DUE BY
International Tax Reform-Pillar Two Model Rules-Proposed Amendments to the IFRS for SMEs Standard	The International Accounting Standards Board (IASB) on 1 June proposed amendments to the IFRS for SMEs Accounting Standard to help small- and medium-sized entities (SMEs) respond to international tax reform. The proposed amendments to the income tax section of the Standard would provide the same relief as the amendments to IAS 12 Income Taxes issued in May 2023, and come in response to the Organisation for Economic Co-operation and Development's (OECD) Pillar Two model rules.	17th July 2023

iv. FAQs

N/A

v. Other Information

IFRS for SMEs Accounting Standard educational material: the effects of climate-related matters on financial statements

On 16th May 2023, the IFRS Foundation has published educational material to illustrate how the IFRS for SMEs Accounting Standard requires companies to consider climate-related matters that have a material effect on the financial statements.

The educational material has been developed in response to feedback from some members of the SME Implementation Group and respondents to the 2022 Exposure Draft Third edition of the IFRS for SMEs Accounting Standard. This feedback identifies that interest in the potential effects of climate-related matters on SMEs' financial statements is growing among users of those statements.

The material contains a non-exhaustive list of examples of when companies may need to consider climate-related matters in their financial statements and is aimed at supporting the consistent application of the IFRS for SMEs Accounting Standard. It does not add to or change the requirements in the IFRS for SMEs Accounting Standard. The material is based on similar educational material published by the IFRS Foundation to support full IFRS Accounting Standards.

The IASB concluded on 22 May 2023 on the next cycle of annual improvements to IFRS Accounting Standards to include the following:.

Lessee Derecognition of Lease Liabilities (IFRS 9)—Potential annual improvement

The IASB discussed a potential lack of clarity in IFRS 9 Financial Instruments about how a lessee is required to account for an extinguished lease liability. This lack of clarity has arisen because paragraph 2.1(b)(ii) of IFRS 9 includes a cross-reference to paragraph 3.3.1, but not to paragraph 3.3.3 of IFRS 9.

The IASB unanimously decided:

a. to propose an amendment to paragraph 2.1(b)(ii) of IFRS 9 to add a cross-reference to paragraph 3.3.3 of IFRS 9;
b. to require an entity to apply this proposed amendment prospectively; and
c. to include this proposed amendment in its next annual improvements cycle.

Disclosure of Deferred Difference between Fair Value and Transaction Price (IFRS 7 IG)—Potential annual improvement

The IASB discussed an inconsistency between paragraph 28 of IFRS 7 Financial Instruments: Disclosures and paragraph IG14 of its accompanying implementation guidance. In 2011 the IASB amended paragraph 28 of IFRS 7 but did not similarly amend paragraph IG14 accompanying IFRS 7.

The IASB unanimously decided:

a. to propose an amendment to paragraph IG14 accompanying IFRS 7 to make it consistent with paragraph 28 of IFRS 7; and

b. to include this proposed amendment in its next annual improvements cycle.

IASB begins planned review of financial-crisis-era reform to loan-loss accounting

The International Accounting Standards Board (IASB) on 30th May launched a call for stakeholders' feedback on its post-implementation review of the expected credit loss requirements in IFRS 9 Financial Instruments.

IFRS 9 was developed in response to the global financial crisis, following calls from the G20 and other bodies for more timely recognition of loan losses and a forward-looking impairment model.

The 'expected credit loss' model in IFRS 9 replaced the previous 'incurred credit loss' model, which only allowed credit losses to be recognised when a loss event occurred. Under the incurred credit loss model, the effects of possible future credit loss events were not considered, even when they were expected.

The main objective of the requirements in IFRS 9 is to provide investors with more useful information about a company's expected credit losses. The Accounting Standard requires a company to recognise and update expected credit losses throughout the life of a financial asset, factoring in the losses it expects based on relevant available information. Consequently, investors receive more timely information about expected credit losses.

Disclosures play an important part in providing investors with the information they need about expected credit losses. As a result, the IASB is also seeking stakeholder feedback on related disclosure requirements in IFRS 7 Financial Instruments: Disclosures in this post-implementation review.

IASB seeks input for review of Accounting Standard on revenue

On 29th June 2023, the International Accounting Standards Board (IASB) calls for stakeholder feedback to inform its review of the IFRS Accounting Standard for revenue from contracts with customers, IFRS 15.

The Accounting Standard was developed jointly with the US Financial Accounting Standards Board and came into effect in 2018. It was created to improve the quality and comparability of revenue information provided to investors globally.

IFRS 15 introduced a comprehensive and robust framework for the recognition, measurement and disclosure of revenue that applies to a wide range of transactions and industries. The Standard sets out a single coherent approach to recognising and measuring revenue that provides useful information to investors about the nature, amount, timing and uncertainty of revenue and cash flows arising from a company's contracts with customers.

As part of the IASB's usual post-implementation review (PIR) process for Accounting Standards, it will assess whether the requirements are working as intended.