



EY Ireland  
Financial reporting  
update

September 2021



Building a better  
working world

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## Foreword

At EY, we strive to simplify complex accounting and reporting requirements for our clients. With that in mind, this publication brings together the significant changes in accounting standards, regulatory requirements, as well as key enablers, to help you respond to the changing landscape.

In this edition, we discuss recent IFRS updates and emerging accounting issues including, among other matters:

- ▶ Disclosure of expected credit losses by banks
- ▶ Interim reporting and IFRS - 17 Insurance Contracts
- ▶ Accounting for cloud computing costs

- ▶ Lease considerations for Power Purchase Agreements
- ▶ International Accounting Standard Board (IASB) and International Financial Reporting Standards Interpretation Committee (IFRS IC) amendments, exposure drafts and agenda decisions.

If you have any questions or would like to discuss how your company is impacted by any of the topics in this publication, please get in touch with your EY contact, who will be supported by the individuals below.

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# Section 1: International Financial Reporting Standards (IFRS)

## Disclosure of expected credit losses (ECL) by banks

### Disclosure of COVID-19 impact on expected credit losses of banks

In December 2020, we issued Applying IFRS: Disclosure of COVID-19 impact on expected credit losses for banks, which focused on our expectations regarding the impact of COVID-19 on the expected credit loss (ECL) disclosures provided by banks. In this edition, we provide our observations on the impact of COVID-19 on the ECL disclosures published by a sample of large UK and European banks in their IFRS financial statements for the year ended 31 December 2020, and how we expect these to evolve going forward.

### IFRS Video: Expected credit losses disclosures for banks

In this video, our EY colleagues, reflect on the major ECL disclosure topics from banks' December 2020 reporting. They look at key trends, highlight examples of leading practice and discuss the focus areas for 2021 reporting covering the following key areas:

- Granularity of information
- Economic scenarios
- Overlays and post-model adjustments
- ECL sensitivity analysis



Applying IFRS Disclosure of COVID-19 impact on expected credit losses of banks



IFRS Video: Expected credit losses disclosures for banks

## Interim reporting and IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) accounting approach combines current measurement of future cash flows with the recognition of profit over the reporting periods that services are provided.

Changes in estimates that relate to the current or past reporting periods are recognised in profit or loss immediately. Those that relate to future reporting periods are deferred within the contractual service margin (CSM). The accounting for changes in estimates, therefore, depends on the timing of a reporting date and henceforth, IFRS 17 includes specific measurement requirements for interim reporting. As part of their implementation journey, preparers should consider the interrelationship between their current method and timing of reporting, and the requirements of IFRS 17. Our publication aims to help preparers navigate this journey and it includes considerations of “year-to-date” and “period-to-date” approaches and practical application of paragraph B137 of IFRS 17.

The analyses provided in our publication focuses on the application of the general measurement model under IFRS 17. However, similar considerations would apply to the modified measurement model for insurance contracts with direct participation features, and some aspects could also be relevant under the premium allocation approach.



Interim reporting and IFRS 17 Insurance Contracts

## Accounting for cloud computing costs

IFRS Standards do not contain explicit guidance about a customer’s accounting for cloud computing arrangements. Our publication discusses how an entity might account for a cloud computing arrangement considering the requirements in IFRS. We have updated the publication for the March 2021 IFRS Interpretations Committee agenda decision on costs of configuring or customising a supplier’s application software in a software as a service (SAAS) arrangement that is accounted for as a service.



Applying IFRS Accounting for cloud computing costs (Updated July 2021)

## Other IFRS reference material

### Energy Transition: lease considerations for Power Purchase Agreements

The use of Power Purchase Agreements (PPA) in the supply of renewable energy is on the rise. Typically, the customer in a renewable wind and solar PPA does not have the right to control the underlying equipment and, therefore, such an arrangement does not contain a lease. In some cases, the determination of whether a PPA represents a lease will require detailed analysis and, potentially, the involvement of several different business functions.

In most cases, other accounting standards, including IFRS 9 Financial Instruments and IAS 38 Intangible Assets, also require consideration when accounting for PPAs.

Refer our publication which focuses on the assessment of whether solar and wind energy PPAs contain a lease in accordance with IFRS 16 Leases for more detail.



Energy Transition: lease considerations for Power Purchase Agreements

### EU Endorsement status

On 16 July 2021, The Accounting Regulatory Committee ('ARC') voted in favour of IFRS 17 Insurance Contracts (IFRS 17) including the Amendments. IFRS 17 is expected to be endorsed by the European Commission in the fourth quarter of 2021.

On 30 August 2021, the European Union published a Commission Regulation endorsing the Amendments to IFRS 16 Leases - Covid19-Related Rent Concessions beyond 30 June 2021. The Amendments are effective as from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021.

The above changes are now reflected in the latest EFRAG endorsement status report (the Report) as at 31 August 2021. The Report provides an overview of IFRS Standards and IFRS interpretations pending endorsement. It also contains a list of all IFRS, amendments to IFRS and IFRS Interpretations endorsed in the EU, providing for each of them the date when it became effective in the EU, the date the endorsement decision was made and the date when it was published in the Official Journal of the European Union.

IFRS Standard/Amendment	Effective Date	Endorsed	Published
IFRS 17 Insurance Contracts	1 January 2023	Yes	16 July 2021
Amendments to IFRS 16 Leases - Covid19-Related Rent Concessions beyond 30 June 2021	1 April 2021	Yes	30 August 2021

EU Endorsement Status Report (31 August 2021)

# EY IFRS Core Tools

## EY IFRS illustrative financial statements and disclosure checklists

EY publishes a series of illustrative financial statements to assist reporting entities in the preparation of their own financial statements. The illustrative financial statements are intended to reflect transactions, events and circumstances that we consider to be most common for a broad range of companies across a wide variety of industries. Certain disclosures are included in these financial statements merely for illustrative purposes.

Commentaries are also provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. For a more comprehensive list of disclosure requirements, do refer to [EY's Online International GAAP® Disclosure Checklist](#).



Good Group illustrative consolidated financial statements (December 2021)



Good Group - Interim consolidated financial statements (March 2021)



Good Petroleum (International) Limited (December 2020)



Good Mining (International) Limited - Illustrative consolidated financial statements (December 2020)



Good Real Estate Group (International) Limited (December 2020)



Good Bank (International) Limited (December 2020)



Good General Insurance (International) Limited



IGAAP® Disclosure Checklist for Annual Financial Statements - IFRS in issue at 31 August 2021



IGAAP® Disclosure Checklist for Interim Condensed Financial Statements - IFRS at 31 August 2021

Other EY IFRS technical resources including practical technical guidance, latest thinking and tools from EY financial reporting professionals are available [here](#).

## IASB and IFRS IC exposure drafts, agenda decisions and other guidance

### IASB proposes amendment to IFRS 17 Insurance Contracts

On 28 July 2021, the IASB issued an [Exposure Draft \(ED\) Initial Application of IFRS 17 and IFRS 9–Comparative Information](#). The ED proposes a narrow scope amendment to IFRS 17 Insurance Contracts to allow a classification overlay for financial assets in the comparative period if certain conditions are met. This proposal is in response to concerns raised by stakeholders regarding accounting mismatches that could arise between financial assets and insurance contract liabilities in the comparative information when IFRS 17 and IFRS 9 Financial Instruments are first applied in 2023. The 60-day comment period to respond to the ED ended on 27 September 2021. Our Insurance Accounting Alert publication provides more information on the ED.



Insurance Alert:  
Proposed amendment to  
IFRS 17

## IASB proposes disclosure requirements for subsidiaries without public accountability

The IASB issued an Exposure Draft which proposes to allow subsidiaries without public accountability to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in IFRS Standards.

[Exposure Draft ED/2021/7, Subsidiaries without Public Accountability: Disclosures](#) proposes that eligible entities that elect to apply the reduced disclosure requirements would still be required to apply the recognition, measurement and presentation requirements of IFRS Standards. An entity may revoke its election at any time, and it may elect to apply the proposals more than once. The comment period for the ED ends on 31 January 2022.

Refer to our IFRS Developments Issue 194 publication for more information on the ED.



IFRS Developments Issue 194 - Subsidiaries without public accountability: disclosures

## Agenda decision clarifies costs necessary to sell inventories

The IFRS Interpretations Committee has clarified what is included in 'costs necessary to sell inventories' when determining net realisable value under IAS 2 Inventories. Entities will need to use judgement, considering the specific facts and circumstances (including the nature of inventories), to determine which of their costs are necessary to sell their inventories. Entities will not be able to limit the costs they include to those that are only incremental if doing so would exclude non-incremental costs that must be incurred to sell inventories.

Refer our IFRS Developments Issue 193 for more details on the IFRS IC's clarification.



IFRS Developments Issue 193 - Costs necessary to sell inventories

## September 2021 IFRIC Update

IFRIC Update is a summary of the decisions reached by the IFRS Interpretations Committee (IFRS IC) in its public meetings.

The IFRS IC met on 14-15 September 2021 and discussed the following topics among other matters:

- ▶ Demand Deposits with Restrictions on Use (IAS 7 Statement of Cash Flows)
- ▶ Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9 Financial Instruments)
- ▶ Non-refundable Value Added Tax on Lease Payments (IFRS 16 Leases)
- ▶ Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition (IAS 32 Financial Instruments: Presentation).

Refer the September IFRIC update summary for more detail on the above topics and the conclusions reached.



September 2021 IFRIC Update

## Section 2: Regulator expectations and related guidance

### The Irish Auditing and Accounting Supervisory Authority (IAASA)

#### IAASA sets out some key considerations for companies when preparing their 2021 financial statements

On 21 September 2021, IAASA, published its annual Observations paper highlighting some significant topics that those charged with governance should consider when preparing their financial statements for 2021.

IAASA's paper highlights some key areas that warrant close scrutiny by those preparing, approving and auditing 2021 financial statements in the upcoming reporting season including:

- ▶ COVID-19
- ▶ Impairments
- ▶ Fair values
- ▶ Alternative performance measures
- ▶ Climate change.

Against the backdrop of an uncertain economic landscape, IAASA expects companies to provide entity specific and comprehensive disclosures that enable the users of their financial reports to understand:

- ▶ The impact that these events have had on their financial performance, financial position, cash flows and risks
- ▶ The sources of estimation uncertainty and changes in the key assumptions underpinning assets, liabilities, income, expenses and cash flows
- ▶ The actions taken to respond to Brexit, the COVID-19 pandemic and climate change; and
- ▶ The expected impact on future financial performance, financial position, cash flows, and risks.

Refer IAASA's 2021 Observations paper for more detail.



IAASA's 2021  
Observations paper

## The European Securities and Markets Authority (ESMA)

### Compendium of enforcement decisions taken by EU accounting enforcers

On 15 July 2021, ESMA published the 25th Extract of enforcement decisions taken by EU accounting enforcers (the 25th Extract) from its database.

The 25th Extract, comprises eight decisions taken by European enforcers, including IAASA, between November 2019 and July 2020. The decisions cover several topics including:

- ▶ Measurement of expected credit losses
- ▶ Presentation of expenses related to COVID-19
- ▶ Presentation of current/non-current liabilities in the balance sheet
- ▶ Reconciliation of net debt
- ▶ Disclosures of financial risk
- ▶ Deferred tax assets related to a change in accounting policy due to first application of IFRS 9.

The objective of ESMA's publication is to provide issuers and users of financial statements with relevant information on the appropriate application of International Financial Reporting Standards.

Refer to ESMA's report for more details.



25th Extract from the EECES's Database of Enforcement

## Financial reporting Council (FRC)

### FRC publishes review findings on Streamlined Energy and Carbon Reporting

On 8 September, the FRC published the findings of its review of reporting on emissions, energy consumption and related matters under the new Streamlined Energy and Carbon Reporting (SECR) rules which came into effect from 1 April 2019.

The FRC's review considered how a sample of companies and Limited Liability Partnerships had complied with the new SECR requirements, identified examples of emerging good practice, and outlined its expectations for future reporting.

While the sample of reports largely complied with the minimum statutory disclosure requirements for emissions and energy consumption, more needs to be done to make these disclosures understandable and relevant for users. Entities need to explain more clearly how information is calculated, which operations and emissions are included in their reported numbers and the level of third-party assurance obtained over the information. They also need to consider how to integrate these disclosures with other narrative reporting on climate change, especially any emission-reduction targets.

Refer the FRC's report for more information.



Streamlined Energy and Carbon Reporting

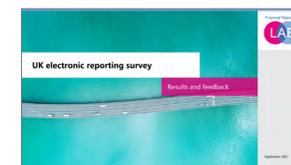
## UK electronic reporting: survey results and resources for companies

In May 2021, the Financial Reporting Lab (the Lab) released a survey that asked companies and service providers to comment on their preparations for the introduction of structured electronic reporting for annual financial reports as part of the UK implementation of a wider cross-EU initiative on electronic reporting.

On 9 September, the Lab published:

- ▶ the results of the survey, showing that UK companies have begun to put the right steps in place to meet the requirements, but still have some important outstanding actions
- ▶ a list of resources to help companies understand and implement the requirements.

Refer to the FRC survey results and list of resources for more information.



FRC Survey Results



FRC List of Resources

## FRC publishes review findings on companies' viability and going concern disclosures

On 22 September, the FRC published the findings of its review of companies' viability and going concern disclosures. The FRC noted that there were several areas where viability and going concern reporting could be improved. In particular, the review found that:

- ▶ The disclosure of inputs and assumptions used in forecast scenarios to support the viability and going concern assessments often lacked sufficient qualitative and quantitative detail; and
- ▶ In some cases, there was evidence to indicate that significant judgements may have been applied in determining whether a company was a going concern or whether this was subject to material uncertainty, but these judgements were not identified or explained.

Refer to the FRC's report for detailed information.



FRC - Viability and Going Concern

## International Sustainability Standards Setting

On 23 September 2021, the FRC published frequently asked questions (FAQs) on International Sustainability Standards Setting. The purpose of the FAQs is to inform UK company stakeholders of developments in sustainability standard setting by the International Financial Reporting Standards Foundation (IFRS Foundation). The IFRS Foundation intends to establish an International Sustainability Standards Board and issue sustainability standards thereafter.

Refer the FRC's FAQs document for more details.



Frequently Asked Questions: International Sustainability Standard Setting

# Contact us

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