

# EY Ireland

## Financial reporting update

January - April 2021



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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 including, among other things:

- ▶ Coronavirus accounting considerations
- ▶ International Accounting Standard Board (IASB) and International Financial Reporting Standards (IFRS IC) exposure drafts, agenda decisions and guidance

- ▶ Regulator announcements and guidance
- ▶ New EY Illustrative financial statements and Disclosure checklists for Interim reporting and 30 June 2021 year ends.

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)

## Coronavirus accounting considerations

### **Accounting for COVID-19 related rent concessions (Updated February 2021)**

We have made important changes since our July 2020 edition, to address evolving issues and expand our discussion of certain topics.

This publication discusses how IFRS 16, including the recently issued amendments to IFRS 16's lessee guidance, is applied to rent concessions and is intended to help entities consider the effects of applying it, as follows:

- ▶ Section 1 discusses the assessment of whether a rent concession is a lease modification
- ▶ Section 2 discusses how a lessee accounts for a rent concession that is a lease modification; whether a lessee can apply the amendment to IFRS 16 for COVID-19 related rent concessions; and how to account for rent concessions that are not accounted

for as lease modifications (i.e., when a lessee elects to apply the option or when the concession is not a lease modification)

- ▶ Section 3 discusses how a lessor accounts for rent concessions.



**Applying IFRS: Accounting  
for COVID-19 related  
rent concessions  
(February 2021)**

### Impairment considerations for lessees that plan to reduce their real estate

Entities that closed their offices or use them at a reduced capacity due to COVID-19, may consider reducing the use of real estate going forward. Our publication addresses some common issues lessees may encounter if they plan to reduce the amount of space they use. Lessees should understand the interaction between the guidance in IAS 36 Impairment of Assets and IFRS 16 Leases. For owners of real estate, an expected change in use will often give rise to similar considerations; the guidance in this article may be applied by analogy.



Impairment considerations for lessees that plan to reduce their real estate

### Accounting considerations of the coronavirus pandemic (Updated February 2021)

We have made important changes to our publication since the November 2020 edition, to address evolving issues and expand certain topics on the accounting considerations for the financial effects of the coronavirus when preparing IFRS financial statements.

We have added the Board's proposal to further amend IFRS 16 - Leases to extend relief on rent concessions related to the coronavirus pandemic in the section on leases.



Accounting considerations of the coronavirus pandemic (Updated February 2021)

## Interest rate benchmark reform

### Applying the IBOR reform amendments in practice

The IASB has completed its amendments to IFRS to facilitate interbank offered Rates (IBOR) Reform. In this video, EY professionals take you through examples of a fair value hedge and a cash flow hedge that apply the IASB's IBOR Reform phase 2 amendments.



IFRS video: Applying the IBOR reform amendments in practice

## Other IFRS reference material

### Effects of implementation of IFRS 16 Leases for large entities

In this video, Jeremy Barnes and Victor Chan from EY Global IFRS Services discuss the main effects of the first-year implementation of IFRS 16 Leases by large IFRS reporters in various industry sectors based on a recent EY survey. They also look at how these entities changed their disclosures for alternative performance measures, or APMs, as they addressed the impact of adopting IFRS 16 in their financial communications to investors.



IFRS video: Effects of implementation of IFRS 16 Leases for large entities

## EU Endorsement status

Our publication provides an overview of the status of the EU endorsement process for IFRS at 31 December 2020 with an EU effective date after 1 January 2020. Some standards and amendments are adopted by the EU with an effective date later than that established by the IASB. We have separately listed the effective date of application in the EU in this publication.



IFRS adopted by the European Union 31 December 2020

## EFRAG Final Endorsement Advice on IFRS 17 Insurance Contracts

On 31 March 2021 EFRAG submitted a final endorsement advice letter relating to the endorsement for use in the EU of IFRS 17 Insurance Contracts including the June 2020 Amendments to the European Commission.



EFRAG Final Endorsement Announcement

Refer to the EFRAG announcement for more information.

The latest EFRAG endorsement status report provides an overview of IFRS Standards and IFRS interpretations pending endorsement. It includes mention of the IASB effective date, an indication of when the various decisions, including final endorsement, are expected to be made and of whether the timetable is compatible with the IASB effective date.



EFRAG Endorsement Status Report (2 April 2021)

The report further 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.

## 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 - 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 group (International) limited alternative format - (December 2020)



Good Bank (International) Limited (December 2020)

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



Good General Insurance (International) Limited



IGAAP® Disclosure Checklist - financial statements with a 30 June 2021 year end



International GAAP® Disclosure Checklist - IFRS in issue 28 February 2021

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

### IASB extends support for lessees accounting for covid-19-related rent concessions

On 31 March 2021, the IASB extended by one year the application period of the practical expedient in IFRS 16 Leases to help lessees accounting for covid-19-related rent concessions. In response to calls from stakeholders and because the covid-19 pandemic is still at its height, the IASB has extended the relief by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021.

Refer the IASB's amendment to IFRS 16 document for more detail.



IASB's amendment to IFRS 16 (March 2021)

### The Disclosure Initiative - IASB amends accounting policy requirements

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements.

The IASB's amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. Our IFRS Developments Issue 187 publication summarises the amendments.



The Disclosure Initiative - IASB amends accounting policy requirements

### The IASB proposes to issue a new standard to account for the effects of rate regulation

The IASB issued an Exposure Draft that sets out proposals for the recognition, measurement, presentation and disclosure of regulatory assets, regulatory liabilities, regulatory income and regulatory expense. When adopted, these proposals would replace IFRS 14 Regulatory Deferral Accounts. Our IFRS Developments Issue 184 provide more information on the IASB's Exposure Draft.



IASB issues Exposure Draft on regulatory assets and regulatory liabilities

## IASB defines accounting estimates

The IASB issued amendments to IAS 8, in which it introduces a new definition of “accounting estimates”.

The Board’s amendments to IAS 8 - Accounting policies, changes in accounting estimates and errors are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Our IFRS Developments Issue 186 discusses the amendment to IAS 8 in detail.



IFRS Developments issue 186 - IASB defines accounting estimates

## Disclosure Initiative–Targeted Standards-level Review of Disclosures

In March 2021, the IASB published the Exposure Draft - Disclosure Requirements in IFRS Standards–A Pilot Approach. The Exposure Draft sets out a proposed new approach to developing and drafting disclosure requirements in IFRS Standards as well as new disclosure requirements for IFRS 13 Fair Value Measurement and IAS 19 Employee Benefits. The Board is seeking feedback by 21 October 2021 on whether those proposals would help companies and other stakeholders improve the usefulness of information disclosed in financial statements. Refer the IASB’s Exposure Draft for more information.



Disclosure Requirements in IFRS Standards - A Pilot Approach

## IFRIC Update March 2021

IFRIC Update is a summary of the decisions reached by the IFRS IC in its public meetings. Refer the IFRIC Update March 2021 for more information on the decisions reached by the IFRS IC on the following matters:

- ▶ 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)
- ▶ Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets).



IFRIC Update (March 2021)

## Section 2: Regulator expectations and related guidance

# The Irish Auditing and Accounting Supervisory Authority (IAASA)

## IAASA Financial Reporting Decisions

On 19 January 2021, IAASA published a compendium of financial reporting decisions. The decisions relate to accounting treatments applied by five entities and cover a range of accounting matters including:

- ▶ IAS 10 Events after the Reporting Period
- ▶ IAS 36 Impairment of Assets
- ▶ IFRS 7 Financial Instruments: Disclosures
- ▶ IFRS 16 Leases.

Refer IAASA's Financial Reporting Decisions for more information.



IAASA's Financial  
Reporting Decisions  
(January 2021)

## Information Note: IAS 36 Impairment of Assets - information Requests from IAASA

On 30 March 2021, IAASA, published an Information Note IAS 36 Impairment of Assets - information requests from IAASA.

Given the economic uncertainty caused by COVID-19, IAASA expects that issuers will incorporate higher levels of uncertainty into their impairment testing assumptions. In these circumstances, issuers should recognise the importance to users of financial reports of high-quality disclosures regarding impairment reviews. IAASA is publishing the Information Note to assist issuers in providing useful impairment disclosures.

The Information Note lists the impairment review information requests that IAASA has made to issuers during previous financial statement examinations.

Refer IAASA's Information Note for more information.



IAASA's Information  
Note (March 2021)

# European Securities and Markets Authority (ESMA)

## Report on the application of IFRS 10, IFRS 11 and IFRS 12

On 30 March 2021 ESMA, the EU's securities markets regulator, published its response to IASB's Request for Information on the Post Implementation Review of IFRS 10, 11 and 12, including a report providing an overview of the implementation of the three standards by European issuers. The report draws on the experience of European enforcers since 2014 and is based on a review of a sample of 65 issuers relating to the financial years 2017, 2018 and 2019.

The Report considers how the requirements have been implemented and where IFRS 10, IFRS 11 and IFRS 12 should, in ESMA's view, be clarified to address divergence in practice or lack of comparability. The Report also provides recommendations on how issuers could improve the application of the standards and the transparency of their disclosures.

Refer the ESMA report for more information.



ESMA Report on the application of IFRS 10, IFRS 11 and IFRS 12

## 2020 report on enforcement of corporate disclosure

On 6 April 2021, ESMA published its Annual Report on enforcement and regulatory activities related to corporate reporting in the European Economic Area.

The Report provides an overview of the 2020 activities of ESMA and of European accounting enforcers when examining compliance of financial and non-financial statements of European issuers. It presents further activities contributing to supervisory convergence and to development of a single rulebook in the area of corporate reporting.

Refer the ESMA report for more information.



ESMA Report on the Enforcement and regulatory activities of European enforcers in 2020

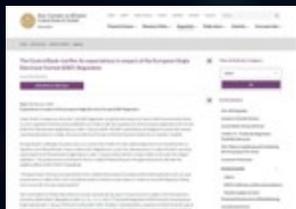
## The Central Bank of Ireland (CBI)

### The CBI clarifies its expectations in respect of the European Single Electronic Format (ESEF) Regulation

Under the EU Transparency Directive and ESEF Regulation, annual financial reports of issuers which have securities listed on an EU regulated market were required to be published in accordance with the requirements of the European Single Electronic Format (ESEF) for financial years beginning on or after 1 January 2020.

Recognising the challenges faced by issuers as a result of the COVID-19 crisis, political agreement was reached by the co-legislators permitting Member States to delay ESEF obligations by 1-year thus allowing issuers to apply the ESEF reporting requirements from financial years beginning on or after 1 January 2021 and not 1 January 2020, as set out in the original legislation.

Refer the CBI announcement for further details.



Expectations in respect of the European Single Electronic Format (ESEF) Regulation

# Section 3: Irish Generally Accepted Accounting Practice (Irish GAAP)

## The Financial Reporting Council (FRC) requests views to inform the periodic review of FRS 102

UK and Ireland accounting standards are subject to periodic reviews, at least every five years, to ensure they remain up-to-date and continue to require high-quality and cost-effective financial reporting from entities within their scope.

The FRC is starting the next periodic review of FRS 102 (and other UK and Ireland accounting standards). Part of this process is seeking views from stakeholders on areas that might be considered as part of the review. This might include new issues/transactions that should be addressed, or comments or suggestions in relation to the current requirements. In addition to stakeholder feedback, the review will consider recent developments in financial reporting (such as changes in IFRS) and relevant developments in the wider reporting framework. Any changes to accounting standards that are proposed as a result of the periodic review will be subject to public consultation at a later

date, not expected to be before 2022. The effective date for any amendments is currently expected to be 1 January 2024. Stakeholders can provide comments on any aspect of the standards by 31 October 2021.

Refer the FRC announcement for further details.



FRC Announcement (23  
March 2021)

## FRC proposes extending application period for accounting requirements covering COVID-19-related rent concessions

On 20 April 2021, the FRC issued an Exposure Draft that proposes to extend the application period of requirements that cover the accounting treatment of temporary rent concessions occurring as a direct consequence of the COVID-19 pandemic by one year.

The amendments are proposed to be effective for accounting periods beginning on or after 1 January 2021, with early application permitted. Comments on the Exposure Draft are invited by 11 May 2021 and the FRC expects to finalise the amendments in the first half of the year.



FRC Exposure Draft  
(April 2021)

Refer the FRC Exposure draft for more detail.

# Contact us

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 us, or with your EY contact.



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