



EY Ireland

Financial reporting update

July 2021



Building a better
working world

Contents

Section 1: International Financial Reporting Standards (IFRS)

Section 2: Regulator pronouncements and guidance

Section 3: Irish Generally Accepted Accounting Practice (GAAP)

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 and Irish GAAP updates and emerging accounting issues including, among other matters:

- ▶ Coronavirus accounting consideration
- ▶ Interest rate benchmark reform
- ▶ Special purpose acquisition company (SPAC) transactions

- ▶ IFRS 17 - Insurance Contracts
- ▶ International Accounting Standard Board (IASB) and International Financial Reporting Standards Interpretation Committee (IFRS IC) amendments, exposure drafts and agenda decisions
- ▶ Amendments to Irish GAAP.

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.

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.



Derarca Dennis

*Partner, Financial Accounting
Advisory Services, EY Ireland*

+353 1 221 1675
derarca.dennis@ie.ey.com



Mark Kelly

*Executive Director, Financial
Reporting Group, EY Ireland*

+353 1 221 2761
mark.kelly@ie.ey.com



Tinei Muwandi

*Senior Manager, Financial
Reporting Group, EY Ireland*

+353 87 388 1269
tinei.muwandi@ie.ey.com

Section 1: International Financial Reporting Standards (IFRS)

Coronavirus accounting considerations

Accounting for COVID-19 related rent concessions

In May 2020, the IASB issued Covid-19-Related Rent Concessions - Amendment to IFRS 16 Leases. The Board amended the standard to provide an optional relief to lessees from applying IFRS 16's guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. In March 2021, the IASB issued Covid-19-Related Rent Concessions beyond 30 June 2021 to extend the relief period by another year.

The objective of the May 2020 and March 2021 amendments is to provide lessees that have been granted Covid-19 related rent concessions by lessors with practical relief from applying IFRS 16's guidance on lease modifications, while still providing useful information about leases to users of the financial statements.

Our updated publication discusses how IFRS 16 is applied to rent concessions and is intended to help entities:

- ▶ Assess whether a rent concession is a lease modification
- ▶ 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)
- ▶ Account for rent concessions from a lessor's perspective
- ▶ Account for a rent concession that is a lease modification including whether the amendment to IFRS 16 for COVID-19 related rent concessions can be applied.



Applying IFRS:
Accounting for COVID-19
related rent concessions
(Updated April 2021)

Accounting considerations of the coronavirus pandemic

We have updated this publication since the February 2021 edition, to address evolving issues and expand certain topics.

We have added the Board's further amendment to 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 April 2021)

Interest rate benchmark reform

Our updated third edition of the Applying IFRS - IBOR reform provides an overview of the reliefs and further material on the additional disclosures required, and the key considerations for entities, including more worked examples, as they implement the requirements.

The effective date for the Phase 2 Amendments is 1 January 2021, with early adoption permitted.

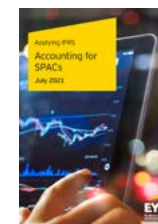


Applying IFRS - IBOR Reform (Updated May 2021)

Special purpose acquisition company (SPAC) transactions

Acquisition by a special purpose acquisition company offers private companies a way to go public without a traditional initial public offering. As the volume of SPAC transactions continues to grow, stakeholders, including regulators, continue to expect high quality financial reporting which appropriately addresses relevant accounting and disclosure matters.

Our Applying IFRS - Accounting for SPACs publication discusses the accounting considerations for SPAC transactions in more detail.



Applying IFRS - Accounting for SPACs (July 2021)

Accounting for Insurance Contracts

IFRS 17 - A closer look at the insurance contracts standard

IFRS 17 - Insurance Contracts (IFRS 17) represents a complete overhaul of the accounting for insurance contracts. It will increase the transparency of insurers' financial positions and performance, and the comparability of their financial statements with other insurers. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

Our updated publication provides insights on how to apply IFRS 17. It replaces the previous edition published in May 2018 and has been updated to include the following:

- Amendments to IFRS 17 published by the IASB in June 2020
- Recently discussed questions at Transition Resource Group (TRG) meetings and illustrations from IASB staff papers
- EY views on emerging industry discussions on technical matters.

Refer our publication for more information.



IFRS 17 - A closer look at the insurance contracts standard (June 2021)

Insurance Accounting Alert - IASB meeting

At its June 2021 meeting, the IASB agreed to propose a classification overlay for financial assets in the comparative period if certain conditions are met on initial application of IFRS 17. This proposal is in response to concerns raised by stakeholders, and discussed at the IASB's May meeting, regarding accounting mismatches that could arise between financial assets and insurance contracts in comparative information when IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments are first applied.

The Exposure Draft is expected to be published by the end of July 2021, with the aim to finalise the amendments by the end of the year.

Refer our Insurance Accounting Alert publication for more information on the IASB's proposal.



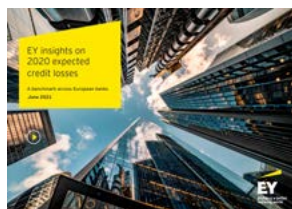
Insurance Accounting Alert

EY insights on 2020 expected credit losses - benchmark across European banks

EY performed a review of 2020 IFRS 9 expected credit loss (ECL) disclosures published by 18 banking institutions headquartered in Europe.

The purpose of the analysis is to provide a broad view of how the data gathered compare across banks, to present EY's observations on the comparisons and to test different ideas to analyse the data and identify possible drivers of the trends.

Refer our Report for more information on the benchmark results.



EY insights on 2020 expected credit losses

Other IFRS reference material

Regulatory assets and regulatory liabilities

The IASB issued an Exposure Draft (ED) that sets out proposals for the recognition, measurement, presentation and disclosure of regulatory assets, regulatory liabilities, regulatory income, and regulatory expense. The proposals in the ED may significantly affect the financial statements of entities operating under rate - regulated agreements. The comment period for the ED ends on 30 July 2021.

In this video, our EY presenters provide an overview of the main proposals in the Exposure Draft.



IFRS video: Regulatory assets and regulatory liabilities

EU Endorsement status

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.

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.



EU Endorsement Status
(8 July 2021)

IFRS Update of standards and interpretations in issue at 30 June 2021

Our IFRS Update is an overview of upcoming changes in standards and interpretations issued by the IASB and the IFRS IC as at 30 June 2021 that will be effective for the first time for reporting periods ended at that date or thereafter. It also summarises key features of selected IASB projects and recent IFRS IC agenda decisions. Refer our IFRS Update document for more detail.



IFRS Update
(30 June 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](#).

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



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)



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

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

One step closer to an International Sustainability Standards Board

The IFRS Foundation Trustees took another step towards global sustainability reporting standards [by publishing a proposal to amend the IFRS Foundation Constitution](#) to accommodate the formation and operation of an International Sustainability Standards Board.

If the proposal is well received, the Trustees intend to announce their plans to create a new board in November 2021.

The comment period for the Exposure Draft ends on 29 July 2021.

Our IFRS Developments Issue 190 provides further details on the proposal.



IFRS Developments
Issue 190 - One
Step Closer to
an International
Sustainability
Standards Board

IASB proposes a new framework for management commentary

On 27 May 2021, the IASB issued [IFRS Practice Statement Exposure Draft ED/2021/6 Management Commentary](#). The proposed framework represents a major overhaul of IFRS Practice Statement 1 Management Commentary published in 2010. The Exposure Draft sets out proposals which consist of an overarching objective of management commentary supported by more granular disclosure objectives for six content areas. Guidance for selecting and presenting information, including metrics, is also proposed.

The comment period ends on 23 November 2021.

Our IFRS Developments Issue 192 summarises the Exposure Draft.

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

On 7 May, the IASB issued targeted amendments to IAS 12, the IFRS Standard on income taxes, to specify how companies should account for deferred tax on



IFRS Developments Issue 192- IASB proposes a new framework for management commentary

transactions such as leases and decommissioning obligations.

In specified circumstances, companies are exempt from recognising deferred tax when they recognise 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 recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise 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.

Our IFRS Developments Issue 191 discusses the amendments in more detail.



IFRS Developments Issue 191- IASB clarifies deferred tax accounting for leases and decommissioning obligations

Lack of Exchangeability- Proposed amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates (IAS 21)

On 20 April 2021, the IASB published for public consultation proposed amendments to IAS 21. The proposed amendments aim to help companies determine whether a currency can be exchanged into another currency, and what accounting to apply if the currency cannot be exchanged.

IAS 21 does not set out the exchange rate to use when there is no observable exchange rate, such as when a currency cannot be converted into a foreign currency. The Board's proposed amendments to IAS 21 would help companies identify if this situation applies to them and the accounting to apply when it does.

The deadline for comments is 1 September 2021.

Refer to the IASB's Exposure Draft for more information.



Lack of Exchangeability
- Proposed amendments
to IAS 21

June 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 8-9 June 2021 and discussed the following topics among other matters:

- ▶ TLTRO III Transactions (IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance)
- ▶ Economic Benefits from Use of a Windfarm (IFRS 16 Leases)
- ▶ Costs Necessary to Sell Inventories (IAS 2 Inventories)
- ▶ Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10 Events after the Reporting Period).

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



June IFRIC Update
Summary

Section 2: Regulator expectations and related guidance

Financial Reporting Council Thematic Review – Interim Reporting

The Financial Reporting Council (FRC) reviewed the reports of 20 quoted companies across a range of industries to assess the quality of interim reporting. The review by the FRC highlighted examples of good practice in company's interim reporting and areas where further improvements are required.

Overall, the FRC was pleased with the quality of interim reports, with most companies taking into account FRC Covid-19 recommendations to enhance their disclosures, particularly in relation to going concern and the statement of cash flows. Many companies provided detailed explanations and other helpful information for significant events and transactions taking place during the interim period, such as impairments, which are normally reserved for year end reporting. The FRC noted an area of improvement regarding providing better explanations on balance sheet movements.

Refer the FRC's report for additional information.



FRC Thematic Review:
Interim Reporting

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

FRC extends application period for accounting requirements covering COVID-19 related rent concessions

On 9 June 2021, the FRC issued Amendments to FRS 102 and FRS 105 - COVID-19-related rent concessions beyond 30 June 2021. The amendments extend the application 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 requirements, originally introduced into FRS 102 and FRS 105 in October 2020, apply to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the requirements are met.

The amendments respond to the continuing impact of the pandemic and help ensure these concessions are accounted for consistently and in a way that best reflects their substance.

The amendments are effective for accounting periods beginning on or after 1 January 2021, with early application permitted.

Refer to the FRC's COVID-19-related rent concessions beyond 30 June 2021 document for more detail.



COVID-19-related rent
concessions beyond 30
June 2021

FRC concludes annual review of FRS 101 - 2020/21 cycle

On 21 May 2021, the FRC issued Amendments to FRS 101 - 2020/21 cycle, which brings to a close the 2020/21 annual review of FRS 101 - Reduced Disclosure Framework.

The amendments to FRS 101 are limited, and predominantly provide a disclosure exemption in relation to IAS 16 - Property, Plant and Equipment and maintain consistency with IAS 1- Presentation of Financial Statements.

Refer the FRC 's Amendments to FRS 101 Reduced Disclosure Framework 2020/21 cycle publication for more details.



Amendments to FRS
101 Reduced Disclosure
Framework 2020/21 cycle

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.



Derarca Dennis

Partner, Financial Accounting Advisory Services, EY Ireland

+353 1 221 1675
derarca.dennis@ie.ey.com



Mark Kelly

Executive Director, Financial Reporting Group, EY Ireland

+353 1 221 2761
mark.kelly@ie.ey.com



Tinei Muwandi

Senior Manager, Financial Reporting Group, EY Ireland

+353 87 388 1269
tinei.muwandi@ie.ey.com

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2021 Ernst & Young. Published in Ireland. All Rights Reserved.
132755.indd 08/2021. Produced by Creative (Ireland). ED none

The Irish firm Ernst & Young is a member practice of Ernst & Young Global Limited. It is authorised by the Institute of Chartered Accountants in Ireland to carry on investment business in the Republic of Ireland.

Ernst & Young, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com