

# EY Ireland

Financial Reporting Update

July 2022

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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 and reporting issues including, among other matters:

- ▶ Accounting for climate change
- ▶ Accounting for rent concessions
- ▶ European Sustainability Reporting Standards
- ▶ Financial instruments with characteristics of equity
- ▶ 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 01

## International Financial Reporting Standards (IFRS)

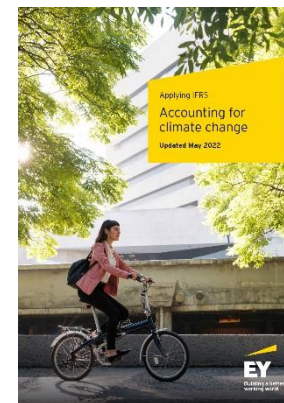
### Accounting for Climate Change

There is an increased focus on the measurement and disclosure of climate-related matters in an entity's financial statements.

The determination of the effects of climate change on an entity's financial statements may require significant effort and judgement.

Entities are required, at a minimum, to follow the specific disclosure requirements in each IFRS standard. However, entities may need to provide additional disclosures in their financial statements in order to meet the standards' disclosure objectives. In determining the extent of disclosure, entities are required to carefully evaluate what information is required for users to be able to assess the effects of climate change on their financial position, financial performance and cash flows.

Our updated publication, which includes a new chapter on financial instruments, is intended to support entities in assessing and reporting on the effects of climate change by providing helpful observations and illustrations.



[Accounting for Climate Change \(Updated May 2022\)](#)

# EFRAG Exposure Drafts on European Sustainability Reporting Standards

On 29 April 2022, the EFRAG Sustainability Reporting Board issued 13 Exposure drafts (EDs) to launch its public consultation on the European Sustainability Reporting Standards (ESRS).

ESRS are a key component of the Corporate Sustainability Reporting Directive (CSRD) relevant for the European Union.

The EDs are the first set of standards that follow the CSRD proposal and cover environmental, social and governance matters. The 13 EDs are available for public consultation until 8 August 2022.

Our EU Sustainability Developments Issue 1 publication discusses the EDs in more detail.



[EU Sustainability Developments Issue 1](#)

# Accounting for rent concessions

In March 2022, the IFRS IC published a tentative agenda decision (TAD) about a lessor's application of IFRS 9 - Financial Instruments (IFRS 9) and IFRS 16 - Leases (IFRS 16) in accounting for a rent concession in which the only change to the contract is the forgiveness of lease payments by the lessor.

Our updated publication discusses the TAD and, includes additional discussion on lessor application of IFRS 9 and IFRS 16 for rent concessions.



[Accounting for rent concessions \(Updated June 2022\)](#)

## Other IFRS reference material

### Financial Instruments with Characteristics of Equity (FICE)

The IASB's FICE project seeks to address issues that arise in applying IAS 32 Financial Instruments: Presentation and to expand the disclosure requirements relating to issued financial instruments.

The IASB has now mostly completed its initial discussions, hence, we can anticipate many of the proposals that are likely to appear in its Exposure Draft (ED) on the subject. No date has yet been set for issuing the ED.

Our Applying IFRS publication discusses the IASB's proposals in detail.



[Financial instruments with characteristics of equity](#)

### EU Endorsement status report

The EU Endorsement status 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.

The image is a screenshot of the EFRAG EU Endorsement status report. It shows a table with columns for 'Standard', 'Effective date', 'Endorsement date', and 'Published in the Official Journal'. The table lists various IFRS standards and interpretations, some of which are marked as 'Endorsed' or 'Not endorsed'. The EFRAG logo is visible in the top left corner.

[EU Endorsement status report](#)



## 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 Financial Statements \(June 2022\)](#)



[Interim Financial Statements Disclosure Checklist \(28 February 2022\)](#)



[Good Real Estate Group 2021](#)



[Good Group \(International\) Limited \(December 2021\)](#)



[Good Bank \(International\) Limited \(December 2021\)](#)



[Good Mining \(International\) Limited \(December 2021\)](#)



[Good Life Insurance \(International\) Limited](#)



[Good General Insurance \(International\) Limited](#)

# International GAAP® – Free Access

International GAAP® 2022 is a detailed guide to interpreting and implementing International Financial Reporting Standards (IFRS). By setting IFRS in a relevant business context, it provides insights on how complex practical issues should be resolved in the real world of global financial reporting. It is an important tool for anyone applying, auditing, interpreting, regulating, studying or teaching IFRS.

Written by EY financial reporting professionals from around the world, this detailed guide to reporting under IFRS provides a global perspective on the application of IFRS.

It explains complex technical accounting issues clearly by setting IFRS in a practical context with numerous worked examples, illustrations and extracts from the published financial reports of major listed companies from around the world.

## New digital platform

Upholding the EY commitment to carbon neutrality, International GAAP® 2022 is published digitally on EY Atlas Client Edition, discontinuing the prior printed version. The online publication encompasses all the benefits of the International GAAP® in a user-friendly, easy to browse and search, digital format. Along with International GAAP® 2022, EY Atlas Client Edition also provides access to other IFRS accounting thought leadership from EY teams (e.g., Applying IFRS and IFRS Developments) in one central, easy-to-navigate platform.

Optimised for mobile devices, EY Atlas Client Edition is accessible anytime and anywhere. Combining leading class browse and search functionality, it focuses your efforts in understanding the content rather than looking for it.

## New content

The 2022 edition of International GAAP® has been fully revised to provide expanded guidance by:

- ▶ Extending the chapter on the new insurance contracts standard IFRS 17 (Insurance Contracts) to reflect the amendments to IFRS 17 issued by the International Accounting Standards Board (IASB) – the chapter also discusses implementation issues and explores other matters arising as insurers prepare for the adoption of the standard.
- ▶ Adding a new chapter discussing the IASB's amendments to IFRS 9 (Financial Instruments) and related standards to address the effects of the Interbank Offered Rates (IBOR) reform on financial reporting and the practical application issues that have emerged as IBOR reform is being implemented.
- ▶ Continuing investigations of the many application issues arising as entities apply IFRS 9, IFRS 15 (Revenue from Contracts with Customers) and IFRS 16 (Leases) including the narrow scope amendment issued by the IASB regarding rent concessions.
- ▶ Illustrating the application of IFRS to the accounting for natural disasters highlighted by the accounting issues related to the ongoing COVID-19 pandemic.
- ▶ Discussing the numerous agenda decisions issued by the IFRS Interpretations Committee and the narrow scope amendments proposed by the IASB since the preparation of the 2021 edition.

- ▶ Now digital-only
- ▶ Available, free of charge, to all users on EY Atlas Client Edition
- ▶ Enhanced user-friendly experience
- ▶ Important tool supporting the application of IFRS

## New user-friendly style

International GAAP® 2022 utilises a new style layout that highlights excerpts from relevant standards, extracts from published financial statements included in full-colour images and callout boxes clearly highlighting EY views.

## Now free to all users on EY Atlas Client Edition

International GAAP® 2022 is available to access free of charge via the new free content channel in EY Atlas Client Edition, showcasing the EY purpose of building a better working world. Additionally, International GAAP® is also included within the premium subscription channel in EY Atlas Client Edition.

From the EY International Financial Reporting Group, this detailed reference guide illustrates hundreds of complex technical accounting topics and provides numerous worked examples and extracts from the published reports of companies.

This detailed guide provides a truly global perspective on IFRS.



To obtain free access to International GAAP® 2022 on EY Atlas Client Edition, please visit [ey.com/eyatlas](https://ey.com/eyatlas) to get started.

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

## Multi-currency groups of insurance contracts

On 15 June 2022, the IFRS IC discussed a submission regarding the application of IFRS 17 Insurance Contracts (IFRS 17) and IAS 21 The Effects of Changes in Foreign Exchange Rates (IAS 21) to a group of insurance contracts with foreign currency cash flows.

The Committee agreed to publish a tentative agenda decision (TAD) for public comment that sets out the applicable requirements in IFRS 17 and IAS 21 and explains:

- ▶ Whether an entity considers currency exchange rate risk when applying IFRS 17 to identify portfolios of insurance contracts
- ▶ How an entity applies IAS 21 in conjunction with IFRS 17 in measuring a multi-currency group of insurance contracts.

Our Insurance Alert publication provides more detail on the IFRS IC tentative agenda decision.



[Insurance Alert](#)

## IFRS IC Update June 2022

IFRIC Update is a summary of the decisions reached by the IFRS IC in its public meetings. The Committee met on 14 -15 June 2022 and discussed the following topics:

- ▶ Multi-currency groups of insurance contracts (IFRS 17 Insurance Contracts and IAS 21 The Effects of Changes in Foreign Exchange Rates)
- ▶ Consolidation of a non-hyperinflationary subsidiary by a hyperinflationary parent (IAS 21 The Effects of Changes in Foreign Exchange Rates and IAS 29 Financial Reporting in Hyperinflationary Economies)
- ▶ Cash received via electronic transfer as settlement for a financial asset (IFRS 9 Financial Instruments)
- ▶ Negative low emission vehicle credits (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)
- ▶ Special purpose acquisition companies (SPAC): Classification of public shares as financial liabilities or equity (IAS 32 Financial Instruments: Presentation)
- ▶ Transfer of insurance coverage under a Group of annuity contracts (IFRS 17 Insurance Contracts)
- ▶ Demand deposits with restrictions on use arising from a contract with a third party (IAS 7 Statement of Cash Flows).

Refer the IFRS IC Update for more information on the issues discussed and conclusions reached.



[IFRS - IFRIC Update June 2022](#)



## Section 02

### Regulator expectations and related guidance

## ESMA and IAASA

### Compendium of enforcement decisions taken by European Union (EU) accounting enforcers

On 17 May 2022, ESMA published the 26th Extract from its database of enforcement decisions taken by EU accounting enforcers.

This 26th Extract, which includes a decision taken by IAASA, comprises eleven decisions taken by EU enforcers between March 2020 and November 2021. The decisions cover a number of topics including:

- ▶ Measurement of expected credit losses
- ▶ Measurement of net realisable value of inventory
- ▶ Recognition of revenue over time
- ▶ Impairment test of cash generating unit comprising right of use assets
- ▶ COVID-19 impairment indicators identification of cash generating units
- ▶ Composition of cash and cash equivalents.

The Extract of enforcement decisions aims to provide issuers and users of financial statements with relevant information on the appropriate application of IFRS.

Refer ESMA's 26th extract for more information.



[ESMA 26<sup>th</sup> Extract](#)

## ESMA Statement on transparency on implementation of IFRS 17 Insurance Contracts

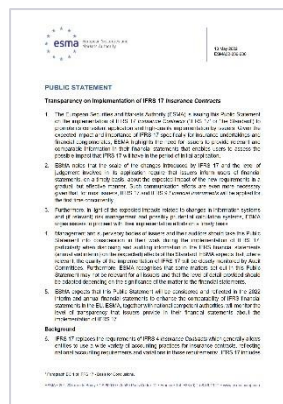
On 13 May 2022, ESMA issued a Public Statement on the transparency of disclosures on the adoption of IFRS 17 Insurance Contracts (IFRS 17).

The Public Statement highlights the importance of entities providing users of their financial statements with information that enables users understand the expected accounting implications of applying the new standard.

ESMA's recommendations cover the disclosures of expected impacts of the initial application of IFRS 17 in the interim and annual financial statements for 2022.

ESMA expects management, directors and audit committee members and auditors to take into account these recommendations when preparing, approving and reviewing or auditing half-yearly and annual financial statements for 2022.

Refer ESMA's Public Statement for more information.



[ESMA Public Statement](#)

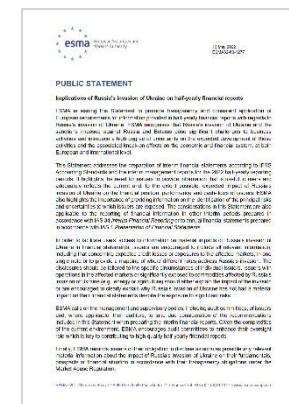
## ESMA Statement on the implications of Russia's invasion of Ukraine

On 13 May, ESMA issued a Public Statement on the implications of Russia's invasion of Ukraine on half-yearly financial reports.

The Public Statement, with the aim of promoting investor protection, provides important messages to preparers of financial reports including:

- ▶ The main IFRS requirements which may be applicable in the context of Russia's invasion of Ukraine (e.g., impairment of non-financial and financial assets, and loss of control)
- ▶ ESMA's expectations regarding disclosures in financial statements (e.g., judgements made, significant uncertainties, and the impact on going concern)
- ▶ ESMA's expectations regarding disclosures in interim management reports (e.g., direct and indirect impact of Russia's invasion of Ukraine and sanctions on entities' strategies, operations, financial performance, financial position and cash-flows, measures taken to mitigate the impacts, and cybersecurity risks)
- ▶ A reminder of entities' obligations regarding the Market Abuse Regulation.

Refer ESMA's Public Statement for more information.



[ESMA Public Statement](#)

# Financial Reporting Council (FRC)

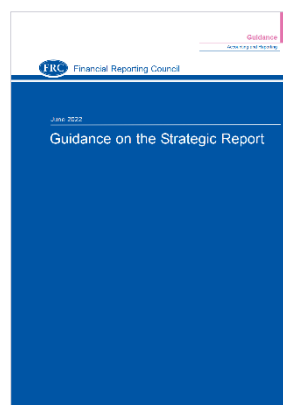
## Update to the FRC's Guidance on the Strategic Report

On 16 June 2022, the FRC issued an updated edition of the Guidance on the Strategic Report to incorporate the new climate-related financial disclosures, following changes in legislation made earlier in 2022. In addition, a number of other amendments were also made to maintain alignment with legislation.

The Guidance was updated to incorporate the following matters:

- ▶ Climate-related financial risks and opportunities, in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations
- ▶ The need for traded limited liability partnerships (LLPs) and banking LLPs to publish a strategic report
- ▶ Clarifying the scope and definitions of the requirements with regard to public interest entities (PIEs)
- ▶ The government's Streamlined Energy and Carbon Reporting (SECR) requirements.

Refer the FRC's report for more information.



[Strategic Report Guidance](#)

## Review of discount rates

On 16 May 2022, the FRC published its thematic review of discount rates used under IFRS.

The FRC's review found that :

- ▶ Assumptions used for discount rates and cash flows should be internally consistent, and care should be taken to avoid double-counting risks. When nominal rates are used, the effects of inflation on the cash flows should not be overlooked; particularly in the current interest rate environment of low nominal interest rates and relatively high inflation
- ▶ There is general scope for improvement in the usefulness of the disclosures provided by many companies, with high quality disclosures including both the discount rate used, and an explanation of how it was determined
- ▶ Companies may need to consider whether specialist third party advice is required when valuing a material item, and where there is no internal expertise.

Refer the FRC's report for more information.



[Thematic Review: Discount rates](#)

## Section 03

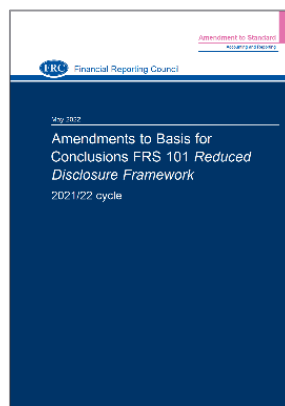
### Irish Generally Accepted Accounting Practice (Irish GAAP)

#### **FRC concludes annual review of FRS 101 - 2021/22 cycle**

On 19 May 2022, the FRC issued Amendments to Basis for Conclusions FRS 101 Reduced Disclosure Framework- 2021/22 cycle, which brings to a close the 2021/22 annual review of FRS 101 Reduced Disclosure Framework.

No amendments to FRS 101 were made to FRS 101 as a result of this review

Refer to the FRC report for more information.



[FRS 101 - 2021/22  
cycle](#)

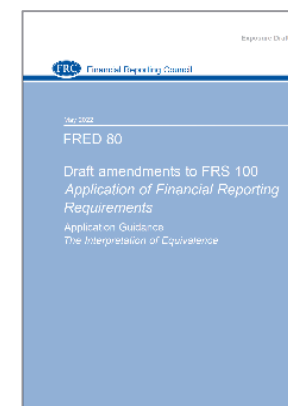
#### **FRED 80 Draft amendments to FRS 100 Application Guidance**

On 20 May, the FRC issued FRED 80 Draft amendments to FRS 100 Application of Financial Reporting Requirements Application Guidance -The Interpretation of Equivalence.

It proposes to update the Application Guidance to FRS 100 to reflect changes to company law and decisions on equivalence further to the UK's exit from the European Union.

Comments on FRED 80 are requested by 26 August 2022.

Refer to FRED 80 for more information.



[FRED 80](#)

# 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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