

EY Ireland

Financial Reporting Update

October 2022

Contents

Section 01

International Financial Reporting Standards (IFRS)

Section 02

Regulator pronouncements and guidance

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 cover recent IFRS updates and emerging accounting and reporting issues including, among other matters:

- ▶ Disclosure of accounting policy information
- ▶ Accounting for special purpose acquisition Companies (SPACs)
- ▶ International Accounting Standard Board (IASB) and International Financial Reporting Standards Interpretation Committee (IFRS IC) amendments, exposure drafts and agenda decisions
- ▶ IAASA's expectations for 2022 financial statements.

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, Assurance,
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 1 221 1948
tinei.muwandi@ie.ey.com

Section 01

International Financial Reporting Standards (IFRS)

Disclosure of accounting policy information

In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The Board also issued amendments to IFRS Practice Statement 2 Making Materiality Judgements (the PS) to support the amendments in IAS 1 by adding guidance and Illustrative examples which explain and demonstrate the application of the 'four-step materiality process' to accounting policy disclosure.

The amendments to IAS 1 replace the requirement to disclose 'significant accounting policies' with a requirement to disclose 'material accounting policy information'. The amendments are effective for annual periods starting on or after 1 January 2023.

Entities are encouraged to revisit their accounting policy information disclosures considering these amendments.

Our Applying IFRS publication is intended to facilitate entities assessment of the potential impacts of the amendments.



[Applying IFRS - Disclosure of accounting policy information](#)

Accounting implications of OECD BEPS

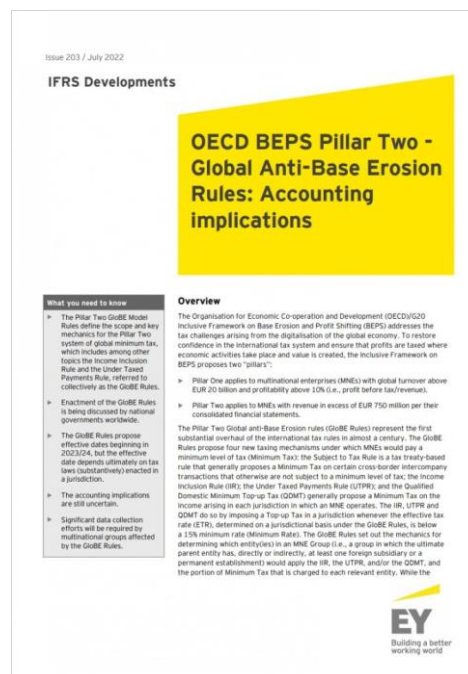
Pillar 2 - Global anti-Base Erosion Rules

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) addresses the tax challenges arising from the digitalisation of the global economy. To restore confidence in the international tax system and ensure that profits are taxed where economic activities take place and value is created, the Inclusive Framework on BEPS proposes two “pillars”:

- ▶ Pillar One applies to multinational enterprises (MNEs) with global turnover above EUR 20 billion and profitability above 10% (i.e., profit before tax/revenue).
- ▶ Pillar Two applies to MNEs with revenue more than EUR 750 million per their consolidated financial statements.

The implementation of the Pillar Two Global anti-Base Erosion rules raises several accounting questions. In particular, whether these taxes are income taxes in the scope of IAS 12 Income tax and, if so, when, and how entities should account for these new taxes.

Our IFRS Developments Issue 203 summarises the OECD BEPS 2.0 requirements and the IAS 12 Income Tax questions they raise.



[IFRS Developments - Issue 203](#)

Other IFRS reference material

Accounting for SPACs

Acquisition by a special purpose acquisition company (SPAC) offers private companies a way to go public without a traditional initial public offering. Throughout the life cycle of a SPAC transaction, there are many complex financial reporting issues such as the identification of the accounting acquirer in the transaction and the accounting for financial instruments and share-based payment transactions.

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.

We have made important changes to our publication since the November 2021 edition, to address evolving issues. Below is a summary of the most significant changes we made in this edition :

- ▶ Section 2.3 - added the discussion on the accounting for warrants at SPAC acquisition in a tentative agenda decision published by IFRS IC
- ▶ Section 4.1.2- added the discussion on the final agenda decision published by the IFRS IC and ratified by the IASB on the issue of whether a SPAC, in applying IAS 32, classifies public shares it issues as financial liabilities or equity instruments when the SPAC is a listed entity established to acquire a yet to be identified target entity.



[Applying IFRS - Accounting for SPACs \(July 2022\)](#)

EU Endorsement status report

On 12 August 2022, the European Union published a Commission Regulation endorsing Amendments to IAS 12 Income Taxes. The Amendments are effective for annual periods beginning on or after 1 January 2023 with early adoption allowed.

On 9 September 2022, the European Union published a Commission Regulation endorsing Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information. The Amendments are effective on initial application of IFRS 17.

The above changes are now reflected in the latest EFRAG endorsement status report (the Report) as of 9 September 2022. 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 STANDARDS AND INTERPRETATIONS		IFRS 17 endorsement status	IFRS 9 endorsement status	IFRS 12 endorsement status	IFRS 10 endorsement status	IFRS 16 endorsement status	IFRS 15 endorsement status	IFRS 14 endorsement status	IFRS 13 endorsement status	IFRS 11 endorsement status	IFRS 10 endorsement status	IFRS 9 endorsement status	IFRS 8 endorsement status	IFRS 7 endorsement status	IFRS 6 endorsement status	IFRS 5 endorsement status	IFRS 4 endorsement status	IFRS 3 endorsement status	IFRS 2 endorsement status	IFRS 1 endorsement status
AMENDMENTS																				
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information																				
Amendments to IAS 12 Income Taxes																				

[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 \(International\) Limited \(December 2022\)](#)



[Financial Statements Disclosure Checklist \(December 2022\)](#)



[Interim Disclosure Checklist \(30 June 2023\)](#)



[Good Group - Interim Financial Statements \(June 2022\)](#)



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



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



[Good Real Estate Group 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 to get started.

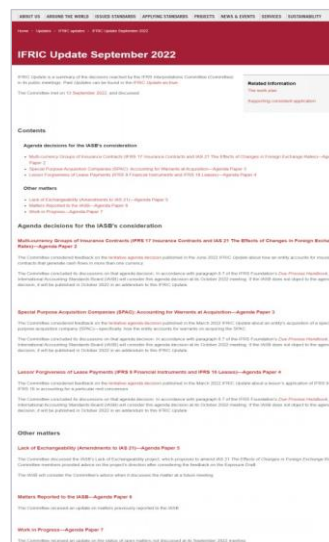
IASB, ISSB and IFRS IC exposure drafts, agenda decisions and other guidance

IFRS IC Update September 2022

IFRIC Update is a summary of the decisions reached by the IFRS IC in its public meetings. The Committee met on 13 September 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)
- ▶ Special purpose acquisition companies (SPAC): Accounting for Warrants at Acquisition
- ▶ Lessor Forgiveness of Lease Payments (IFRS 9 Financial Instruments and IFRS 16 Leases)

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



[IFRS - IFRIC Update September 2022](#)

Section 02

Regulator expectations and related guidance

IAASA

Observations on Selected Financial Reporting Issues

On 5 October the Irish Auditing & Accounting Supervisory Authority (IAASA), published its annual Observations paper highlighting matters that those charged with governance should consider when preparing their financial statements for 2022.

IAASA expects companies to :

- ▶ provide company specific disclosures on the significant judgements and the sources of estimation uncertainty and changes in the key assumptions underpinning assets, liabilities, income, expenses, and cash flows
- ▶ disclose the impact that COVID-19 restrictions have had on the company's financial performance, financial position, cash flows and risks, and the mitigating actions taken to respond to the pandemic
- ▶ consider the impact of climate change on the company's operations and on the measurement of assets and liabilities
- ▶ apply the specific recognition, measurement, presentation, and disclosure requirements of financial reporting standards to provide users with financial information that is comparable, relevant, verifiable, timely and understandable.

IAASA also expects companies not to misuse alternative performance measurements (APMs), misuse exceptional item presentation, and not to "greenwash" when it comes to disclosing the impact of climate change.

Refer IAASA's observation paper for more information.



[IAASA Observation Paper](#)

ESMA

European Single Electronic Format Reporting Manual

On 24 August, The European Securities and Markets Authority (ESMA), published the annual update of its Reporting Manual on the European Single Electronic Format (ESEF). The highlight of the update is the new guidance in relation to the ESEF regulatory technical standards (RTS) requirement to mark up the notes to the IFRS consolidated financial statement following the 'block tagging' approach.

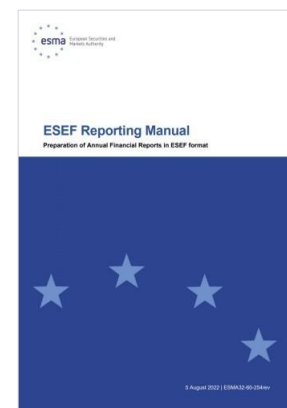
As the ESEF RTS requirement is applicable to 2022 financial year for the first time, the manual contains a new section providing guidance to market participants on ESMA's expectations on how to perform such block-tagging - for example, what elements from the taxonomy are to be used, what level of granularity on tagging the information is expected.

The updated manual also includes:

- New section on ESMA's expectations when issuers publish annual financial reports in other formats than the ESEF and further guidance when publishing annual financial reports in several languages
- New technical guidance such as the construction of a block tag or ESMA's expectation to also tag dashes or empty fields in figures even if they are not considered numbers.

Issuers are expected to follow the guidance provided in the ESEF reporting manual when preparing their 2022 annual financial reports and software firms when developing software used for the preparation of annual financial reports in Inline XBRL.

Refer the ESMA ESEF Reporting Manual for more information.



[ESEF Reporting Manual](#)

Financial Reporting Council (FRC)

Review of earnings per share

On 8 September 2022, FRC published its thematic review of earnings per share (EPS).

The FRC noted the following areas companies can improve their disclosure of EPS:

- ▶ Companies should consider providing further information to explain the basis for the weighted average number of shares used in the calculation of EPS, if it is significantly different from information disclosed about issued ordinary shares and potential ordinary shares (for example, share options)
- ▶ Judgements that have a material effect on EPS should be disclosed in accordance with paragraph 122 of IAS 1 (or paragraph 8.6 of FRS 102)
- ▶ Disclosures provided for non-GAAP 'adjusted EPS' should meet the requirements of the ESMA Guidelines on Alternative Performance Measures (APMs) and explain the methodology applied in the adjusted calculation, including the basis used for tax on adjusting items.

The review also highlights the more common errors found in EPS calculations and reminds companies of certain key requirements including:

- ▶ The definitions of dilutive and antidilutive
- ▶ The treatment of share reorganisations that include a bonus element
- ▶ Adjustments required for equity preference shares
- ▶ The methodology for calculating EPS when a reverse acquisition has taken place

Refer the FRC's report for more details.



[Thematic Review: Earnings Per Share](#)

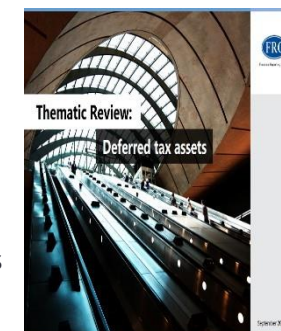
Review of deferred tax asset disclosures

On 21 September, the Financial Reporting Council (FRC) published its thematic review of deferred tax assets. The FRC noted scope for improvement in the following key areas:

- ▶ Companies should give more specific disclosures about the nature of the convincing evidence they use to support the recognition of deferred tax assets when they have a recent history of losses
- ▶ Companies should disclose the specific nature of key judgements and significant estimation uncertainties in relation to deferred tax assets, and the related sensitivities to changes in assumptions or the range of possible outcomes within the next financial year.

The review also includes examples of good practice where companies have provided informative, transparent disclosures in relation to deferred tax assets.

Refer the FRC's report for more information.



[Thematic Review: Deferred tax assets](#)

Financial Reporting Council (FRC)

Review of judgements and estimates

On 26 July 2022, the Financial Reporting Council (FRC) published its thematic review of judgements and estimates which highlighted the following improvement areas :

- ▶ Companies should explicitly state whether estimates have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year
- ▶ Sensitivity disclosures should be provided more frequently and in the way that is most meaningful to readers
- ▶ Companies should assess whether disclosure of climate-related significant judgements or assumptions and sources of estimation uncertainty are required by paragraphs 122 or 125 of IAS 1 and consider whether information about assumptions with a longer-term effect is required
- ▶ Where additional estimate disclosures are provided, such as those carrying lower risk, having smaller impact, or crystallising over a longer timeframe, they should be clearly distinguished from those with a short-term effect.

The FRC review includes examples of good practice, including quantified assumptions and amounts at risk of material adjustment; detailed explanations of management's judgements and the nature of the uncertainties relating to significant estimates; and discussion of the effects of climate change on estimates.

Refer the FRC's report for more details.



[Thematic Review: Judgements and Estimates](#)

Financial Reporting Council (FRC)

Review of Climate-related Financial Disclosures

On 29 July 2022, The FRC and Financial Conduct Authority (FCA) published two reports which found that premium listed companies have made significant steps forward in the quality of climate-related information provided in their financial reports, though further improvements are needed.

The FRC reviewed 25 larger companies more impacted by climate change and found that companies were able to provide many of the Task Force on Climate-related Financial Disclosures (TCFD) disclosures expected by the FCA's Listing Rules, and climate-related reporting in the financial statements, marking a significant improvement in comparison with previous years.

However, the FRC noted the following areas where companies will need to raise the quality of their disclosures in future years :

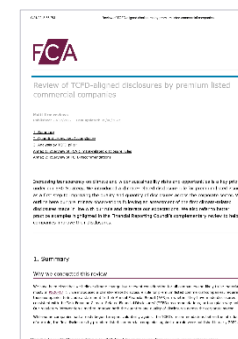
- ▶ Providing more granular information about the effect of climate change on different business sectors and geographies
- ▶ Balancing the discussion of climate-related risks and opportunities appropriately
- ▶ Linking climate-related disclosures to other risk management and governance processes
- ▶ Explaining more clearly how the effects of different global warming scenarios, and their own net zero commitments, may affect the valuation of their assets and liabilities.

The FCA reviewed 170 companies at a high level and 30 companies in more detail, and similarly found a significant increase in the quantity and quality of companies' climate-related disclosures. However, it found instances where companies said that they had made disclosures consistent with the TCFD's recommended disclosures when it appeared they had not.

Refer the FRC and the FCA's reports for more detail.



[FRC Report](#)



[FCA Report](#)

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, Assurance, 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 1 221 1948
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 organisation, 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 organisation, please visit ey.com.

© 2022 Ernst & Young. All Rights Reserved.

P_022866.pptx. Produced by Creative (Ireland). 10/2022. 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