Dr. V. S. KRISHNA GOVT. DEGREE & P.G. COLLEGE (A)

NAAC REACCREDITED 'A' GRADE INSTITUTION & NODAL RESOURCE CENTRE

MADDILAPALEM, VISAKHAPATNAM-530013. ANDHRA PRADESH. & https://www.drvskrishnagdc.edu.in

TWO DAY INTERNATIONAL SEMINAR ON

NEW TRENDS IN COMMERCE AND MANAGEMENT EDUCATION AND EMPLOYMENT

24th & 25th January - 2023

Organized by : DEPARTMENT OF COMMERCE

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This is to certify that Prof./Dr./Mr./Mrs. N. Pavani

Department of Commerce, G.D.C. Men Srikakulam *has devlivered an Invited Talk / Chaired a Session / Presented a Paper / Participated in the New Trends in Commerce and Management Education and Employment entitled* Emerging changes in International Financial Reporting Standards *during the Seminar.*

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Emerging Changes in International Financi Reporting Standards

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ABSTRACT

IFRS or International Financial Reporting Standards refers to a globally-accep set of accounting and financial reporting guidelines for preparing and presenti financial statements. It ensures uniformity in accounting practice that makes financ records comparable across different reporting entities worldwide. Over the years, has emerged as the new world standard in accounting. The IFRS are accounti standards that are issued by the International Accounting Standards Board (IAS with the objective of providing a common accounting language to increase transparen in the presentation of financial information. IFRS is lengthy and flexible compared GAAP. As it is principle-based, its rules are open to multiple interpretations. Howeve both IFRS and GAAP (Generally Accepted Accounting Principles) serve a commo objective of uniformity and openness in maintaining financial statements. 2022 wa relatively quiet in terms of newly effective or issued IFRS Accounting Standards an amendments. Amendments effective in 2022-2023 affect onerous contracts and proceed received before the intended use of property, plant and equipment. IFRS is required be used by public companies based in 167 jurisdictions, including all of the nations i the European Union as well as Canada, India, Russia, South Korea, South Africa, an Chile. The U.S. and China each have their own systems.

Keywords: *IFRS-GAAP-IASB-Financial Records-accounting standards*

Introduction

The International Financial Reporting Standards (IFRS) are accounting standards that issued by the International Accounting Standards Board (IASB) with the objective of provid a common accounting language to increase transparency in the presentation of financial informati

The International Accounting Standards Board (IASB) is an independent body formed 2001 with the sole responsibility of establishing the International Financial Reporting Standa (IFRS). It succeeded the International Accounting Standards Committee (IASC) which w earlier given the responsibility of establishing the international accounting standards. IASB based in London. It has also provided the 'Conceptual Framework for Financial Reporti issued in September 2010 which provides a conceptual understanding and the basis of th accounting practices under IFRS.

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A complete set of financial statements prepared in compliance with the IFRS would ideally comprise of the following:

- A statement of financial position as at the end of the period - more commonly known to us as the 'Balance sheet'.
- A statement of profit and loss for the year and the statement of other comprehensive income - Other comprehensive income would include those items of income/expense that are not recognized in the profit and loss account to comply with the other relevant standards.

Objectives of the paper

The objectives of the study are given as under:

- To understand the New IFRS Accounting Standards requirements
- To understand about International Financial Reporting Standards (IFRS), their recent changes.
- To understand the importance of IFRS as a single set of global accounting standards.
- To study, analyze and interpret the need of IFRS
- To understand the conceptual framework which serves as a tool to develop standards

Methodology

This paper has been prepared using secondary data and information obtained from various websites, published sources like books, journals, articles etc. Why more and more countries are moving to IFRS Research has been done to get the answer in an adequate and reasonable way to understand the concept and to find its importance to attract countries adopting and converging with IFRS.Increasing complexity of business transactions and globalization of capital market calls for a single set of high quality accounting standards.

List of International Financial Reporting Standards (IFRS)

The Standards issued by the IASB are called IFRS. The predecessor body, IASC, had however already issued certain International Standards which are called International Accounting Standards (IAS). These IAS were issued by the IASC between 1973 and 2001. Both IAS and the IFRS continue to be in force. The standards are listed below:

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Standard No.	Standard Title
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinue Operations
IFRS 6	Exploration and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

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Standard No.	Standard Title
IAS 10	Events after the Reporting Period
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 16	Property, Plant, and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities, and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

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2022 was relatively quiet in terms of newly effective or issued IFRS Accounting Standards and amendments. Amendments effective in 2022 affect onerous contracts and proceeds received before the intended use of property, plant and equipment. Amendments related to debt with covenants and sale-and-leaseback transactions were issued this year but are effective only in 2024. Preparers should, however, get ready for IFRS 17, Insurance Contracts, which becomes effective in 2023. Our semi-annual outlook is a quick aid to help preparers in the US keep track of coming changes to IFRS Accounting Standards and assess the relevance to their financial statements.

The following summaries highlight new authoritative guidance issued by the International Accounting Standards Board, provide a high-level comparison to GAAP, and identify resources for further reading. The content is organized by effective dates

- Effective January 1, 2022
- Effective January 1, 2023
- Effective January 1, 2024

Financial statement preparers may also find our IFRS Accounting Standards applicability tool a helpful resource to identify the list of standards to apply for the first time, and those that are available for early adoption.

As a reminder, to be in compliance with IFRS Accounting Standards, companies also need to timely implement all IFRS Interpretations Committee Agenda Decisions.

New IFRS Accounting Standards requirements

Effective January 1, 2022

Onerous Contracts-Cost of Fulfilling a Contract (Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets), clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:

- The incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and
- An allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

Reference to the Conceptual Framework (Amendments to IFRS 3, Business Combinations),

Updates references in IFRS 3 to the revised 2018 Conceptual Framework. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that this update does not change which assets and liabilities qualify for recognition in a business combination.

An acquirer applies the definition of a liability in IAS 37 - not the definition in the Conceptual Framework - to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer applies the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred as of the acquisition date. In addition, the amendments clarify that the acquirer does not recognize a contingent asset at the acquisition date.

Proceeds before Intended Use (Amendments to IAS 16, Property, Plant and Equipment (PPE)), introduces new guidance. Proceeds from selling items (e.g. samples) before the related PPE is available for its intended use can no longer be deducted from the cost of PPE. Instead, such proceeds are recognized in profit or loss, together with the cost of producing those items. Therefore, a company will need to distinguish between:

- Costs of producing and selling items before the PPE is available for its intended use; and
- Costs of making the PPE available for its intended use.

Determining how to characterize such costs may require significant estimation and judgment. Companies in the extractive industry in particular may need to monitor costs at a more granular level.

The amendments apply retrospectively but only for new PPE that reaches its intended use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. They can be early adopted.

Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRS Accounting Standards after its parent. If such a subsidiary applies IFRS 1.D16(a), it may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent based on the parent's date of transition to IFRS Accounting Standards.

Amendments to IFRS 9, Financial Instruments, clarify which fees to include in the '10%' test to determine whether a financial liability has been substantially modified. A borrower includes only fees paid or received between itself and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendments to Illustrative Examples accompanying IFRS 16, remove the illustration of payments from the lesser for lessee-owned leasehold improvements. As previously drafted, this example was unclear about whether the payments meet the definition of a lease incentive.

Amendments to IAS 41, Agriculture, removes the requirement to exclude cash flows for taxation when measuring fair value of biological assets, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13

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Effective January 1, 2023

IFRS 17 provides the first comprehensive guidance on accounting for insurance contracts under IFRS Accounting Standards. It aims to increase transparency and reduce diversity in the accounting for insurance contracts.

Certain insurers also benefit from a temporary exemption from IFRS 9, Financial Instruments, until IFRS 17 is effective.

Disclosure of AccountingPolicies (Amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2, Making Materiality Judgments), continues the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include:

- Requiring companies to disclose their material accounting policies instead of their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

The IASB (International Accounting Standards board) also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) clarifies how companies distinguish changes in accounting policies from changes in accounting estimates with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively.

The amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

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Effective January 1, 2024

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16, Leases) requires a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction as follows:

- On initial recognition, include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognized.

Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants (Amendments to IAS 1, Presentation of Financial Statements) published in 2020 and 2022 respectively, clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance.

Only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or noncurrent at the reporting date. However, disclosure about covenants is now required to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability. If a liability has any conversion options, then those generally affect its classification as current or noncurrent, unless these conversion options are recognized as equity under IAS 32, Financial Instruments.

Conclusion

Companies should periodically review IFRS IC Updates and the IFRS IC Compilation of Agenda Decisions, in which tentative and final Agenda Decisions are published, to consider the impact of those decisions on their accounting policies. The issues discussed by the IFRS IC are significant, and the impact on the financial statements could be material. Companies are expected to update their accounting policies timely to the extent that their accounting differs from that described in an Agenda Decision.

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