IFRS Quarterly Navigator:
Your Financial Reporting Roadmap

Quarter 1 2024

Introduction

IFRS Quarterly Navigator is your quarterly update on issues relating to International Financial Reporting Standards (IFRS) Accounting Standards. We'll bring you up to speed on topical issues and all recent developments, provide comments and give our perspective on relevant topics.

We are pleased to welcome you to this IFRS-related news edition by Grant Thornton Greece, your quarterly update on issues related to International Financial Reporting Standards (IFRS) Accounting Standards.

The main objective of this edition is to keep you informed about the recent news and advancements in the field of IFRS Accounting Standards.

Our aim is to provide you with relevant support, useful information, and an understanding of the potential impact these developments may have on your business, by bringing to you the most relevant and up-to-date information and keeping you at the forefront of the ever-evolving world of financial reporting.

From significant standard updates and IASB proposed amendments to thought-provoking articles, our team of experts has crafted this edition to address your informational needs. This edition includes:

- Latest IFRS Updates
- IASB proposed amendments
  - Exposure Draft: Business Combinations – Disclosures, Goodwill and Impairment (ED/2024/1)
- Technical insights from our experts
  - Do you properly disclose "Judgments and estimates" session in the Financial Statements?
- Grant Thornton International's Thought Leadership
  - Insights into IFRS 17 – Impact on non-insurance entities
  - Navigating the changes to IFRS – A briefing for preparers of IFRS financial statements | 2024 Edition

We also invite you to actively engage with us by sharing your thoughts, questions, or suggestions. Your input is invaluable in shaping the content of future editions.

We hope that you find our IFRS Quarterly Navigator edition enlightening and a valuable resource for your professional journey, and should you wish to discuss any of the topics covered, please feel free to contact us.

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01 Latest IFRS updates

This section presents IASB new amendments which have been published in the period from January 2024 until March 2024.

No amendments of Standards have been published in the period from January 2024 until March 2024.

02 Technical Insights

In this section of our IFRS Quarterly Navigator edition, we bring you technical insights and viewpoints from experts in the field of financial reporting. We encourage you to dive into these articles and join us on this intellectual journey as we explore the frontiers of financial reporting and unlock new insights that will empower you to navigate the complexities of IFRS Accounting Standards.

Technical Insights

Do you properly disclose “Judgments and estimates” session in the Financial Statements?

Overview

The inclusion of disclosures regarding significant accounting judgements and estimation uncertainties within financial statements is paramount as they serve as a vital source of information for stakeholders.

Disclosures regarding significant accounting judgements and sources of estimation uncertainty are really crucial for providing valuable insights into financial statements accounts. These disclosures enable readers to evaluate how management decisions impact the applied accounting policies and offer a better understanding for assumptions and how changes in these assumptions may impact the entity's future financial position.

Enhanced disclosures should be tailored to the company's unique circumstances, describing specific judgements and assumptions made during the financial reporting process.

It's crucial to appropriately distinguish disclosures between judgements and estimates, as the former involves subjective decisions made by management, while the latter entails quantitative approximations. Tailoring disclosures to the unique circumstances of each entity is essential, ensuring that they accurately reflect the specific judgements and assumptions made, rather than resorting to generic or boilerplate language.

In this article, we will provide a brief overview of “judgements” and “estimates” and how these disclosures can be improved in order to meet the final objective of a good quality reporting.

You can access the article here.

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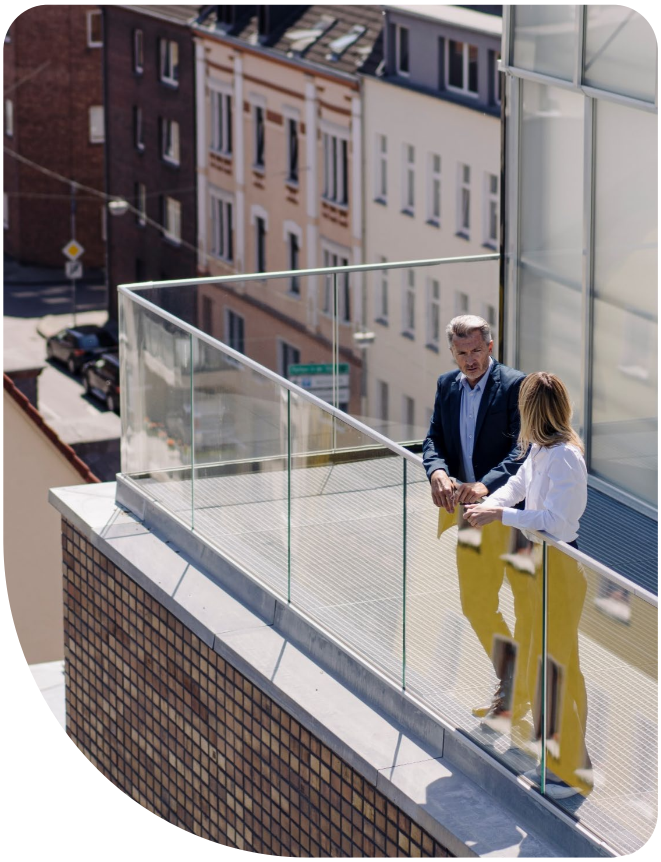
03 IASB proposed amendments

This section presents IASB proposed amendments for which exposure drafts have been published in period from January until March 2024.

IASB proposed amendments

Exposure Draft: Business Combinations-Disclosures, Goodwill and Impairment

Introduction



On March 14, 2024, IASB published Proposed amendments to IFRS 3 and IAS 36 (Business Combinations — Disclosures, Goodwill and Impairment ED-2024-1) which will be open for comments until 15 July, 2024.

The Exposure Draft proposes amendments to:

- IFRS 3 “Business Combinations:” - in particular, to improve the information companies disclose about the performance of business combinations
- IAS 36 Impairment of Assets - in particular, amendments to the impairment test of cash - generating units containing goodwill

So, the IASB proposes to amend the IFRS 3 and IAS 36 to require companies to disclose better information about their acquisitions and to make targeted changes to the impairment test. In the post implementation review of IFRS 3 stakeholders raised concerns about investors receiving insufficient information about the performance of acquisitions, impairment tests being costly and complex, impairment losses on goodwill sometimes being recognised too late, and amortisation of goodwill.

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IASB proposed amendments

Exposure Draft: Business Combinations-Disclosures, Goodwill and Impairment

The IASB has been exploring these concerns in its project of Business Combinations – Disclosures and Impairment which has resulted in developing the proposals in the Exposure Draft. The Exposure Draft sets out a package of proposals that in IASB's view would result in companies providing better information - at a reasonable cost - about an entity's business combinations. In particular:

a) the proposed new disclosure requirements in IFRS 3 would require an entity to disclose information to allow users to make a better assessment of the success of a business combination

b) the proposed amendments to IAS 36 are intended to improve the effectiveness of the impairment test of CGUs containing goodwill and to reduce the cost and complexity of its application

The objective of the proposals in the Exposure Draft is to improve the information companies provide to investors, at a reasonable cost, about the acquisitions those companies make.

This information is intended to help investors better assess management's decision to make an acquisition and the performance of that acquisition.

Proposed Amendments

The proposals in the Exposure Draft would amend IFRS 3 "Business Combinations", and IAS 36 "Impairment of Assets".

The IASB proposed amendments to IFRS 3 would:

- result in companies providing information to investors about the performance of an acquisition
- allow investors to directly assess the performance of acquisitions, rather than using goodwill impairment as a proxy indicator. These proposed changes would therefore respond to concerns about impairment losses sometimes being recognised too late

The IASB proposed amendments to IAS 36 would:

- respond to concerns about impairment losses sometimes being recognised too late and concerns about the cost and complexity of the impairment test

The Exposure Draft is open for comment until 15 July 2024.

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04 Grant Thornton International Ltd's Thought Leadership

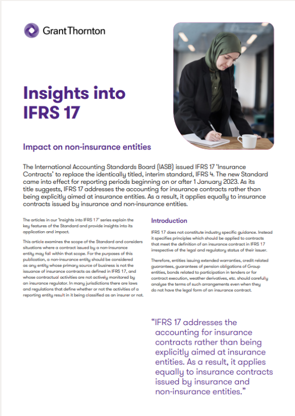
Grant Thornton International Ltd has released article "Insights into IFRS 17 – Impact on non-insurance entities" in series on Insights into IFRS 17 "Insurance Contracts".

Insights into IFRS 17 – Impact on non-insurance entities

Grant Thornton International released the first article in “Insights into IFRS 17” series which explain the key features of the Standard and provide insights into its application and impact. IFRS 17 Standard came into effect for reporting periods beginning on or after 1st January 2023. This Standard applies equally to insurance contracts issued by insurance and non-insurance entities.

This article examines the scope of the Standard and considers situations where a contract issued by a non-insurance entity may fall within that scope.

You can access the publication at [Insights into IFRS 17 (grantthornton.global)]


Grant Thornton

Insights into IFRS 17

Impact on non-insurance entities

“IFRS 17 addresses the accounting for insurance contracts rather than being explicitly aimed at insurance entities. As a result, it applies equally to insurance contracts issued by insurance and non-insurance entities.”

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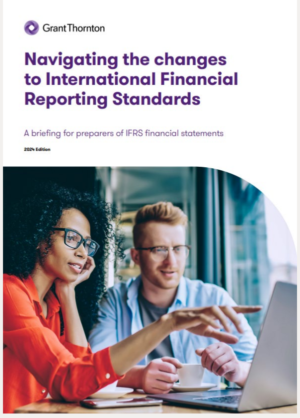
Navigating the changes to IFRS 2024 Edition

This publication is designed to give preparers of IFRS financial statements a high-level awareness of recent changes to International Financial Reporting Standards. It covers both new Standards and Interpretations that have been issued and amendments made to existing ones.

The 2024 edition of the publication has been updated for changes to International Financial Reporting Standards (IFRS) that were published between 1 January 2023 and 31 December 2023. The publication now covers 31 March 2023, 30 June 2023, 30 September 2023, 31 December 2023 and 31 March 2024 financial year ends.

You can access the publication at [Navigating the changes to IFRS 2024 | Grant Thornton insights]



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Appendixes

Do you properly disclose “Judgments and estimates” session in the Financial Statements?

Introduction

Disclosures regarding significant accounting judgements and sources of estimation uncertainty are really crucial for providing valuable insights into financial statements accounts. These disclosures enable readers to evaluate how management decisions impact the applied accounting policies and offer a better understanding for assumptions and how changes in these assumptions may impact the entity's future financial position.

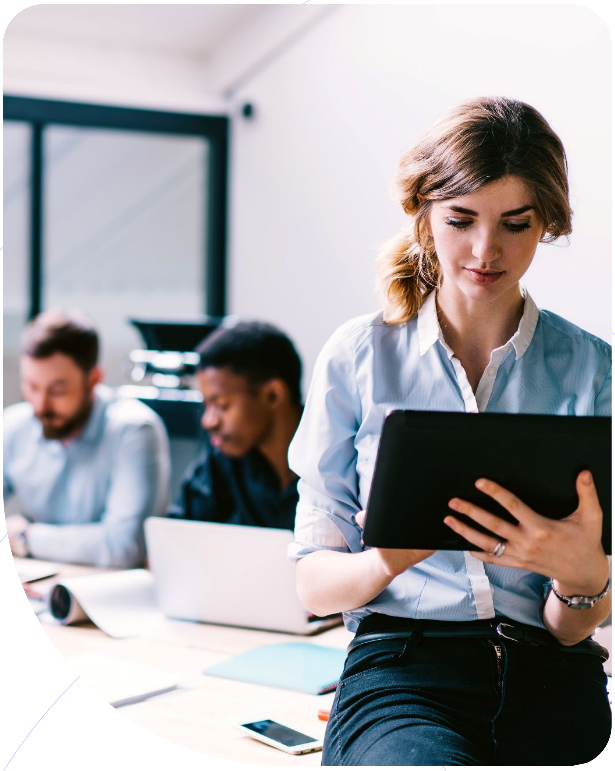
Enhanced disclosures should be tailored to the company's unique circumstances, describing specific judgements and assumptions made during the financial reporting process. In this article, we will provide a brief overview of “judgements” and “estimates” and how these disclosures can be improved in order to meet the final objective of a good quality reporting.

1. Distinguishment between judgments and estimates

It is really important, for the better understanding of the users of the financial statements, that companies should present judgments separately from estimates.

The judgements and estimates referred to by IAS 1 “Presentation of Financial Statements” affect current and future accounts differently. This is reflected in the different disclosure requirements. In particular paragraph 122 of IAS 1 requires disclosure of judgements made by management in applying an entity’s accounting policies, other than those relating to estimates. Judgements that depend on management assumptions about the future are matters covered by the more wide-ranging disclosures of sources of estimation uncertainty required by paragraph 125 of IAS 1.

It is really important to understand the difference between judgements and estimation uncertainty and to differentiate relevant disclosures between them.



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1.1 Judgements

Management may have to make significant judgements about the application of accounting policies for the reporting entity. IAS 1 "Presentation of Financial Statements" requires the disclosure of the judgements management has made in applying an entity's accounting policies that **have the most significant effect** on the assets and liabilities recognised in the financial statements[1].

In effect, a significant judgement is a view that management has taken in applying an accounting policy. It is clear by the standard that not all judgements should be disclosed. Judgements must relate to a significant policy and must have materially affected the reported numbers.

The disclosure should be of sufficient detail to help readers understand how policies have been applied and to **enable them to compare judgements between different companies' financial statements**.

Some examples of judgements that do not involve estimation are:

Significant risks and rewards of ownership of assets	when substantially all the significant risks and rewards of ownership of assets are transferred
Sales of goods / services that do not rise to revenue	whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue
Consolidation issues	whether or not to consolidate an investee company
Principal vs agent	whether a company is acting as principal or agent
SPPI test	whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The disclosures will vary significantly from company to company according to the nature and extent of management's judgements. **Management needs to carefully assess** those areas of judgement that may require disclosure in the financial statements. It needs to identify any specific judgements it has made due to the nature of the business activities that the entity is involved in. Where a company has no judgements that are significant enough to require disclosure, it is helpful to state this explicitly. For example, include a specific statement such as "in the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations (see section X) that have had a significant effect on the amounts recognised in the financial statements".

[1]IAS 1 paragraph 122

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1.2 Estimates

In addition to disclosing significant judgements, management must disclose **key assumptions concerning**:

- the future
- that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities
- withing the next financial year[2]

Some examples of estimates are:

Recoverable amounts	For example, estimates relating to the recoverable amount of classes of property, plant and equipment
Depreciation	Determination of depreciation methodologies
Discount rates	For example, the selection of discount rate for pensions
Fair value measurements	Significant estimates regarding the determination of fair value measurements. It should be noted that disclosure is **not required** for assets and liabilities measured at fair value if this is based on quoted prices in an active market for an identical asset or liability. Such fair values might change materially within the next financial year, but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period[3]
Provisions	Provisions subject to the future outcome of litigation in progress

The abovementioned three factors limit the number of items that is expected to be reported. **The more estimates that are disclosed, the less specific the disclosures would become.**

This would run the risk of obscuring the most relevant information with other disclosures. Information should be disclosed only in respect of relatively few assets and liabilities because the **requirements relate only to the most subjective and complex estimates[4].**

[2]IAS 1 paragraph 125

[3]IAS 1 paragraph 128

[4]IAS 1 paragraph 127

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What disclosures related to estimates should include?

As for disclosure of judgements, the estimation uncertainties disclosed should be specific to each reporting entity. Careful consideration needs to be given to ensure that the reader of the financial statements understands clearly the uncertainties described as well as the range of possible outcomes that might result from these uncertain future events. IAS 1.129 gives some examples of areas that may be relevant and the types of disclosures that can be made in order to help users to understand the uncertainty.

These include:

a) the nature of the assumption or other estimation uncertainty

b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity

c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected

d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved

It is to be noted that it is clearly stated in the standard that it is not necessary to disclose budget information or forecasts in making these disclosures[5]. (IAS 1.para 130)

Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period.

In such cases, the entity discloses that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption[6].

[5]IAS 1 paragraph 130

[6]IAS 1 paragraph 131

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Other IFRSs require the disclosure of some of the assumptions that would otherwise be required in accordance with paragraph 125. For example, IAS 37 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. IFRS 13 Fair Value Measurement requires disclosure of significant assumptions including the valuation techniques and inputs the entity uses when measuring the fair values of assets and liabilities that are carried at fair value. However, it should be noted that ensuring compliance with the other standard's disclosure requirements may not be adequate to meet IAS 1 requirements. For example, an impairment test of a property, plant and equipment may have estimates that should be disclosed in accordance with IAS 1. In such cases, sensitivity disclosures may be provided to meet IAS 1 requirements, despite the fact that it is not clearly required by IAS 36 "Impairment of Assets".

Sources of estimation uncertainty may vary from year to year. For that reason it is expected companies to reassess whether disclosures made in a previous year remain relevant, in order to avoid accumulating clutter in accounts.

Should other estimates be disclosed?

Companies may disclose other estimates where this provides material, relevant information. For example, disclosures of other uncertainties, such as those carrying lower risk, having smaller impact or crystallising over a longer timeframe may be informative. Companies are also required by paragraph 112 (c) of IAS 1 to provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them. However, **it is expected other estimates to be distinguished from significant estimates and the reason for disclosure explained**. Clear separation enables users to clearly understand the timeframe and/or the impact of any changes in the underlying uncertainties and assumptions.

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2. Disclosures should not be "boilerplate"

It is imperative that disclosures in the "judgements and estimates" section of IFRS financial statements avoid being "boilerplate". Because the nature and extent of judgements and estimates made by management vary significantly from company to company, there **can be no "model" or standard disclosure example**. Management will need to assess carefully those areas of judgement and estimates that may need disclosure within the financial statements.

Boilerplate disclosures are generic, standardized statements that lack specific relevance to the company's unique circumstances. By avoiding boilerplate language, companies can provide meaningful insights into the factors driving their financial results and position. Tailoring disclosures to the company's specific judgements and estimates enhances transparency and enables stakeholders to make informed decisions. This not only fosters trust and credibility but also ensures that the financial statements accurately reflect the company's financial performance and outlook. Ultimately, meaningful disclosures contribute **to a more transparent and reliable financial reporting**, which is essential for maintaining investor confidence and facilitating informed decision-making.

3. Summary

The inclusion of disclosures regarding significant accounting judgements and estimation uncertainties within financial statements is paramount as they serve as a vital source of information for stakeholders. These disclosures offer users the opportunity to evaluate how management decisions have influenced the application of accounting policies, thereby provide insight into the reliability and accuracy of the financial statements.

It's crucial to appropriately distinguish disclosures between judgements and estimates, as the former involves subjective decisions made by management, while the latter entails quantitative approximations. Tailoring disclosures to the unique circumstances of each entity is essential, ensuring that they accurately reflect the specific judgements and assumptions made, rather than resorting to generic or boilerplate language.

Quantifying sources of estimation uncertainty and providing additional relevant information, such as sensitivities or potential outcome ranges, further enhances transparency and aids users in comprehending management's forward-looking judgements about the future.

By adhering to these principles, companies can maintain the accuracy and transparency of their financial reporting, which helps build trust and confidence among stakeholders and enables informed decision-making processes.

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What defines our unparalleled edge

Grant Thornton works to support dynamic organizations to address financial reporting issues in today's complex word.

In making this changes, one thing does not change. Financial reporting is a regulated activity and compliance with the requirements is a must. Getting it right requires professional expertise, care and attention to detail, proper planning and project management and fit-for-purpose systems and controls.

We can help you get up to date with current trends in financial reporting by providing:

- thought leadership insights
- examples of best practice disclosures
- support you through the enhancing of your annual reports

Whatever stage you are at in making improvements to the content and presentation of your annual reports, our specialists offer pragmatic solutions, whilst still complying with IFRS Standards.

The Standards are detailed and technical. To the untrained eye, they can appear hard to navigate.

But at Grant Thornton,
we have people who are well versed in their intricacies and can translate them into language that you can understand and apply to your financial statements.

A dedicated team of experts

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