

2019

Statutory Reporting Quality

# **Information Note – Some key areas of focus for 2019 half- yearly reports**

## **MISSION**

**To contribute to Ireland having a strong regulatory environment in which to do business by supervising and promoting high quality financial reporting, auditing and effective regulation of the accounting profession in the public interest**

## INFORMATION NOTE

### SOME KEY AREAS OF FOCUS FOR 2019 HALF-YEARLY REPORTS

This Information Note is being published to coincide with the preparation of issuers' 2019 half-yearly financial reports.

The purpose of this Information Note is to remind management and those charged with governance of some key areas of focus where IAASA have noted instances of apparent non-compliance with financial reporting standards in the past and thereby contribute to the preparation of high quality half-yearly financial reports by issuers.

#### 1. IFRS 16 Leases

IFRS 16 *Leases* is applicable for reporting periods beginning on or after 1 January 2019.

Issuers are reminded of the disclosure requirements set out in paragraph 16A(a) of IAS 34 *Interim Financial Reporting* regarding the nature and effect of changes in an issuer's accounting policies since the most recent annual financial statements.

IAS 34.16A(a) requires that an issuer shall include the following information in the notes to its interim financial statements or elsewhere in the interim financial report:

*'a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change'*

Issuers should carefully consider the level of disclosure to be provided in the half-yearly financial report setting out the impact of applying the IFRS 16 requirements. Disclosures should avoid a 'boilerplate' repetition of the Standard itself; issuers should provide entity specific information describing the accounting policies that have been applied from 1 January 2019 and outline the nature and impact that any change in the accounting policy has had on the half-yearly financial statements in quantitative and qualitative terms.

#### 2. IFRS 3 Business Combinations

Issuers are reminded of the requirements of IAS 34.16A(i) regarding changes in the composition of the issuer since the previous year-end including, in particular, business combinations. IAS 34.16A(i) requires that an issuer shall include the following information in the half-yearly financial statements:

*'the effect of changes in the composition of the entity during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations. In the case of business combinations, the entity shall disclose the information required by IFRS 3 Business Combinations'*

IAASA expects that in instances where individually or collectively material business combinations have occurred during the half-year period, issuers will provide detailed disclosures sufficient to comply in full with the relevant IAS 34 requirement (i.e. those set out in IFRS 3.B64-B67) in the half-yearly financial report.

### **3. IFRS 15 Revenue from Contracts with Customers – disaggregation of revenue**

IFRS 15.114-115 require:

- (a) an issuer to disclose disaggregation of revenue into categories that depict how revenue and cash flows are affected by economic factors; and
- (b) that disclosures must provide sufficient information to enable users to understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each operating segment.

Issuers are reminded that IAS 34.16A(l) requires an issuer to disclose the following in the half-yearly financial statements:

*'the disaggregation of revenue from contracts with customers required by paragraphs 114-115 of IFRS 15 Revenue from Contracts with Customers.'*

IAASA expects that all the disclosures required by IFRS 15.114-115 regarding the disaggregation of revenue will be provided in issuers' half-yearly financial reports.

### **4. IFRS 13 Financial Instruments**

IAS 34.16A(j) requires that an issuer's half-yearly financial report shall disclose:

*'for financial instruments, the disclosures about fair value required by paragraph 91-93(h), 94-96, 98 and 99 of IFRS 13 Fair Value Measurement and paragraphs 25, 26 and 28-30 of IFRS 7 Financial Instruments: Disclosures.'*

IAASA reminds issuers that the disclosures in the half-yearly financial reports regarding financial instruments held by the issuer should comply in full with

the disclosures required by IFRS 13.91-93(h), IFRS 13.94-96, IFRS 13.98-99, IFRS 7.25-26 and IFRS 7.28-30.

Furthermore, IAS 34.15B provides a non-exhaustive list of events and transactions for which disclosures would be required in the half-yearly financial report if the event or transaction list is deemed significant.

IAS 34.15B(k) states that one of these events or transactions is:

*'transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments'*

Issuers are reminded that in instances when significant transfers between levels of the fair value hierarchy for financial instruments occur, disclosures are required in the half-yearly financial report that provide sufficient information on the reasons for those transfers.

#### **Disclaimer**

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