Implementing IFRS 9

1. Planning for IFRS 9 Implementation
2. Specific Issues for different sectors
3. Activities by various stakeholders in terms of supporting implementation of IFRS 9

1. Planning for IFRS 9

Transitioning from IAS 39 to IFRS 9 is still slow for many entities. For example most companies are still using the classification for financial assets given in IAS 39 rather than the new one used in IFRS 9. This is not a problem because effective date for IFRS 9 is Jan 2018. However early adoption is recommended due to the following reasons:

1. Planning for IFRS 9

1. **Accounting systems (Processes and records) will need to be revised to enable proper preparation of financial reports: An area that will be impacted will be classifications and measurement.**

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1. Planning for IFRS 9

2. Training is required so that accountants identify potential problems and gaps that may make it difficult to implement IFRS 9. For example valuation issues in measurement and impairment.

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1. Planning for IFRS 9

3. Some issues still in classification will be the determination of the business model that requires management input and judgment.

4. The need to link IFRS 9 with other important accounting standards like IAS 32, IFRS 7 and IFRS 13. This is because there is an impact on disclosures and valuation.

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1. Planning for IFRS 9

5. In addition we have other practical issues with regards to valuation of assets like trade receivables and loans advanced to customers (For banks) and how this is linked with regulatory requirements.

6. IFRS 9 may impact on practical issues like risk management and disclosures.

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2. Specific Sector Issues

1. Non Financial entities

No major impact other than classifications, measurement and impairment if a company deals with the same financial instruments. Most non financial entities use financial instruments as means of financing and also cash management.

2. Specific Sector Issues

2. Financial Entities - Banks

a. Classification – Major due to business model

b. Measurement – Valuation

c. Impairment – Industry regulation for loans (Loan loss provisions)

d. Hedging – Risk Management

e. Disclosures – Regulated (Elaborate)

2. Specific Sector Issues

2. Financial Entities – Pension Firms

a. Classification – Major due to business model

b. Measurement – Valuation

c. Impairment – For quoted and some private investments

d. Hedging – Risk Management

e. Disclosures – Regulated (Elaborate)

2. Specific Sector Issues

2. Financial Entities – SACCOs

a. Classification – Not a problem mainly loans and advances

b. Measurement – Valuation issues

c. Impairment – A problem due to loans and advances

d. Hedging – Risk Management approaches

e. Disclosures – Regulated

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2. Specific Sector Issues

2. Financial Entities – Insurance Co.s

a. Classification – Again issues of business model and link with Insured Pd

b. Measurement – Valuation issues

c. Impairment – Mainly for quoted investments

d. Hedging – Risk Management approaches linked with insured pdts

e. Disclosures – Regulated (Highly)

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2. Specific Sector Issues

2. Financial Entities – Investment co.s

a. Classification – Again issues of business model and link with Insured Pd
b. Measurement – Valuation issues
c. Impairment – For most investments
d. Hedging – Risk Management approaches linked with objectives
e. Disclosures – Regulated (Highly)

3. What is being done to prepare

1. ICPAK has several IFRS workshops, nearly every month and some sessions cover financial instruments. These sessions are also customized for specific sectors. ICPAK also has inhouse trainings for companies that have specific issues in accounting for financial instruments. In addition we have the Financial Reporting Excellence awards.

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3. What is being done to prepare

2. KASNEB/ACCA, curriculum also provides avenues for examining current issues in financial instruments for students undertaking accounting exams.

3. Audit firms also have sessions for training and materials in these areas.