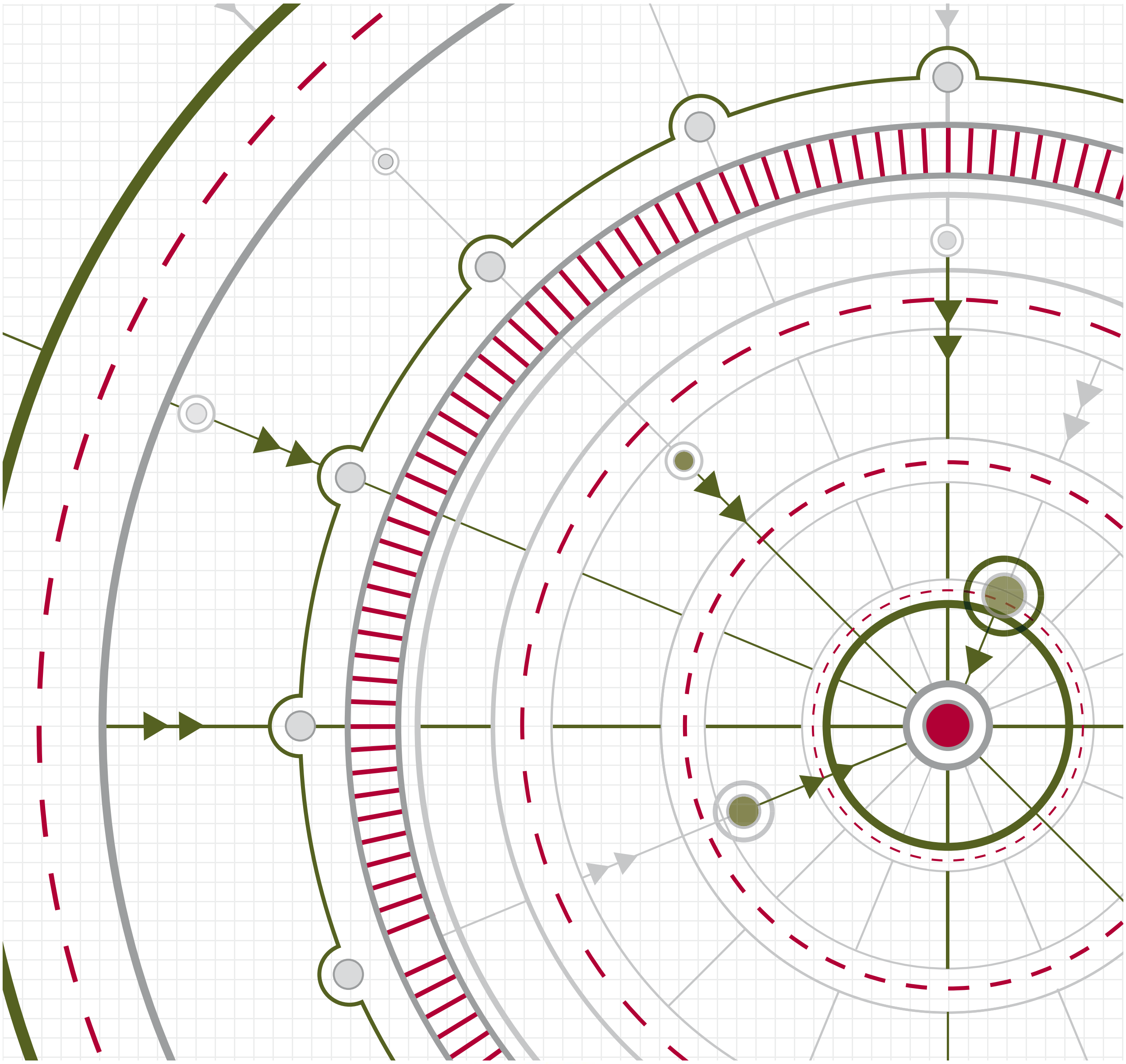
24–26 August 2016
Safari Park Hotel, Nairobi, Kenya

Day 1 Presentation Materials

Joint IFRS® Foundation, PAFA and ICPAK IFRS Conference and *IFRS for SMEs* Workshop



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PAN AFRICAN FEDERATION OF ACCOUNTANTS

ICPAK
Credibility . Professionalism . AccountAbility

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PROGRAMME:

A two-and-a-half-day conference for senior financial executives, technical managers and standard setters from PAOs and other interested parties

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Day 1—Wednesday 24 August 2016

Pre-conference workshop

09:00 ***Registration***

09:30–12:00 *IFRS for SMEs* workshop

Conference Programme

12:00 ***Registration and Refreshments***
13.00 ***Lunch***

14:00 ***Opening Ceremony***
Host: CPA Dr. Patrick Ngumi, Chief Executive, ICPAK
Host: FCPA Fernandes Barasa, National Chairman, ICPAK

14:45 ***The future of financial reporting***
Hans Hoogervorst*,* **IASB Chairman**

15:10 ***Keynote address***
CPA Dr. Jim McFie

15:30 ***IASB update***
- Major IFRS Standards
- Implementation
- Research projects

Presenters: Darrel Scott, **IASB Member** and Hugh Shields, **IASB Executive Technical Director**

16:00 Coffee break

16:30–18:00 ***Break-out sessions: implementing new IFRS Standards***

*Choose **one** of the following:*

1. **Implementing IFRS 9 *Financial Instruments***
   - Darrel Scott, IASB Member
   - CPA Geoffrey Injeni
   - David Mwindi, Standard Chartered Bank (Kenya)

2. **Implementing IFRS 15 *Revenue from Contracts with Customers***

- Wei-Guo Zhang, IASB Member
- FCPA Agnes Lutukai KPMG Nigeria
- CPA Bernard Osano, Insurance Regulatory Authority
- CPA Anthony Murage (PwC Kenya)

3. **Agriculture (including fair value and bearer-plant amendments to IAS 16)**
    - Hugh Shields, IASB Executive Technical Director
    - FCPA Simon Fisher- RSM
    - CPA Stephen Obock- KPMG Kenya

18:30–20:00 ***Reception Cocktail***

Opening ceremony

DR. PATRICK NGUMI
Chief Executive
ICPAK

FERNANDES BARASA
National Chairman
ICPAK

Joint IFRS® Foundation, PAFA and ICPAK

IFRS Conference and *IFRS for SMEs* workshop

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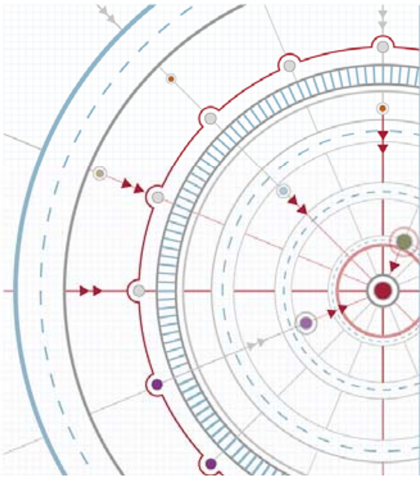
The future of financial reporting

HANS HOOGERVORST

Chairman

IASB

IFRS® Foundation



International Accounting Standards Board:

Latest developments and future focus

Hans Hoogervorst, Chairman

Nairobi, August 2016

The views expressed in this presentation are those of the presenter,
not necessarily those of the International Accounting Standards Board (the Board)
or IFRS Foundation.

IFRS

IFRS Standards – why do they matter?

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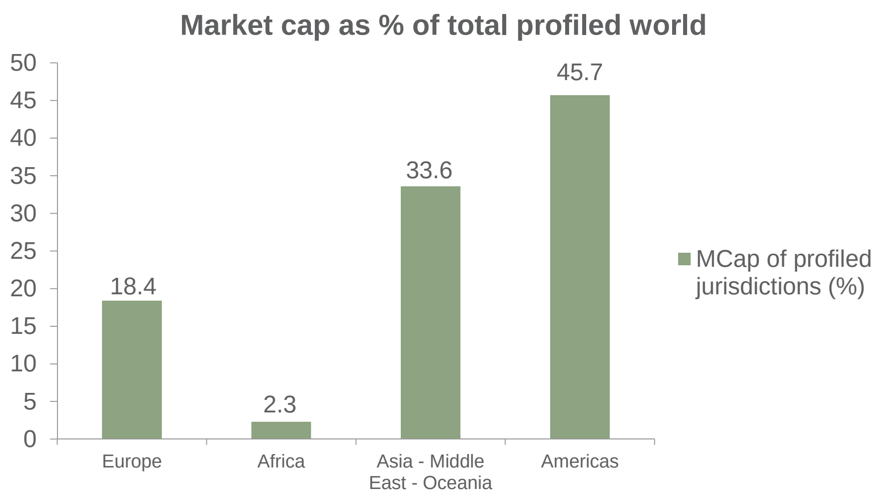
Mission

To develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world.

Our work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.

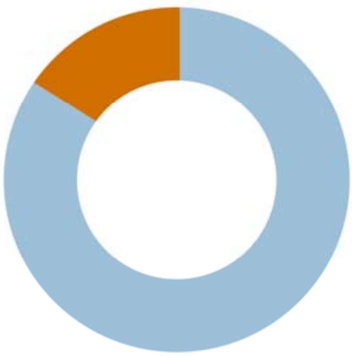
Market capitalisation



IFRS Standards in Kenya

- Kenya is making efforts to strengthen the economy by increasing the attractiveness of capital markets.
- Cross-border investment can help to develop Nairobi as an international finance centre and the gateway to Africa's capital markets.
- The use of IFRS Standards is helping to attract international investors to the region, as well as strengthening economic and financial stability.

Adoption around the world

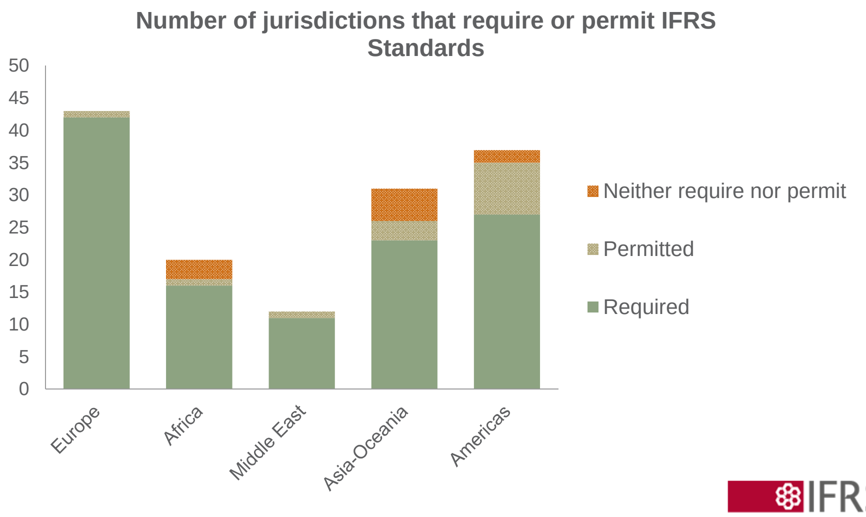


83%

119 of 143 jurisdictions require the use of IFRS Standards for all or most publicly accountable companies.

Most of the remaining jurisdictions permit their use.

Adoption around the world



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Financial Instruments

- Classification and measurement
  - A logical, single classification approach for financial assets driven by cash flow characteristics and business model
  - Improvements to own credit
- Impairment
  - Strongly supported forward-looking ‘expected loss’ model
  - Represents a significant change in accounting

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Revenue

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- Establishes a single, comprehensive framework for recognising revenue from contracts with customers
- Provides clearer guidance on recognising revenue than was previously available
- Means that revenue reporting will be consistent across transactions, industries and capital markets
- Improves comparability in the ‘top line’ of financial statements

IAS 41 *Agriculture*

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- IASB listened to concerns raised by emerging economies
- **Before**: biological bearer assets measured at fair value, fluctuations included in P&L
- **After**: treated like property, plant and equipment; measured at cost

→ **Result:** less costly to apply, reduces artificial volatility in income statement

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Future priorities

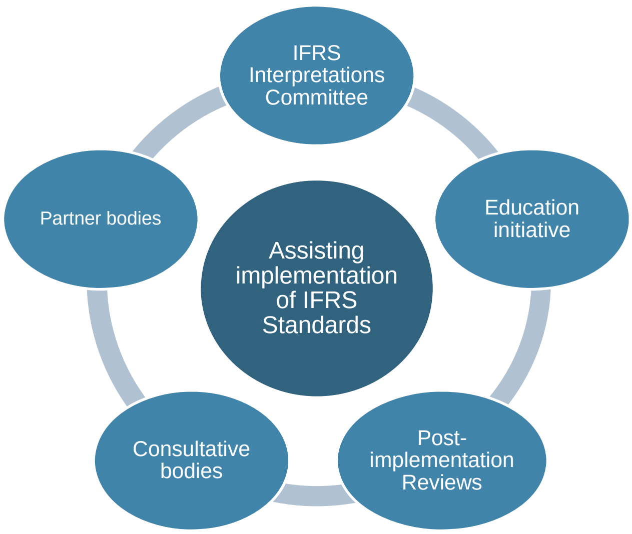
Better communication

Focussing our efforts on increasing the communications effectiveness of financial statements.

Taking a fresh look at:

- how financial information is presented;
- how it is grouped together; and
- in what form it is made available.

Implementation support



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- go.ifrs.org/careers

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Keynote address

DR. JIM MCFIE

Joint IFRS® Foundation, PAFA and ICPAK
IFRS Conference and *IFRS for SMEs* workshop
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IASB update

DARREL SCOTT
Member
IASB

HUGH SHIELDS
Executive Technical Director
IASB

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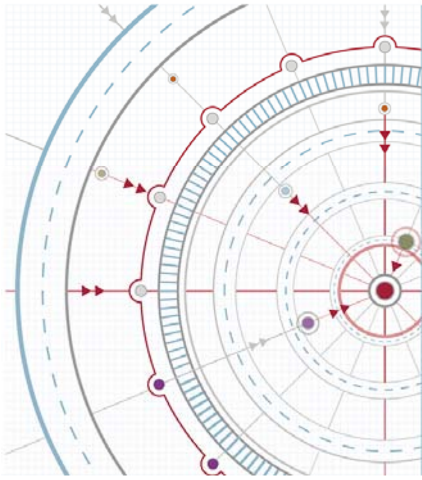

Update on the Board's activities

IFRS Conference
Nairobi, Kenya, August 2016

Darrel Scott, IASB Member
Hugh Shields, IASB Executive Technical Director

Agenda

- 2015 Agenda consultation: our new approach to the work plan
- Better communication: a new theme
- *Conceptual Framework*
- Other major projects
- Implementation strategy
- Recently-issued IFRS Standards

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2015 Agenda Consultation

Our new approach to the work plan

2015 Agenda Consultation

- The Board issued a Request for Views (RFV) on:
  – the balance of our activities, split between standard-setting, implementation support and research;
  – what research topics should be prioritised and how we should do that prioritisation;
  – whether we provide sufficient implementation support;
  – whether the pace of change to IFRS Standards is too high, too low, or about right.
- Links with the Trustees' RFV

Key messages

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- Received 119 comment letters; discussed in 30+ forums
- Focus on finishing insurance contracts and *Conceptual Framework*
  - we have already finished IFRS 16 *Leases*
- Focus on implementation activities, rather than standards-level projects. Important implementation activities include:
  - support for new and recently-issued Standards;
  - maintenance activities; and
  - post-implementation reviews.
- Most respondents support our evidence-based approach

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Information that is useful to investors

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- Another key message was the importance of providing information that is useful to investors
- Projects that are important to investors were identified as high priority by many respondents:
  - primary financial statements
  - principles of disclosure
- Better communication is a central theme for the coming years

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Period of calm

- Many respondents requested a stable platform:
  - because change is a burden on all, especially small entities;
  - to enable preparers to develop and enhance their reporting processes and systems;
  - to allow stakeholders to implement new Standards.
- The level of change that will be required to implement IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contract with Customers* and IFRS 16 *Leases* will be considerable
- Limitations on stakeholders' capacity for change is a key constraint on the Board's activities
  - including 'outreach fatigue'

Work plan 2017-2021

- The Trustees ratified extending the interval to 5 years
  - hence, the work plan is for 2017-2021
- Switch away from transaction-specific Standards-level projects to place more emphasis on:
  - better communication in financial statements;
  - Implementation, and the support of consistent application;
  - standard-setting that builds on the revised *Conceptual Framework* and enhances consistency between Standards;
  - a realistic, achievable research programme.
- The research programme has become more focussed
- Work plan on web site since late July, feedback statement due late October

Active research projects

- Projects that result in better communication in financial statements will be a central theme in the forecast period
- The other active research projects will be carried out in a more timely manner:
  - business combinations under common control
  - dynamic risk management
  - financial instruments with characteristics of equity
  - goodwill and impairment

Research pipeline

- The Board has also identified a pipeline of research projects that will be carried out later in the period 2017-2021
  - equity method for associates and joint ventures
  - extractive activities
  - pollutant pricing mechanisms
  - provisions
  - variable and contingent consideration
- The pipeline also includes feasibility studies on:
  - high inflation, rather than hyperinflation (scope of IAS 29)
  - pensions: benefits that depend on asset returns
  - SMEs that are subsidiaries

Research programme

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- The aim of the research programme is to gather evidence to establish whether
  - a problem exists
  - it causes problems in practice
  - a feasible solution can be identified
- The research programme is intended to feed manageable projects into the Standards-level work plan on a timely basis

2015 Agenda consultation: Completed topics

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- The Board completed its assessment of these research topics before the RFV was issued:
  - foreign currency translation
  - high inflation
- The following topics will be completed before the end of 2016:
  - share-based payment
  - discount rates

2015 Agenda consultation: Topics removed from the work plan

- The topics removed from the Board's work plan as a result of messages received were:
  - income taxes
  - intangible assets and R&D
  - post-employment benefits (except pension benefits that depend on asset returns)
- Topics proposed by respondents, but not included in the draft work plan, include collaborative arrangements, general principles for separate financial statements or for combined financial statements, a review of government grants and non-reciprocal transactions

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Better communication

A new theme

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A central theme for 2017-2021

- Our theme of *Better Communication* in financial reporting will include our work on:
  - primary financial statements
  - the disclosure initiative, including principles of disclosure
  - the IFRS Taxonomy™
  - materiality
- The scope of some of these projects, such as primary financial statements, is still being developed. Other topics, such as materiality, are more advanced.

Primary financial statements: Initial research

Primary Financial Statements

- Statement of financial performance
- Statement of cash flows
- Statement of financial position
- Statement of changes in equity

Statement of financial performance:

- ✓ Consider structure and content including line items, subtotals and alternative performance measures
- × Will not define a single measure of performance

Statement of cash flows and statement of financial position:

- ✓ Explore need for improvements to structure and content
- ✓ Consider interaction between primary financial statements

Statement of changes in equity:

- × Consider as part of Financial Instruments with Characteristics of Equity project

Principles of Disclosure—Discussion Paper

Why

- Requests for the Board to develop presentation and disclosure principles that apply across IFRS Standards.
- Purpose is to:
  - help the Board set better disclosure requirements; and
  - enable preparers to make better judgements about disclosures.

Output

- Discussion Paper
  - covers overall principles and specific issues.
  - ultimate goal is to produce:
    - the basis for a new or revised general disclosure Standard for preparers (IAS 1, currently);
    - drafting guidance for the Board for its internal use in setting disclosure requirements.

IFRS Taxonomy: Areas of focus

IFRS Taxonomy content	• Publication of *Annual IFRS Taxonomy 2016* and three IFRS Taxonomy Updates
Governance	• Finalisation of the revised IFRS Taxonomy due process
Adoption and implementation	• IFRS filing profiles and outreach • Management of entity-specific disclosures
Educational and supporting materials	• *Guide to IFRS Taxonomy common practice content* • Enhancements to the IFRS Taxonomy Illustrated
Trustees' review	• Strategy relating to the IFRS Taxonomy and wider impact of technology upon the relevance of the IFRS Standards

Other topics on better communication

Other topics:	
Materiality	Part of the disclosure initiative The object of this project is to help preparers, auditors and regulators to use judgment when applying the concept of materiality
Standards-level review of disclosures	Scope of review will be determined once we have received feedback on the Principles of Disclosure Discussion Paper

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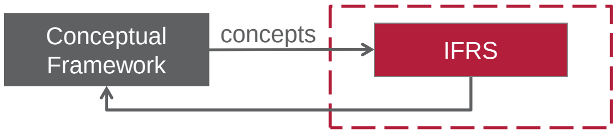
Conceptual Framework

What is the *Conceptual Framework*?

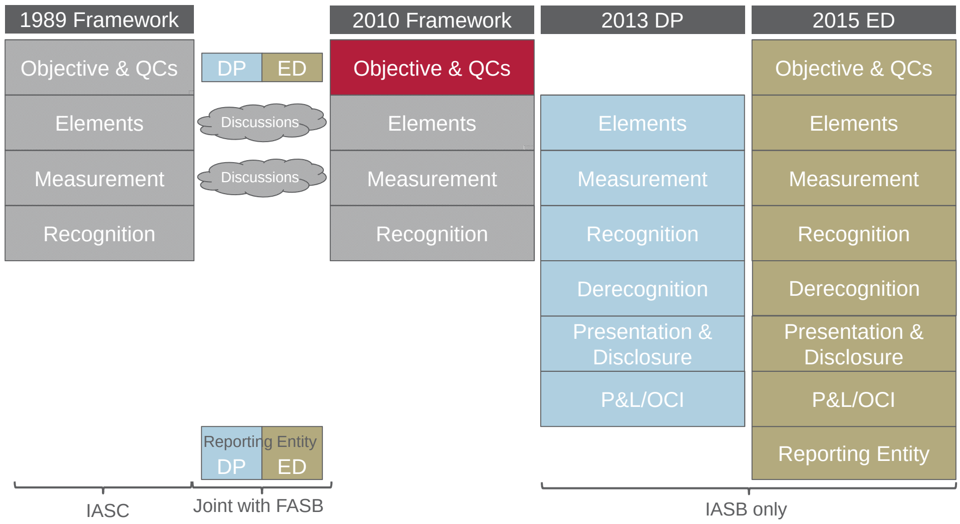


- The *Conceptual Framework* is a set of concepts that can assist:
  - the Board when developing or revising IFRS Standards
  - preparers to develop accounting policies
  - others to understand and interpret IFRS Standards
- Not a Standard – does not override any IFRS Standard

Background

- Why?
  - Existing *Conceptual Framework* has helped in developing, revising and understanding IFRS Standards. However, some areas were missing, unclear or out of date
- Agenda Consultation
  - Priority project
- Scope of the *Conceptual Framework* project
  - Focus on problems in the real world
  - Update, improve and fill in gaps
  - No fundamental rethink but resuming previous work

Background
Conceptual Framework timeline



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Timeline

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Other major projects

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The new insurance contracts Standard

Status

- Board completed planned technical discussions
- Publication targeted for around the end of 2016

Expected effect of Standard

Improved quality (relevance and transparency)

- Information about:
  - the effect of insurance contracts on financial performance
  - sources of profits or losses through underwriting activity and investing premiums from customers
  - the nature and extent of risks from insurance contracts

Improved comparability

- Easier to make comparisons between insurance contracts and other types of contracts
- Replaces huge variety of accounting treatments that depend on type of contract and type of company that issues the contracts

IFRS

Amendments to IFRS 4: Different effective dates of IFRS 9 and the new insurance contracts Standard

Status

- Publication targeted for mid-September

Expected effect of amendments

- Introduced to address concerns about the different effective dates of IFRS 9 and the new insurance contracts Standard.
- Two approaches

A temporary exemption from applying IFRS 9

- Option available for reporting entities whose activities are predominantly connected with insurance
- Optional temporary exemption from applying IFRS 9 until 2021 (will continue to apply IAS 39)
- Only for a limited period

An overlay approach

- Option available to all entities issuing IFRS 4 contracts and applying IFRS 9
- Allows reclassification of incremental volatility that arises when IFRS 9 is applied with IFRS 4, between P&L and OCI

Dynamic Risk Management

- Discussion Paper published in 2014
  - outlined the Portfolio Revaluation Approach, which aims to better reflect risk management of open portfolios in entities
  - comment letter analysis highlighted significant diversity in views on project objectives among stakeholders
- In May 2016, the Board considered the comments received on its 2015 Agenda Consultation
  - approximately half of those who commented considered the project to be important, whilst approximately one third of those who commented considered it unimportant
- European Financial Reporting Advisory Group is currently conducting outreach to better understand the key drivers in banks' Core Demand Deposit modelling. The IASB staff is participating in this process as observers.

Rate-regulated Activities

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- Status: Developing an accounting model to be consulted on
- Except for a limited-scope temporary Standard, rate-regulated activities are not addressed specifically in IFRS Standards
- Interim relief for first-time adopters of IFRS
  - issued IFRS 14 *Regulatory Deferral Accounts* in Jan 2014
  - permits grandfathering of previous GAAP accounting practices
  - enhanced presentation and disclosure matters
- Current project
  - Discussion Paper published September 2014
  - support for recognising some regulatory deferral account balances, focusing on a revenue-based approach

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Financial instruments with characteristics of equity

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- Investigating potential improvements to:
  - classification of liabilities and equity in IAS 32
  - definitions of liability and equity in the *Conceptual Framework*
  - presentation and disclosure requirements, for instruments that have characteristics of both liabilities and equity
- Future discussions will include:
  - derivatives and compound instruments
  - conditional alternative settlement outcomes
  - improvements to disclosures
- Next step is likely to be a Discussion Paper

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Implementation

Implementation

Two areas of activities:

- Support implementation
- Maintenance of existing Standards

Support implementation

- Support for newly-issued Standards
  - eg leases educational webcasts
- Focus of education activities
  - to support consistent application
  - education materials available on IASB website
    - eg IFRS for SMEs Standard
    - fair value measurement
    - webcasts
- Relationships with others involved in the application of IFRS Standards
  - to foster consistent application
  - eg regulators, NSS, auditors

Maintenance of existing Standards

- Maintenance is the responsibility of the Board and the IFRS Interpretations Committee
- Various forms:
  - IFRS Interpretations
  - narrow-scope amendments
  - annual improvements
  - agenda decisions
- Post-implementation reviews

Post-implementation reviews (PIRs)

- The Board reviews each new Standard or major amendment
- Assess the effect of new requirements on investors, preparers and auditors
  - seek input from investors, preparers, auditors, and securities regulators
  - conduct review of academic studies on the Standard
- Timing of the review — after new requirements have been applied globally for 2 years
- The review phase completed for IFRS 8 *Operating Segments* and IFRS 3 *Business Combination*
- PIRs planned for IFRSs 10-12 (consolidation topics), IFRS 13 (fair value) and IFRS 5 (discontinued operations)

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Recently-issued IFRS Standards

Recent IFRS Standards

Major Projects	Effective date
IFRS 9 *Financial Instruments*	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018
IFRS 16 *Leases*	1 January 2019
2015 Amendments to the *IFRS for SMEs Standard*	1 January 2017

IFRS

Recent IFRS Standards (2)

Narrow-scope amendments	Effective date
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Clarifications to IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

1

IFRS

Recently-effective IFRS Standards

	Effective date
IFRS 14 ***Regulatory Deferral Accounts***	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations *(Amendments to IFRS 11)*	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation *(Amendments to IAS 16 and IAS 38)*	1 January 2016
Agriculture: Bearer Plants *(Amendments to IAS 16 and IAS 41)*	1 January 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Amendments to IFRS 10 and IAS 28)*	1 January 2016
Equity Method in Separate Financial Statements *(Amendments to IAS 27)*	1 January 2016
Annual Improvements 2012-2014 (IFRS 5, 7 and IAS 19, 34)	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS10, 12 and IAS 28)	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	1 January 2016

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Financial Instruments

- Final version of IFRS 9 *Financial Instruments* issued July 2014
  - replaces previous versions of IFRS 9
  - brings together classification & measurement, impairment and hedge accounting phases of the Board's project to replace IAS 39
- Mandatory effective date - 1 January 2018 with early application permitted

IFRS

Financial Instruments

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- Classification and measurement
  - a logical, single classification approach for financial assets driven by cash flow characteristics and business model
  - improvements to own credit
- Hedge accounting
  - an improved and widely welcomed model that better aligns accounting with risk management
- Impairment
  - strongly supported forward-looking 'expected loss' model
  - a significant change in accounting
  - Transition Resource Group (ITG) has provided support on implementation of new requirements

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Revenue Recognition

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- IFRS 15 *Revenue from Contracts with Customers* issued with the FASB in May 2014
- Joint Revenue Transition Resource Group (http://go.ifrs.org/RTRG)
- *Clarifications to IFRS 15* issued by the IASB April 2016
- IFRS 15, together with clarifications, effective from 1 January 2018
- No further planned amendments
  - IASB not planning TRG discussions-monitor questions and submissions
- IFRS 15 implementation support (http://go.ifrs.org/IFRS-implementation)

IFRS

Leases

- IFRS 16 *Leases* issued in January 2016
- Effective date of 1 January 2019
- Main features:
  - Lessee:
    - All leases on-balance sheet[1],
    - Depreciation and interest presented separately in income statement
  - Lessor: little change to existing accounting
- IFRS 16 implementation webpage

[1] Except for short-term leases and leases of low-value assets

The IFRS for SMEs Standard

- *IFRS for SMEs* published July 2009
- Amendments issued in May 2015 from initial comprehensive review
  - limited changes made after considering feedback and importance of stability during the early years of implementation
  - few significant new issues identified
  - limited areas where targeted improvements made
- Next steps:
  - the next comprehensive review is expected to begin in 2019
  - the Board will decide later this year whether to perform an interim review

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Break-out sessions:

Implementing IFRS 9 *Financial Instruments*:

DARREL SCOTT
Member
IASB

GEOFFREY INJENI
Faculty and Consultant in Accounting and Finance
Strathmore Business School and
Trainer and Member of Research and Development Committee
ICPAK

DAVID MWINDI
Head of Audit
Standard Chartered Bank, Kenya and East Africa

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IFRS 9
Financial Instruments
Overview

Nairobi, Kenya

Darrel Scott, IASB Member

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Classification and measurement

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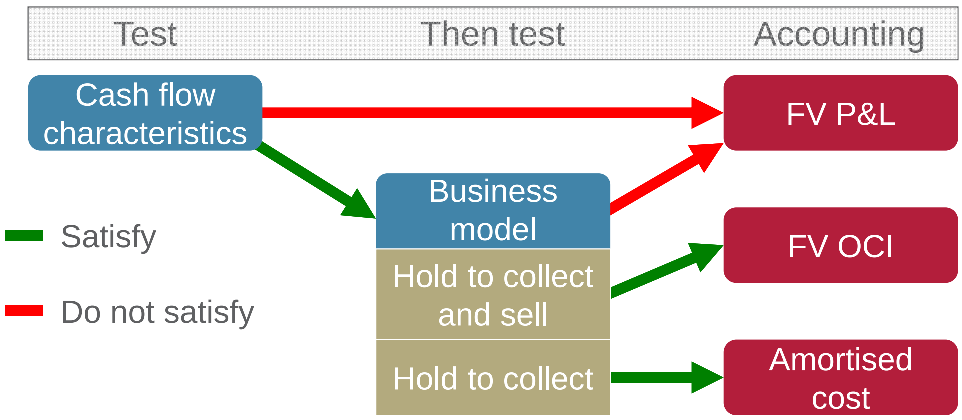
Financial Assets
Classification

Test	Accounting	Option
Cash flow characteristics	Amortised cost	FV for accounting mismatch
Business Model	FV OCI	
Instruments which fail either test	FV P&L	Equities through OCI

‡ Reclassification required if business model changes
* Same impairment model for amortised cost and FVOCI

Financial Assets
Classification process



Financial Assets
Cash flow characteristics assessment

- If cash flows solely Principal and Interest, measurement depends on the business model
- Interest is consideration received for time value of money and credit risk
- Standard provides guidance on application of the principle when:
  - Interest rate is leveraged,
  - There is an 'interest rate mismatch',
  - Regulated rates

Financial Assets
At amortised cost

- Business model:
  - Objective of holding instruments is to collect contractual cash flows rather than to sell
  - Not an instrument by instrument
- Contractual cash flow characteristics
  - Payments represent solely principal and interest
  - Interest is consideration for time value of money and credit risk
  - Prepayment/extension options may qualify
- No 'tainting' rules for assets at amortised cost

Financial Assets
At Fair Value through OCI (FVOCI)

- Business model:
  - Objective of holding instruments is to:
    - collect contractual cash flows; and
    - Sell financial assets
  - Not an instrument by instrument approach
- Contractual cash flow characteristics
  - Payments represent solely principal and interest
  - Interest is consideration for time value of money and credit risk
  - Prepayment/extension options may qualify
- No ‘tainting’ rules for assets at amortised cost

Financial Assets
Fair Value Option (FVO)

Option	Scope	Restrictions
FV for accounting mismatch	Accounting mismatch	Irrevocable
Equities through OCI	Not held for trading	Irrevocable No recycling

Financial Liabilities
Classification

Test	Accounting	Option
Held for trading	FV P&L	
All other financial liabilities	Amortised cost	FV for accounting mismatch

Financial Liabilities
FVO and own credit

- What is ‘own credit’?
  - fair value changes in liability arising from changes in the liability’s credit quality
- How is it measured?
  - often measured as change in margin over a benchmark interest rate
- What is the concern?
  - gain when credit quality deteriorates, loss when credit quality improves
  - reporting such gains and losses is not considered useful

Financial Liabilities
FVO and own credit

Financial Statements (IFRS 9)	
Balance Sheet	Comprehensive Income
Liability: All changes including own credit	P&L: all changes except own credit OCI: changes in own credit

- Otherwise, P&L gain when 'own credit' deteriorates, loss when it improves
- Limited amendments propose allowing the 'own credit' requirements to be applied before the rest of IFRS 9
- Required by IFRS 9 for liabilities under the FVO

Disclosures
IFRS 7

Main areas of disclosure for classification & measurement

- Effect of transition from IAS 39 to IFRS 9
- Derecognised financial assets measured at amortised cost—gains/losses and the reasons for derecognition.
- Reclassification of financial assets—change in business model and qualitative description of its effects
- OCI presentation election for equity investments—reasons for using election, information about designated investments

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Impairment

IFRS

Deterioration model

Credit quality deterioration since initial recognition →

Impairment recognition	12 month expected loss	Lifetime expected loss	Lifetime expected loss
Interest revenue	Gross basis	Gross basis	Net basis
	Stage 1 *Performing*	Stage 2 Under-performing	Stage 3 Non-performing

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12 Month expected loss

Recognise 12 month expected loss if probability of default has not increased significantly since initial recognition

- Proxy for adjusting interest rate for initial expected credit losses
- Expected shortfall in all contractual cash flows given probability of default occurring in next 12 months
- NOT
- Expected cash shortfalls in next 12 months
- Credit losses on assets expected to default in next 12 months

Lifetime expected loss

Recognise lifetime expected losses if probability of default has increased significantly since initial recognition

- Smaller change in PD for good quality assets and bigger change in PD for poorer quality assets
- Example: an existing asset would be priced differently because of increase in credit risk since initial recognition
- To address complexity and cost:
- Don’t recognise lifetime losses on low risk assets
- Symmetrical model

When to calculate net interest

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When assets are 'credit impaired'

- Interest is usually calculated on the gross carrying amount (ie before the loss allowance)
- Change to calculation on a net basis (ie on the amortised cost that is net of the loss allowance) when IAS 39 criteria for impairment are satisfied
- Consistent with population considered impaired under IAS 39 today (excluding IBNR)

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Assessing deterioration

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- Use best information available without undue cost and effort
- Information to consider includes:
  - Borrower specific
  - Macro-economic
  - Internal default rates and probabilities of default
  - External pricing
  - Credit ratings
  - Delinquencies
- Rebuttable presumption that assets 30 days past due have deteriorated

IFRS

Assessing deterioration

19

- Change in probability of default occurring (not change in expected losses)
- Compared with initial recognition
- Maturity matters
- Operational simplifications:
  - Recognise 12-month expected credit losses if investment grade
  - Rebuttable presumption: significant deterioration when payments are more than 30 days past due
  - Don't need to assess for trade and lease receivables

IFRS

Assessing deterioration
Significant increase in credit

20

- Recognise lifetime ECL on a significant increase in credit risk
- Change in credit risk over the life of the instrument (ie probability of a default occurring)
  - Not changes in expected losses
  - Compared to credit risk at initial recognition
- Doesn't require mechanical assessment of probability of default statistics
- Use information that is available without undue cost or effort

IFRS

Assessing deterioration
Collective assessment

21

- In general, assessment made on individual level
- Collective assessment if same outcome as individual assessment, ie same risk characteristics, such as
  - Credit risk ratings
  - Industry
  - Geographical location of borrower
  - Remaining term to maturity
- Grouping changes as time reduces uncertainty of outcome
- Objective is to recognise lifetime ECL on instruments for which credit risk has increased sigr

IFRS

Measurement

22

- Impairment loss measured as difference between carrying value and Present Value of expected future cash flows
- Probability weighted outcome
  - Need not consider every possible outcome
  - Must consider (at least) possibility that a default will occur and that a default will not occur
- Time value of money
  - Reasonable rate between (and including) risk-free rate and effective interest rate

IFRS

Measurement

- Particular measurement methods are not prescribed
- Borrower specific:
  – changes in operating results of borrower
  – technological advances that affect future operations
  – changes in collateral supporting obligation
- Macro-economic:
  – house price indexes, GDP, household debt ratios
  – Internal default rates and probabilities of default
  – External pricing, eg credit rating agency information

IFRS

Low credit risk

- Operational simplification for high quality financial instruments (for example, investment grade)
- Choice to assume instrument remains in stage 1
- Therefore, no need to assess whether changes in credit risk have been significant
- Still need to update expected credit losses for changes in expectations even if in stage 1

But

- Not a hair-trigger – if the credit quality falls below investment grade, need to assess whether deterioration is significant (ie normal model appl

IFRS

Delinquency - rebuttable presumption

25

- Objective is to act as a backstop or latest point to identify significant deterioration
- Rebuttable presumption payments are more than 30 days past due
- A lagging indicator, but should identify before default
- Proxy for significant deterioration if no other borrower-specific information
- Can be rebutted
- However, cannot ignore information that suggest significant deterioration prior to 30 days delinquency

IFRS

Credit impaired on initial recognition

26

- Scope
  - Both originated and purchased credit-impaired
  - same population as IAS 39 impaired
- Always outside general deterioration model
- Use credit-adjusted effective interest rate
  - No day 1 allowance balance
  - No day 1 impairment loss recognised
- Allowance balance represents changes in lifetime loss expectations

IFRS

Trade and lease receivables

- Without a significant financing component (eg short term):
  - Measure receivable at invoice amount
  - Allowance is always lifetime expected losses
  - Provision matrix can be used
- With a significant financing component (eg long term) and lease receivables (policy election):
  - general deterioration model or
  - always recognise lifetime expected losses

Loan commitments and guarantees

- Apply general deterioration model
- Instruments that create a present legal obligation to extend credit
- Maximum contractual period exposed to credit risk
  - Except where behavioural life prevails
- Estimate usage behaviour over the lifetime
- Expected losses presented as liability

Disclosures

- Inputs, assumptions and techniques used in:
  - estimating expected credit losses; and
  - assessing whether the recognition of lifetime expected losses have been met
- Roll-forward of the carrying amount and allowance balance
- Disaggregation of carrying amount by credit quality
- Credit-impaired assets at initial recognition
- Collateral
- Assets evaluated on individual basis

IFRS

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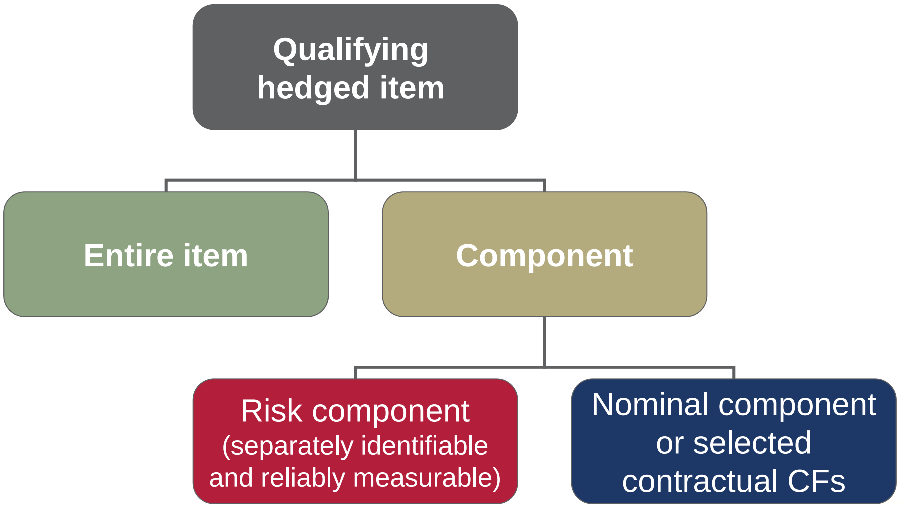
Hedge accounting

IFRS

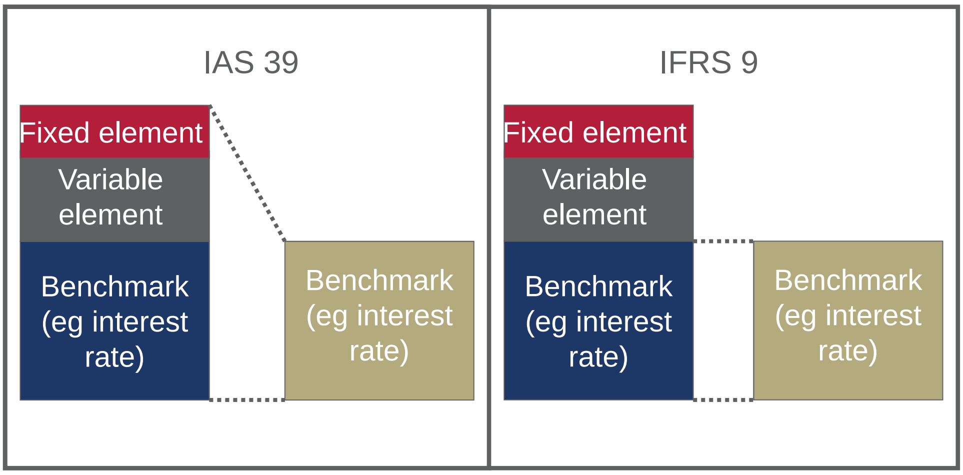
Introduction

- Greater alignment with risk management including:
  - Eligibility criteria based on more economic assessment of hedging relationship
  - Expansion of risk components for non-financial items
  - Introduction of 'costs of hedging'
  - Ability to hedge aggregated exposures (combination of derivative and non-derivative)
- Enhanced disclosures
- **Not really for banks**

Hedged items

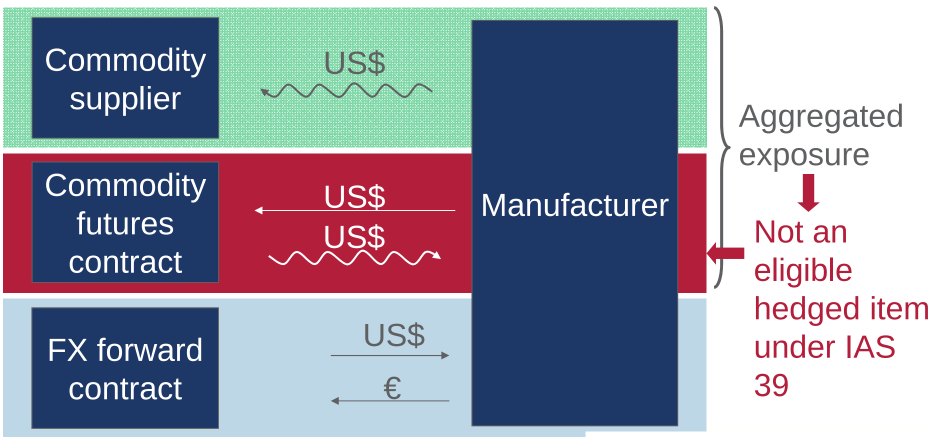


Hedged items
Risk components

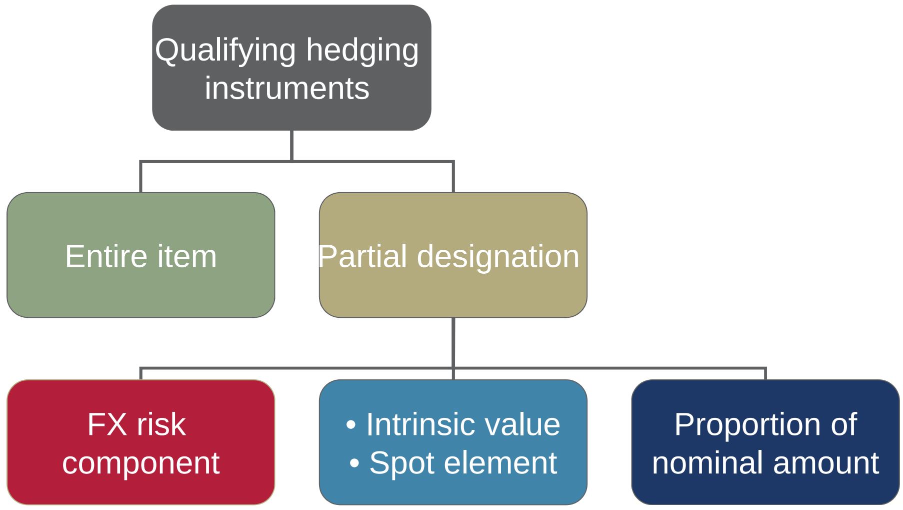


Hedged items
Aggregated exposures

Example: hedging commodity price & FX risk



Hedging instruments



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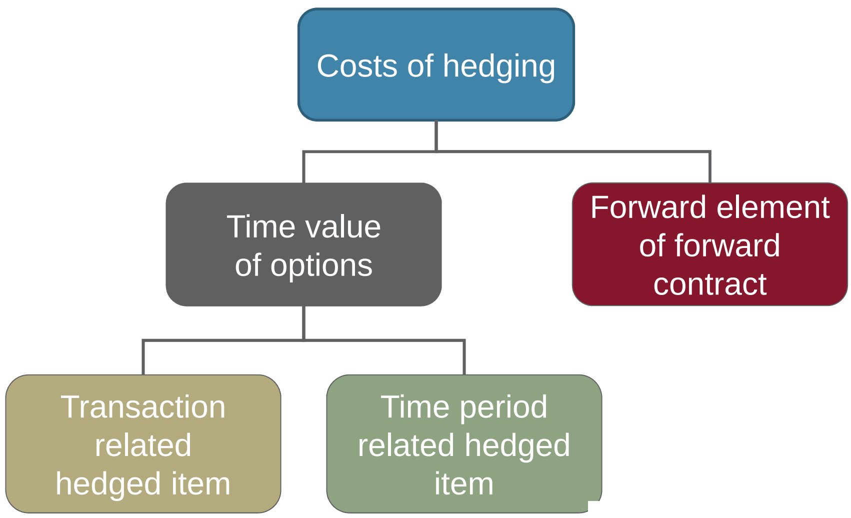
Costs of hedging



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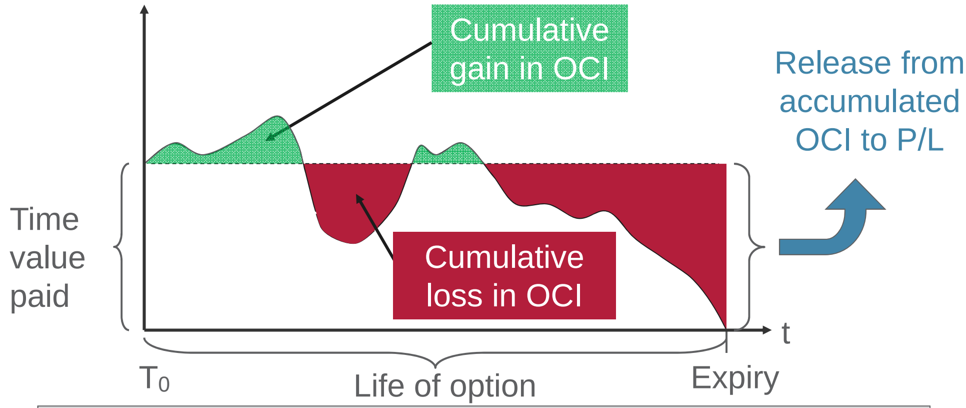
Option: time value

Accounting if the hedged item is transaction related

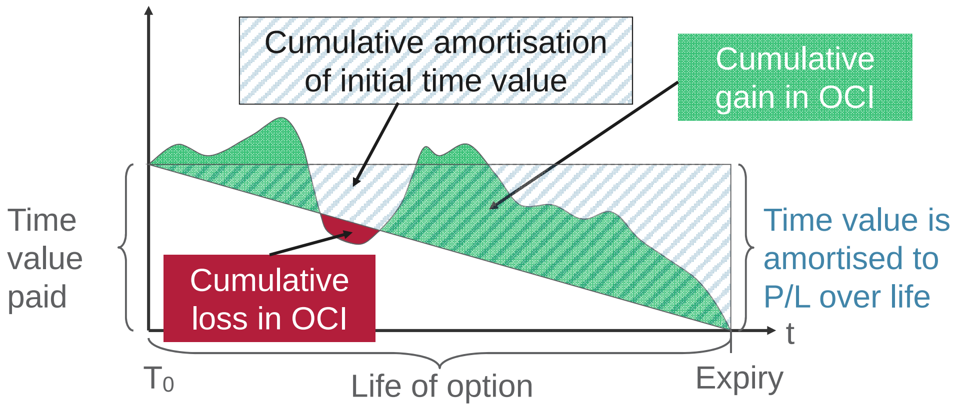


Treatment as a cost of hedging reflects economics

IFRS

Option: time value

Accounting if the hedged item is time period related

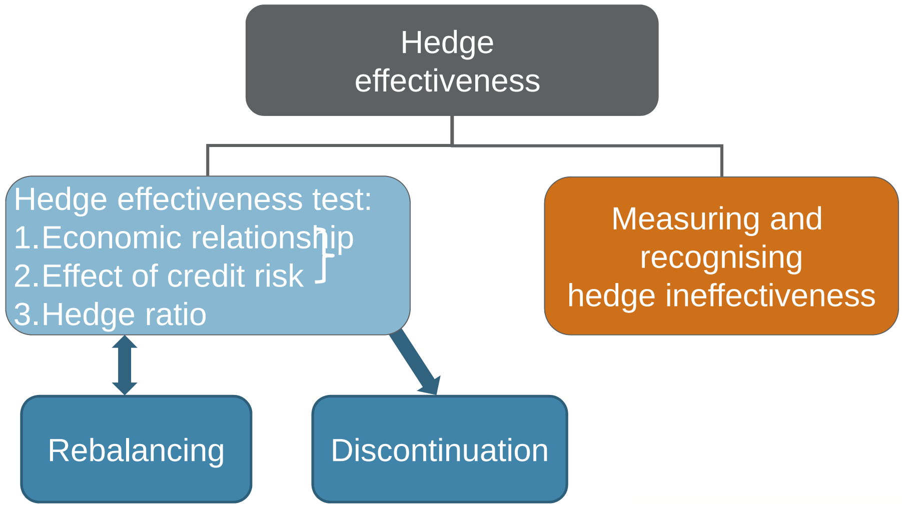


Treatment as a cost of hedging reflects economics

IFRS

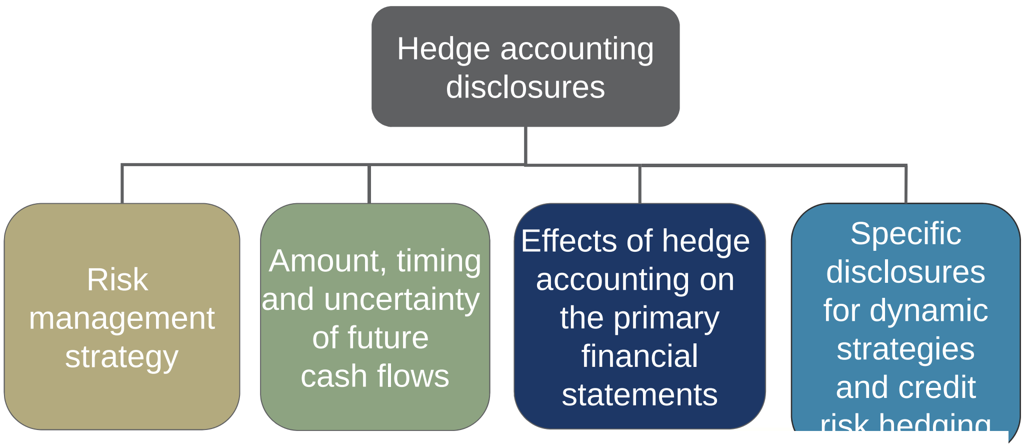
Hedge effectiveness

39



Disclosures

40



Major improvements

- Designate risk components of non-financial instruments
- Ability to hedge aggregated exposures (combinations of derivatives and non-derivatives)
- Introduction of 'costs of hedging' to improve the transparency around some hedging instrument
- A principle-based hedge effectiveness assessment to achieve hedge accounting
- Disclosures that meet the objectives of understanding the hedged risks; how those are managed; and effect of hedging

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Impairment Transition Resource Group and Implementation of IFRS 9

Impairment Transition Resource Group

- Four meetings held during 2014 and 2015
- Only one issue raised with Board:
  - the staff did not propose further action on this issue
  - Board noted that requirements of IFRS 9 were clear
- No further meetings have been scheduled:
  - need to balance implementation support with creating uncertainty that could delay implementation; however
  - group remains and meetings will be convened if needed
- All ITG agenda papers and meeting summaries can be found on IASB web page

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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

3

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

4

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.

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.

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

9

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

10

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

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)

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ICPAK

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.

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.

IFRS 9 Financial Instruments-Possible Implementation challenges

Credibility . Professionalism . AccountAbility

Agenda

❖Adoption permutations

❖Challenges in classification/business model/financial assets and financial liabilities

❖Measurement- low interest loans and internal transaction costs

❖Subsequent measurement – determination of fair value

❖Accounting for fee income

❖Determination of impairment

Practical implications - adoption

❖Until the effective date of IFRS 9 (2014) the following permutations of IFRS 9 and IAS 39 are possible

- ❖Apply only IAS 39
- ❖Apply IAS 39 and early adopt the own credit risk presentation of IFRS 9
- ❖Applying only IFRS 9 (2009)
- ❖Applying IFRS 9 (2009) and early adopting the own credit risk presentation of IFRS 9 (2010)
- ❖Applying IFRS 9 (2010)
- ❖Applying IFRS 9 (2013), but electing to apply IAS 39 for all hedge accounting
- ❖Applying IFRS 9 (2013), including the new general hedging model
- ❖Applying IFRS 9 (2014) but electing to apply IAS 39 for all hedge accounting, and
- ❖Applying IFRS 9 (2014), including the general hedging of IFRS 9 (2013)

Practical implications - Classification

❖Classification of equity and financial liabilities- preference shares, classes of shares having special terms and conditions.

❖Classification determines how the interest/dividends will be accounted for

❖Classification of financial assets- One has to consider the following options based on the business model

- ❖Held –to-collect business model-Amortized cost
- ❖Both held to collect and for sales business model -Fair value through OCI
- ❖Other business model-Fair value through profit or loss

Business model assessment

❖To determine the classification into amortised cost, FVOCI or FVTPL an entity needs to identify and assess the objective of the business model in which the asset is held.

❖The challenge is to ensure that management is clear on their intentions when they acquire assets i.e. Held to collect (amortised cost), both held to collect and for sale (FVOCI) and other business models e.g. Trading, managing assets on a fair value basis, maximising cash flows through sale (FVTPL)

❖The objective of the entity's model is not based on management's intentions with respect to an individual instrument, but rather it is determined at a higher level of aggregation.

Business model assessment

❖The assessment needs to reflect the way the entity manages its business or businesses;

❖A single reporting entity may have more than one business model for managing its financial instruments;
❖It may be appropriate to separate a portfolio of financial assets into sub portfolios;

❖Judgement is required in determining the business model as there is no threshold for the frequency or significance of sales that may occur.

Reclassification

❖The classification of financial assets depends on the way in which they are managed within a business model and not solely on the objective of the business model itself;

❖Changes in the way that assets are managed within the business model e.g. increased frequency of sales will not result in the reclassification of existing assets but may result in newly acquired assets being classified differently.

Measurement

❖Treatment of transaction costs –internal costs – the only internal transaction costs to be included in the initial measurement of a financial instrument are commissions, bonuses and other payments that are made to employees only on completion of each individual transaction

❖Low interest and interest free loans – in most cases, the fair value of a financial instrument on initial recognition will be equal to its cost.

❖ However , sometimes interest free or low interest loans are granted as a staff benefit.

❖The fair value can be measured as the present value of the expected future cash flows discounted using a market rate;

Measurement

❖Intra-group low interest and interest free loans –when low interest or interest free loans are granted to subsidiaries, the effect of discounting is eliminated on consolidation.

❖Therefore, the discounting will be reflected only in the financial statements of the subsidiary and any separate financial statements of the parent;

❖Situation of further complicated when there are no stated terms of repayment i.e. when and the value. In such cases consideration should be given to whether classification as a liability is appropriate.

Subsequent measurement

❖**Fair value –** challenges in determining fair value/complexities;

❖**Amortized cost-** the effective interest method is used for amortizing premiums, discounts and transaction costs for both financial assets and liabilities. Interest is recognized in the period in which it relates regardless of when it is to be paid.

❖ Therefore interest is recognized in the period in which it accrues even if payment is deferred.

❖Effective interest rate calculation- tendency to equate this to straight line method.

❖EIR includes all fees paid or received, transaction costs and all premiums or discounts

Fee income

❖Recognition of revenue for fees depends on the nature of the fees and the basis of accounting for any associated financial instrument.

❖It is necessary to distinguish between fees that are an integral part of the effective interest rate of an associated financial instrument, fees that are earned as services are provided and fees that are earned on the execution of a significant act.

Fee income

❖Fees earned in relation to the recognition of a financial asset result in an adjustment of the effective interest rate e.g. origination/commitment fees, compensation for transaction costs and appraisal fees;

❖ **Fees not integral to effective interest rate –** some financial service fees are not an integral part of the effective yield of an associated financial instrument and are therefore recognized in accordance with IFRS 15 e.g. fees charged for servicing a loan, loan syndication fees for an entity that arranges a loan but retains no part of the loan package etc

Impairment

- **IFRS 9** is an expected loss model meaning it is not necessary for a loss event to occur before an impairment loss is recognised. This requires a change in mindset
- The following practices related to impairment are not acceptable under IFRS 9
  - Recognising a provision for losses based on a set percentage of receivable balances unless if the resulting estimates are consistent with the impairment requirements under IFRS 9
  - Suspending interest accruals
  - Recognising an impairment loss in excess of the impairment requirement of IFRS 9, even if local regulations require a specific amount to be set aside
  - If an entity wishes to identify reserves in addition to the loss allowance calculated under IFRS, it may do so by transferring amounts from retained earnings to a separate category of equity.

Impairment

- IFRS 9 does not define the term 'default' but requires each entity to do so. The definition has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument;
- The term 'significant increase in credit risk' is also not defined. An entity assesses at each reporting date whether the credit risk on a instrument has increased significantly since initial recognition;
- This is by considering changes in the risk of default instead of changes in the amount expected;
- Obtaining information that is forward looking to determine if there has been a significant increase in credit risk so that the entity does not rely solely on past –due data;

Impairment

- Determining cash shortfalls – a cash shortfall is the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive.
- Because the estimation of credit losses considers the amount and the timing of payments, a cash shortfall arises even if the entity expects to be paid in full but a later than the date on which payment is contractually due. This delay gives rise to an expected credit loss, except if you expect to receive additional interest in respect of the late payment.
- The estimate of expected credit losses reflects an unbiased and probability weighted amount, determined by evaluating a range of possible outcomes rather than based on a bet – or worst case scenario.
- Time value of money – determine the appropriate discount rate e.g. Effective rate of interest

Impairment

- Information to be used – the estimates of expected credit losses are required to reflect reasonable and supportable information that is available without undue cost or effort. Potential sources of information include internal historical credit loss experience, internal and external ratings, credit losses of other entities etc
- Historical information is an important base from which to measure expected credit losses. It is adjusted on the basis of current observable data that reflect current conditions and an entity's forecast of future conditions during the life of the instrument.
- Collateral – estimating the amount and timing of the cash flows

Break-out sessions:

Implementing IFRS 15 *Revenue from Contracts with Customers*

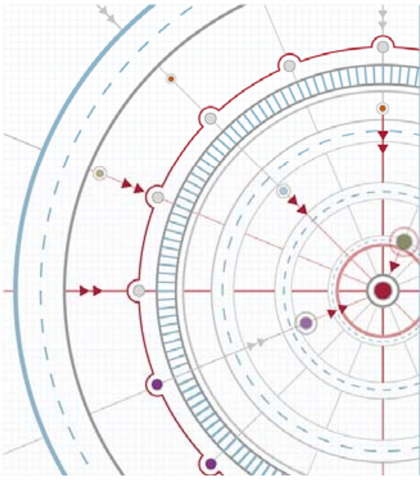
WEI-GUO ZHANG
Member
IASB

AGNES LUTUKAI
Head, Department of Professional Practice
West Africa KPMG Professional Services

BERNARD OSANO
Insurance Supervision Officer
Insurance Regulatory Authority

ANTHONY MURAGE
Partner
PwC Kenya

IFRS® Foundation



Implementing IFRS 15
Revenue from Contracts with Customers

IFRS Conference

Nairobi, Kenya, August 2016

Wei-Guo Zhang, IASB Member

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

Your panel

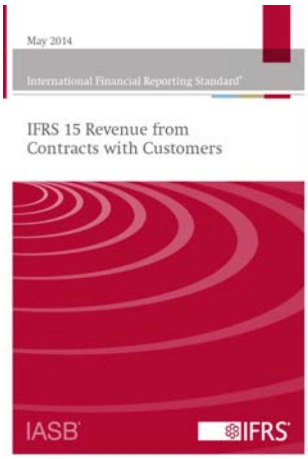
- Dr Wei-Guo Zhang, IASB Member

- FCPA Agnes Lutukai, KPMG Nigeria
- CPA Bernard Osano, Insurance Regulatory Authority
- CPA Anthony Murage, PWC Kenya

IFRS Foundation

Background

Reasons for issuing IFRS 15



- Old standards provided limited guidance and were difficult to apply to complex transactions
- Objective: to develop a new Standard for recognizing revenue to:
  - o Remove **inconsistencies** and **weaknesses** in previous revenue requirements
  - o Provide a more **robust framework** for addressing revenue issues
  - o **Improve comparability** of revenue recognition practices across entities, industries, jurisdictions and capital markets
  - o Provide **improved disclosures**

IFRS 15 – objective and core principle

5

- **Objective**
  - To establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer
- **Core principle**
  - Recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services

IFRS

IFRS 15 – recognising revenue

6

- **When**
  - Recognise revenue when the entity satisfies performance obligations by transferring goods or services to the customer
- **How**
  - The transaction price is allocated to the goods or services transferred to the customer, ie the performance obligations

IFRS

Detailed guidance in 5 steps?

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS

Extensive due process

2008 → 2010 → 2011 → 2014

December 2008

Discussion Paper

Preliminary Views on Revenue Recognition in Contracts with Customers

211 comment letters

June 2010

Exposure Draft

Revenue from Contracts with Customers

974 comment letters

Roundtables

November 2011

Revised Exposure Draft

Re-exposure of *Revenue from Contracts with Customers*

358 comment letters

Roundtables

May 2014

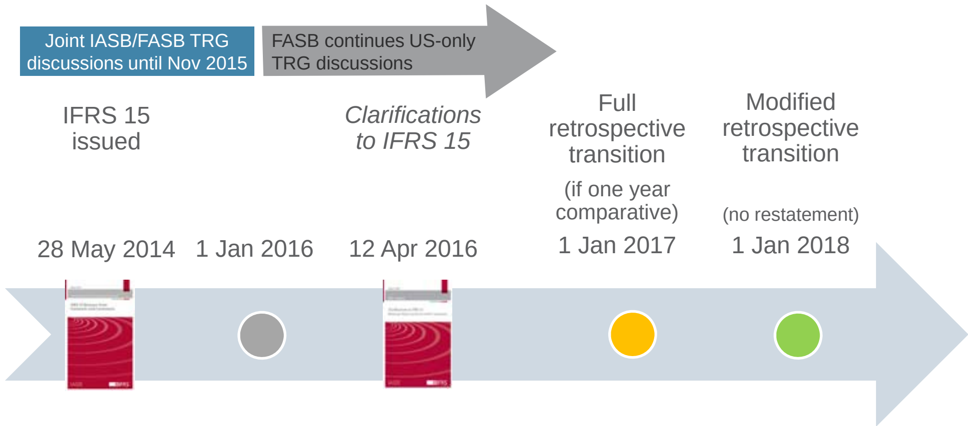
Final Standard (IFRS)

IFRS X *Revenue from Contracts with Customers*

Effective date: 1 Jan 2017

July 2015, decided to extend the effective date to 1 Jan, 2017

IFRS 15 implementation timeline



IFRS

Question 1

Do you plan to apply IFRS 15 in:

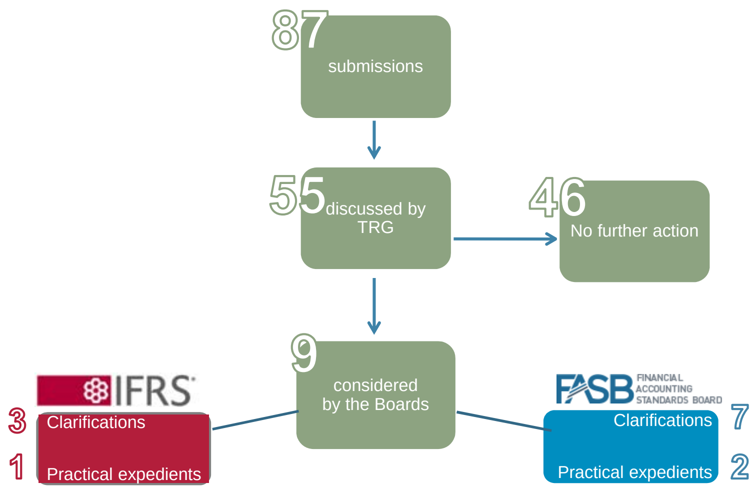
1. 2016?
2. 2017?
3. 2018?

IFRS

Major implementation issues

IFRS

Joint TRG activities (until Nov 2015)



IFRS

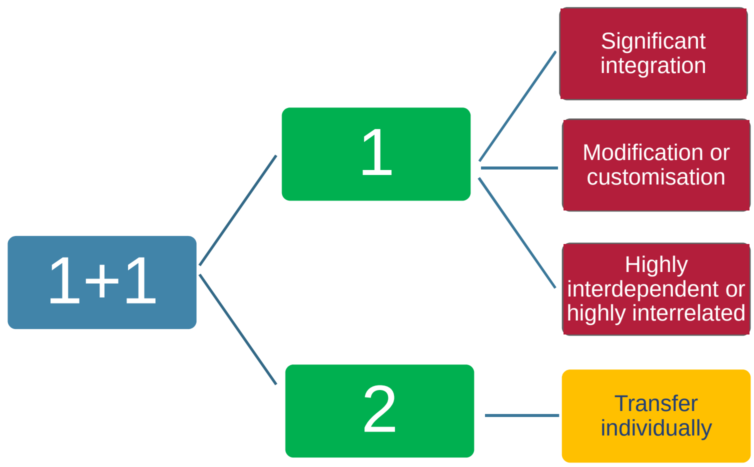
Where are the challenges?

1	Identify the contract with a customer	5
2	Identify the performance obligations in the contract	18
3	Determine the transaction price	14
4	Allocate the transaction price to the performance obligations	1
5	Recognise revenue when (or as) the entity satisfies a performance obligation	5

Major implementation issues

- Distinct within the context of the contract
- Principal versus agent considerations
- Licence of IP
- Sales-based or usage-based royalties for licence of IP

1. Distinct within the context of the contract



Example 10 Case B—Contract to provide service of producing devices

- **Facts**
  - Multiple units of a highly complex, specialised device unique to the customer
  - Required to establish a customised manufacturing process
  - Responsible for overall contract management including integration of various activities
- **Analysis**
  - Each unit CAPABLE of being distinct
  - Significant integration service provided
  - Promised activities highly interdependent and highly interrelated

Example 10 Case B—Contract to provide service of producing devices

- **Conclusions**
  - Promised goods and services a single performance obligation —units not distinct within the context of the contract
  - Recognise revenue over time as services provided

2. Principal versus agent

Who are you?
I am a 'principal'. I control the good or service before the customer gets it…

Who are you?
I am an 'agent'. I don't control the good or service before the customer gets it…

It is all about control

3. Licence of intellectual property

Will the licenced IP change when customer uses it?

Right to *use* IP

IP has significant standalone functionality

Revenue at point in time

Right to *access* IP

Change in form or functionality of IP

Benefits substantially derived/dependent on licensor's activities

Revenue over time

4. Sales-based or usage-based royalties for licence of IP

IF

License of IP AND Consideration is sales or usage based

Recognise at LATER of

- Sale/usage
- Satisfaction of PO

Exception applies if:

- Royalty relates only to a licence or
- Licence is the predominant item

Question 2

Will IFRS 15 change how you analyse:

1. Distinct within the context of the contract
2. Principal versus agent considerations
3. Licence of IP
4. Sales-based or usage-based royalties for licence of IP

Implementation support

IFRS 15 Implementation page
go.ifrs.org/IFRS15-implementation

TRG Submissions log

IFRS 15 Revenue from Contracts with Customers: Implementation

This page provides an overview of all of the activities undertaken by the International Accounting Standards Board (the Board) to support implementation of IFRS 15. It will be updated throughout the implementation phase of this Standard.

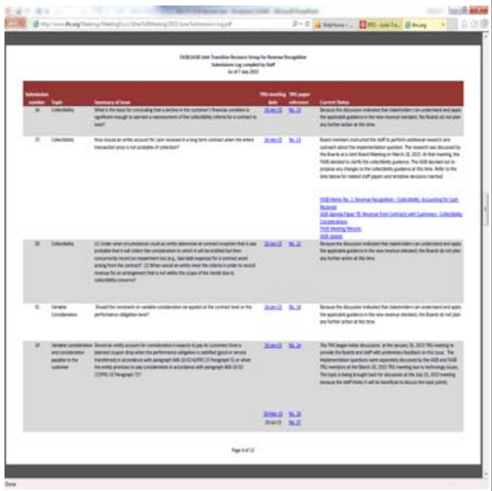
Overview materials

Project Summary and Feedback Statement	May 2014
Joint IASB and FASB webcast: *IN FOCUS: Revenue from Contracts with Customers*	June 2014
IASB member article—Patricia McConnell: *Investor Perspective: 'Revenue recognition: finally, a Standard approach'*	June 2014

Summaries of issues discussed at TRG Meetings

July 2014
October 2014
January 2015
March 2015
July 2015
November 2015

The complete log of submissions received by the TRG as at 2 November 2015 (with hyperlinks to staff papers, meeting summaries, etc) is available here.



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Guidance on transition

Transition

		PY (2017)		CY (2018)	CY Notes
Retrospective	Cumulative catch-up	Contracts under new standard Contracts restated			
Cumulative effect at date of application		Contracts **not** restated	Cumulative catch-up	Contracts under new standard	Contracts presented under legacy IFRS

Optional reliefs include

- Completed contracts
- Modified contracts

Question 3

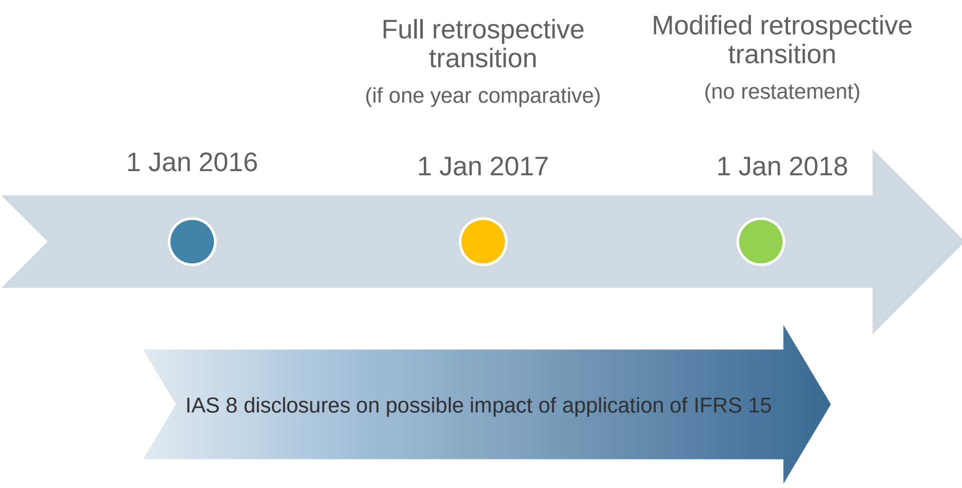
25

Which transition method will you use:

1. Full retrospective transition method
2. Cumulative effect at date of initial application

Transition—focus on disclosures

26



Much change?

✓
Telco
Media & Entertainment

?
Long term contracts
(IT, Outsourcing)

✘
Many retail transactions
Simple service contracts

Disclosures
(entity and business model specific)

Comprehensive and cohesive disclosure requirements

To enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers

Revenue
- Disaggregation of revenue (also required for Interims)
- Amounts recognised relating to performance in previous periods

Contracts
- Information about contract balances and changes
- Information about performance obligations
- Amounts allocated to remaining performance obligations

Judgements
- Timing of and methods for recognising revenue
- Determining the transaction price and amounts allocated to performance obligations

Key messages

2018 is closer than you think

Tap available resources (TRG, industry groups…)

Fresh look under the new 5-step framework

Disclosures: Entity-specific and business model-specific

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Questions


individual comments
questions
expressions of individual views
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feedback
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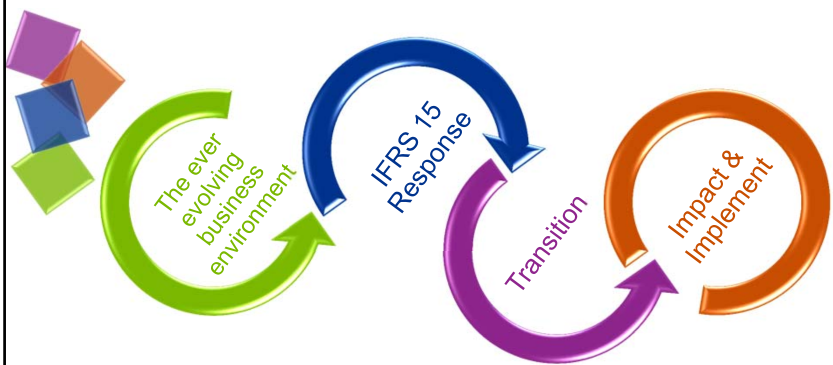
ICPAK conference

August 2016

Agenda



The ever evolving business environment

The ever evolving business environment

Business Context

What are the implications?

Pricing of service offerings	Recognition of direct and indirect costs	Identifying onerous/marginal contract positions
Timing of revenue and costs	Managing margins and profitability	Lack of comparability
Reconciling cash in flows to reported revenue numbers	Inconsistent practices	

IFRS 15 Response

IFRS 15 Response

Does IFRS 15 meet the challenges which businesses are experiencing?

IFRS 15 – objectives of the new standard

Remove inconsistencies and weaknesses in existing requirements

Provide a more robust framework for addressing revenue issues

IASB / FASB Converged Standard

Provide more useful information through improved disclosure requirements

Simplify preparation of financial statements by reducing the number of requirements by having one revenue framework

What is new?

IFRS 15 creates a single source of revenue requirements for all entities in all industries.

The new standard applies to revenue from contracts with customers and replaces all of the revenue standards and interpretations in IFRS, including:

- **IAS 11:** *Construction Contracts*,
- **IAS 18:** *Revenue*,
- **IFRIC 13:** *Customer Loyalty Programmes*,
- **IFRIC 15:** *Agreements for the Construction of Real Estate*,
- **IFRIC 18:** *Transfers of Assets from Customers; and*
- **SIC-31:** *Revenue – Barter Transaction involving Advertising Services.*

IFRS 15 is principles-based, consistent with current revenue requirements, but:

- ✓ provides more application guidance and
- ✓ *provides explicit presentation and disclosure requirements, which are more detailed than under current IFRSs.*

What has changed?

IAS 11, 18 and IFRICs	IFRS 15
➢ Revenue is recognised based on the type of transaction or event (i.e. whether the entity was performing under a construction contract, sold a good, rendered a service or had income from interest, royalties and dividends)	➢ Revenue is recognised when (or as) the entity transfers a promised good or service to a customer.
➢ When the entity has transferred the significant risks and rewards of ownership of the goods to the buyer.	➢ An asset is transferred when (or as) the customer obtains control of that asset
➢ Revenue is measured at the fair value of consideration received or receivable	➢ Revenue is measured at the estimated transaction price.

Key changes and impact

Internal impacts for entities

- Revenue recognition may be accelerated or deferred
- Revenue may be recognised at a point in time or continuously over time
  - Long-term contracts: contract completion or as contract fulfilled
- New estimates and judgements required
- Cost guidance is limited
- Extensive new disclosure requirements
- New systems and processes may be required
- Transition options need to be considered

External impacts for entities

- Contract terms and business practices may need to change to achieve or maintain a particular revenue profile
- Changes in timing of revenue recognition may impact the timing of dividends, taxation and sales incentives
- Communications with stakeholder will require careful consideration
- Get it right the first time! Capital markets highly intolerant of revising revenue accounting

IFRS 15 – The sectors we believe will be impacted

- Aerospace and Defence
- Automotive
- Aviation
- Business Services
- Construction
- Consumer and Franchisors
- Oil and Gas
- Gambling
- Mining
- Industrial Manufacturing
- Life Sciences
- Media
- Real Estate
- Shipping
- Tech
- Telco
- Tourism
- Power and Utilities

IFRS 15 – The issues we are seeing/changes to current practice

IFRS 15 contains a five-step contract based control model for recognising revenue:

Step				
Step 1	Identify the contract	→	Contract	
Step 2	Identify performance obligations(PO) in the contract	→	PO 1	PO 2
Step 3	Determine the transaction price (TP)	→	TP for the contract	
Step 4	Allocate the transaction price to performance obligations	→	TP allocated to PO 1	TP allocated to PO 2
Step 5	Recognise revenue as performance obligations satisfied	→	Revenue on PO 1	Revenue on PO 2

Keys: PO: Performance obligation TP: Transaction price

IFRS 15 – The issues we are seeing/changes to current practice – Step 1

Step			
Step 1	Identify the contract	→	Contract

What?	Who will be affected most?	Why?
The portfolio approach	Telcos , Shipping Power and Utilities	Unsure about whether to aggregate
Revenue before contract signed	Aerospace and Defense	May accelerate revenue
Contract modifications	Property Developers	True-up adjustments may be required

IFRS 15 – The issues we are seeing/changes to current practice – Step 2

Step 2	Identify performance obligations in the contract	→	PO 1	PO 2

What?	Who will most be affected?	Why?
Separating deliverables	All Industries	Less guidance available in existing IFRS
Warranties	Manufacturers/ Automotive	May need to separate

IFRS 15 – The issues we are seeing/changes to current practice – Step 3

Step 3	Determine the transaction price	→	TP for the contract

What?	Who will most be affected?	Why?
Time value of money	A&D, Telco, long-term contracts, pharma	Separate out financing
Revenue cap	Anyone with variable consideration	Revenue recognised only when highly probable it won't reverse
Royalties of IP	Licensors	Exception to the rule

IFRS 15 – The issues we are seeing/changes to current practice – Step 4

Step 4 Allocate the transaction price to performance obligations → TP allocated to PO 1 | TP allocated to PO 2

What?	Who will most be affected?	Why?
Stand alone selling prices	Companies with more than one PO	Need a database to record and allocate
The 'residual' approach	Companies adopting a residual method	Unlikely to be available

IFRS 15 – The issues we are seeing/changes to current practice – Step 5

Step 5 Recognise revenue as performance obligations satisfied → Revenue on PO 1 | Revenue on PO 2

What?	Who will most be affected?	Why?
Input or output?	Any contracts or services over-time	Possible change in method
Revenue over time	Any contracts or services over-time	Must meet criteria to recognise revenue over time
New guidance for licences	Licensors	Revenue over-time or at a point in time

Impact Assessment by Industry

The steps of the model that are most likely to affect the current practice of certain industries are summarized below:

	Step				
	1	2	3	4	5
Aerospace and defense	✓	✓	✓		✓
Asset managers			✓		
Building and construction			✓		✓
Contract manufacturers					✓
Health care (U.S.)	✓		✓		
Licensors (media, life sciences, franchisors)	✓*	✓	✓		✓
Real estate	✓	✓			✓
Software		✓	✓	✓	✓
Telecommunications (mobile networks, cable)		✓		✓	

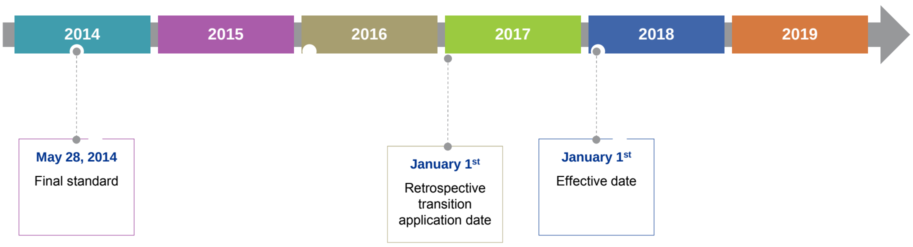
* In particular, life sciences.

Transition

Timing of New Revenue Recognition Standard

Depending on transition method and length of contracts, some companies will soon need to start preparing to address:

- Process and system changes
- Enabling dual reporting during transition period
- Dealing with unanticipated complexity
- Maximizing the use of internal resources by spreading work over longer period



Transition

Full retrospective – no practical expedients

Partial retrospective – practical expedients

Cumulative effect

Consider:

- Stakeholder requirements
- Implications on group entities
- Transition timeline

Impact & Implementation

Impact & Implementation

Impact & Implementation

Accounting, Tax, and Reporting

- Accounting policies and procedures
- Historical results, reporting differences and transition
- Interaction with other accounting standards – Financial Instruments and Leases
- Tax reporting, application and compliance
- Operating and Accounting Interface

Impact & Implementation

Systems and Processes

- Systematic consideration of complex contract/customer base
- Database and data-sets
- Information gathering tools
- ERP system functionality
- Processes tailored to contracts/products
- General ledger, sub-systems and reporting packages
- Transition processes and parallel runs
- Changes to internal controls and procedures

Impact & Implementation

People and Change

- Stakeholder Engagement
- Project management
- Training and awareness of stakeholders (accounting, sales, legal, procurement etc)
- Multi-sector and multi-locations

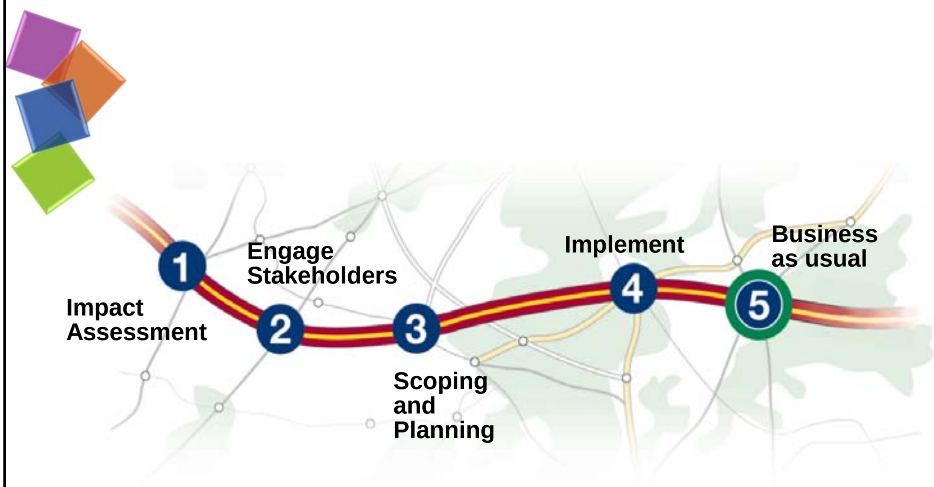
Impact & Implementation

Business

- Contractual terms
- Product bundling and pricing
- Cost and margin analysis
- Internal reporting and business metrics
- Compensation arrangements
- Communication with stakeholders
- Opportunity to review and rethink business practice
- Coordination with other strategic initiatives and developments

Impact & Implementation

The way forward?



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cutting through complexity

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IFRS 15:Revenue from Contracts with Customers

By
CPA Bernard Osano
Insurance Regulatory Authority

At the

Joint IFRS® Foundation, PAFA and ICPAK IFRS Conference and IFRS for SMEs Workshop

Safari Park Hotel, Nairobi
Friday, 26 August 2016

IFRS 15: Revenue from Contracts with Customers

The principle in the standard will be applied using a five step model

Step 1

Identify the contract with a customer

Step 2

Identify the performance obligations (PO) in the contract

Step 3

Determine the transaction price (TP)

Step 4

Allocate the TP to the PO in the contract

Step 5

Recognize revenue when (or as) an entity satisfies a PO

Two ways of adopting IFRS 15

- Entities are allowed to choose whether to apply IFRS 15 retrospectively to each prior period presented (with optional practical expedients) or retrospectively with the cumulative effect of initially applying IFRS 15 recognised at the date of initial application.
- Under the retrospective application, an entity restates its prior period comparatives in the financial statements as if the guidance had existed.
- Under the alternative transition method, restatement of comparative years is not required but the cumulative effect of initially applying IFRS 15 should be recognised as an adjustment to the opening retained earnings on the effective date (in the year of initial application). Additional disclosures are then required to illustrate the effects of applying the standard.

Illustration – contracts with customers

	Contract Term	Retrospective approach	Modified Approach
Contract X	1 January 2015 to 31 December 2021	Adjust the opening balance of each affected component of equity in the balance sheet for the earliest prior period presented.	Adjust the opening balance of each affected component of equity at initial application and make the required disclosures. 2017 figures are not restated
Contract Y	1 January 2016 to 31 December 2017	Adjust the opening balance of each affected component of equity in the balance sheet for the earliest prior period presented.	Contract completed before effective date therefore do not apply IFRS 15.
Contract Z	1 January 2018 to 31 December 2018	Practical expedient available as it begins and ends in the same annual reporting period.	Contract completed before effective date therefore do not apply IFRS 15.

Implementation Strategy for the adoption of IFRS 15

- **Assess the impact of IFRS 15 on your business before embarking on the implementation phase**
- **Assign senior resources to lead the effort**

When making these strategic decisions, the senior resource must be capable of identifying changes that might occur with existing revenue arrangements, contract terms and on business practices for the entity. Identify the changes when considering the following questions:-

- ✓ Will the entity have to re-consider customer negotiations?
- ✓ Should the entity re-consider the way in which it sells its products to customers ?
- ✓ How would compensation and benefit plans be structured?
- ✓ What information does the entity need to communicate to its investors and other stakeholders?

Implementation Strategy for the adoption of IFRS 15

- **Involve IT department**

Software may need to be updated or procured as it may not be capable of being customized to capture new information that was not necessary before. To facilitate this challenge, the IT department will be involved as they may need to modify, reconfigure or even implement new information systems for the entity.

- **Assess in-house resource allocation and competency**

A cost-benefit analysis should be performed to identify the following:

- ✓ Does the entity have the resources to apply the new standard?
- ✓ Based on the resources that the entity has on hand, will it be more effective for the entity to apply one method over the other?
- ✓ What does the entity's investors expect and does the entity still have the resources to meet their expectations?

Aspects of the business that may be affected by the transition

- **Training for employees:** entities should provide training to those employees affected by the changes. This will include accountants, internal auditors and those responsible for drawing up customer contracts.
- **Systems and processes:** as noted previously, in order to gather the information required for reporting under IFRS 15, an entity may require re-designs or modifications to its IT systems and its processes
- **KPIs**: where they are based on a reported revenue or profit figure, they may be impacted by the changes. As such, an entity may want to begin evaluating the impact of the standard on key financial ratios and performance indicators that may be significantly impacted by the changes with a view to determining whether its KPI targets should be adjusted. Where there are changes, an entity will also need to consider how to explain these to investors.

Aspects of the business that may be affected by the transition

- **Compensation and bonus plans**: bonuses paid to employees are sometimes dependent on revenue or profit figures achieved. Changes in the recognition of revenue as a result of IFRS 15 may have an impact on the ability of employees to achieve these targets
- **Tax**: the profile of tax cash payments and the recognition of deferred tax, could be impacted due to differences in the timing of recognition of revenue under IFRS 15.
- **Stakeholders:** users of the financial statements such as the board of directors, audit committee, analysts, investors, creditors and shareholders will require an explanation of the changes in IFRS 15 in order to understand how the financial statements have been impacted.
- **Ability to pay dividends**: the ability to pay dividends to shareholders is impacted by recognized profits, which in turn are affected by the timing of revenue recognition.

Collaboration with the various stakeholders

- Some trainings have been carried out by ICPAK on IFRS 15
- Requirement in place in various regulations for entities to report their financials as per the International Financial reporting standards(IFRS) e.g. the Insurance Act.
- Most entities are currently assessing the impact of IFRS 15 on their business before embarking on the implementation phase .

Conclusion

- IFRS 15 introduces a new model for revenue recognition with a single principle that applies to all contracts.
- Almost all entities that generate revenue will be affected by the issue of this new standard as it may result in substantial changes to the timing and measurement of revenue recognition, and introduces significantly revised disclosure requirements.
- Entities should assess the impact of the standard and the changes that will be required before implementation.

IFRS Conference

Revenue revolution - Planning for the new revenue standard

Capital Markets and Accounting Advisory Services

August 2016

pwc

Change is coming!

All entities will be impacted, but the extent of the impact will vary based on industry and complexity of contracts

Contract features	*IFRS 15 impact*
Multiple goods and / or services provided together in one transaction	Revenue must be allocated to these items in line with strict criteria – this might not be the price written in the contract
Free goods and / or services provided to the customer	An amount of revenue must also be allocated to these items in line with strict criteria
Licenses that provide the customer with access to intellectual property	Guidance is explicit on how to treat licenses – which may change the timing of revenue recognition
The customer receives many different goods and / or services over the length of the contract	Identifying 'performance obligations' is a difficult and judgmental area, requiring disclosure in the financial statements
There are varied terms which impact when risks and rewards pass to the customer (e.g. warehouse deliveries, customer acceptance, long-term freight, use of resellers)	The guidance uses 'transfer of control' to indicate when revenue will be recognised, this new concept may lead to differences against current treatment
Long term contracts likely to be modified over the life of the contract term	The standard provides explicit guidance on how to treat contract modifications which may be different from the current treatment

Changing your perspective

IFRS 15 will impact revenue cycles, KPI, systems and processes

Time to act is now!

5 questions companies should be addressing

- What is management's transition strategy, timeline and budget?
- What are the key issues, impacts and risks specific to our industry and company?
- How will change impact our business, beyond the financial statements?
- How and when are we communicating changes to stakeholders?
- How are our competitors addressing transition?

Transition

Five-step approach to successful transition

Get organised

Understand the impact

Transition to the new standard

What you need to do

1. Identify

Identify Accounting change

- Understand the issues
- Engage stakeholders
- Train staff and management
- Identify all in scope of contract
- Understand location and format of data source
- Determine areas of accounting change

2. Plan

Determine road map

- Determine transition method
- Create roadmap
- Extract data elements in line with new standard
- Identify data gaps and enrich data
- Validate data quality, accuracy and reliability
- Setup contract management and import data

3. Understand

Understand business impact

- Assess detailed impact on KPIs
- Assess non-financial effect on the organisation, arrangements and stakeholders
- Gain an understanding of the IT environment and any impact

4. Develop

Develop solutions

- Identify (cost) benefits
- Optimise existing arrangements
- Establish new policies
- Define business and technical requirements to effect the change
- Modify existing IT infrastructure or select software vendor

5. Implement

Effect changes

- Implement solutions and migrate required data
- Test the output
- Train and support users
- Update governance and risk framework
- Ensure compliance with new requirements
- Ensure business as usual

Thank you

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Joint IFRS® Foundation, PAFA and ICPAK
IFRS Conference and *IFRS for SMEs* workshop
24–26 August 2016
Safari Park Hotel, Nairobi, Kenya

Agriculture (including fair value and bearer-plant amendments to IAS 16)

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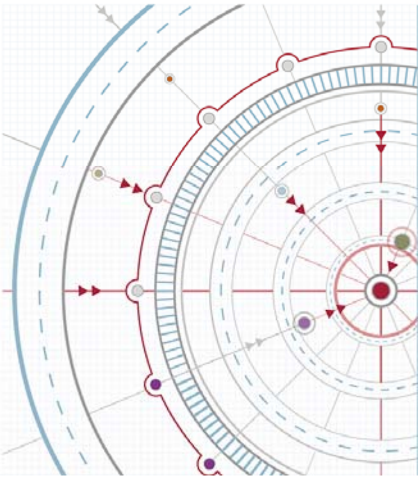
IFRS® Foundation



Agriculture

(including fair value and bearer plant amendments)

IFRS Conference
Nairobi, August 2016

Hugh Shields, Executive Technical Director

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

IFRS

Agenda

- Overview of IAS 41 Agriculture including recent amendments
- Practice issues - Simon Fisher, RSM
- Practice issues – Stephen Obock, KPMG
- Q&A

IFRS

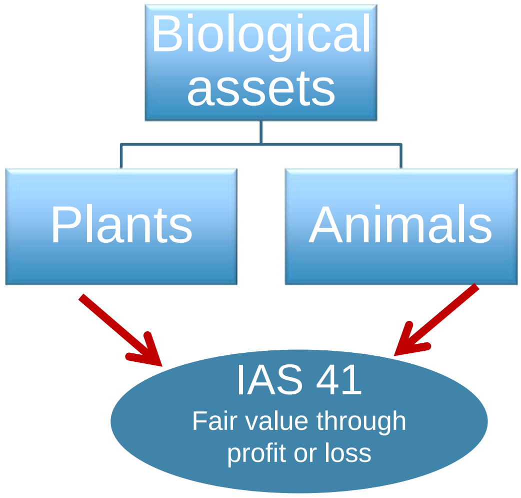
IAS 41, Agriculture

- The objective of the Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.
- Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce, or into additional biological assets.

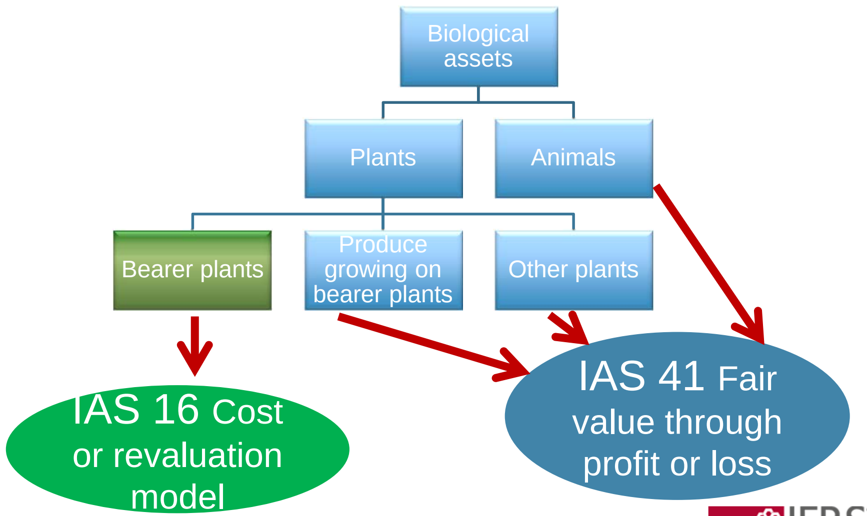
IAS 41, Agriculture

- Agricultural produce is the harvested product of the entity's biological assets.
- A biological asset is a living animal or plant.
- Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.

Overview: previous requirements



Overview: new requirements



Main changes

- **Only affect accounting for bearer plants**
- **Previous treatment:** Entire plant, including produce, accounted for at fair value through profit or loss (IAS 41/IFRS 13)
- **Revised treatment:** Bearer plant accounted for as property, plant and equipment (IAS 16)

– Produce growing on bearer plant remains at fair value through profit or loss (IAS 41/IFRS 13)

Scope of the amendments

- A **bearer plant** is plant that meets all of the following:
  - used in production or supply of agricultural produce
  - expected to bear produce for more than one period
  - has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales
- **Examples:** Tea bushes, oil palms, rubber trees, grapevines.

Scope of the amendments

9

The following are not bearer plants:

- Plants to be harvested as agricultural produce
  - ✓ trees grown for lumber
- Plants held both to grow agricultural produce and to be harvested as agricultural produce (except scrap)
  - ✓ trees used for lumber and fruit
- Plants cultivated for sale only
  - ✓ potted plants
- Annual crops

IFRS

Summary of the amendments

10

IASB's principal decision underlying amendments:

- Bearer plants shall be treated as property, plant and equipment (PPE) for which the accounting is prescribed in IAS 16

IFRS

Summary of the amendments

Bearer plants to be included in IAS 16

- Requirements of IAS 16 applied to bearer plants without modification, including:
  - ✓ cost accumulation model for bearer plants before they reach maturity (like self-constructed PPE)
  - ✓ revaluation model permitted
  - ✓ no additional disclosures for bearer plants

Summary of the amendments

Produce to remain in IAS 41

- Requirements of IAS 41 continue to apply to produce without modification:
  - Fair value through profit or loss
  - IAS 41/IFRS 13 disclosures
  - Presumption fair value can be measured reliably can be rebutted only on initial recognition if
    - ✓ quoted market prices are not available
    - ✓ alternative fair value measurements are clearly unreliable

Responses to the Exposure Draft

13

72 comment letters

- Vast majority supported underlying proposal
- No substantive changes to proposals in the ED as a result of the Board's redeliberations

IFRS

Likely effects on financial position

14

IAS 41 fair value model	IAS 16 cost model	Effect of moving to cost model
Measured at fair value less costs to sell	Measured at cost less accumulated depreciation and accumulated impairment losses	Net asset amounts likely to be lower during early productive life of bearer plant Carrying amounts under the two models expected to converge towards the end of the productive life

IFRS

Likely effects on profit or loss

IAS 41 fair value model	IAS 16 cost model	Effect of moving to cost model
Changes in fair value less costs to sell recognised in profit or loss.	Annual depreciation charge and any impairment recognised in profit or loss.	Over life of bearer plant the net amount recognised in profit or loss will be the same Under fair value model, period to period effect on profit or loss will be variable Under the cost model, period to period effect on profit or loss is more systematic

Timetable

- Effective for annual periods beginning on or after 1 January 2016.
- Earlier application permitted
- Entity may elect to use fair value as deemed cost at the beginning of the earliest period presented

Judgements and Estimates

- It may be difficult to determine whether a particular biological asset is within the scope of IAS 41.
- In measuring biological assets and agricultural produce, estimates of physical quantities and the physical condition of the assets may be complex.
- There may be challenges relating to the measurement of fair value.

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THE POWER OF BEING UNDERSTOOD

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RSM

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RSM

IAS 41 – AGRICULTURE

PRACTICE ISSUES

By Simon Fisher

RSM

Agenda

- IAS 41 in a nutshell
- What is a biological asset?
- Fair value of bearer plants – before the amendment
- Fair value of growing produce

RSM

IAS 41 in a nutshell - before

Biological assets have to be measured at fair value.

There was only one problem in implementing this:

➢ How do you measure the fair value of biological assets?

IAS 41 in a nutshell - after

Biological assets other than bearer plants have to be measured at fair value, but growing produce now has to be measured at fair value.

There are only two problems in implementing this:

- How do you measure the fair value of growing produce?
- How do you measure the cost of the bearer plant?

What is a biological asset?

- **Biological assets** are living animals or plants (huge diversity – avocados to zebus):
  - living animals such as chickens, cows, crocodiles, fish
  - plants such as cereals, flowers, vegetables, fruit trees
  - plantation crops such as tea, sugar cane, sisal, trees (for timber)

- Standard should be applied to account for the biological assets, ***when related to agricultural activity*****.**

RSM

Quiz

Which of the following fall within the scope of IAS 41?

- Trained guard dogs used by a security company
- Horses used to provide horseback safaris
- Dogs being bred to be sold as guard dogs
- Lions in a zoo
- Footballers under contract to a football club

RSM

IAS 41 - Agriculture

Scope of IAS 41

RSM

Fair value

Fair value is defined as …

… the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13p9).

There is a fair value hierarchy:

- Level 1 - Quoted price in active market
- Level 2 - No active market, but observable data: e.g. Recent market transaction prices; Market prices for similar assets; Sector benchmarks
- Level 3 – Unobservable inputs: e.g. Present value of expected cash flows

RSM

Fair value of bearer plants

Present value of expected cash flows - issues

- Need to make assumptions re yields, commodity prices, exchange rates, inflation rates, etc – maybe over 25 plus years
- For bearer assets, may have to start with inflows from processed output, not at point of harvest
  - Need to allow for profit margin on processing costs (as though a third party was doing the processing)
- Cash flows should be those of a market participant
  - If actual cash flows are used as the basis, valuation may include goodwill and other intangibles
- Present value likely to represent value of land as well as biological assets
  - Must eliminate - either by deducting value of land from present value, or including notional rent as a cash outflow

RSM

Fair value of bearer plants

Present value of expected cash flows - issues

To apply the DCF method successfully, you need to overcome these common difficulties:

- Inconsistent treatment of inflation in cash flows and discount rates
- What is the discount rate a market participant would expect?
- Dealing with the "…it's just too difficult to predict (prices/exchange rates/interest rates)…" syndrome
- Not allowing long term projections to be unreasonably affected by short term fluctuations

RSM

Fair value of growing produce

Practical difficulties

In many cases it will be impractical to measure quantities:

- How many avocados on an avocado tree?
- How many (pickable) leaves on a tea bush?
- How many buds on a rose bush?
- How much sap in a rubber tree?

RSM

Fair value of growing produce

Practical difficulties

In some cases there is not an active market in agricultural produce at the point of harvest (e.g. sisal leaves)

In most cases there will not be an active market in immature growing produce (e.g. a half grown avocado)

When does produce start growing (e.g. blossom or bud?)

RSM

Fair value of growing produce

Possible approach - 1

1. Estimate time by which all produce growing at the reporting date will have been harvested
2. Estimate fair value of harvested produce over that period
3. Estimate cash flows required to bring that produce to harvest (including notional land rent)
4. Discount back to reporting date

RSM

Fair value of growing produce

Possible approach - 2

1. Estimate time by which all produce growing at the reporting date will have been harvested
2. Estimate fair value of harvested produce over that period
3. Assume that on average the produce is 50% mature
4. Fair value of growing produce = 50% of fair value of subsequent harvested produce

OR

- Conclude that measurement of fair value is clearly unreliable and measure at cost (on initial recognition of the growing produce)

RSM

Cost model for bearer plants

Measurement of cost

- Capitalise "costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management"
- IASB declined to include guidance on when this point might be reached, but recognized that there might already be growing produce on the plant at this point (probably right – leave it to management to take a sensible approach**).**

RSM

Cost model for bearer plants

Example – sugar cane

New cane takes about 18 months before harvest. The cane is then harvested as agricultural produce, leaving a stump known as a ratoon, from which two more crops are produced.

- At what point is the plant capable of operating in the manner intended by management? At the point the cane begins to grow or at the point the cane is ready for harvest?
- How does one determine the cost of the ratoon after the first harvest?

RSM

Questions
and answers?

RSM

THANK YOU

RSM

KPMG

Practical implications of Amendments to IAS 41 - Bearer Plants

Joint IFRS® Foundation, PAFA and ICPAK IFRS Conference and IFRS for SMEs Workshop

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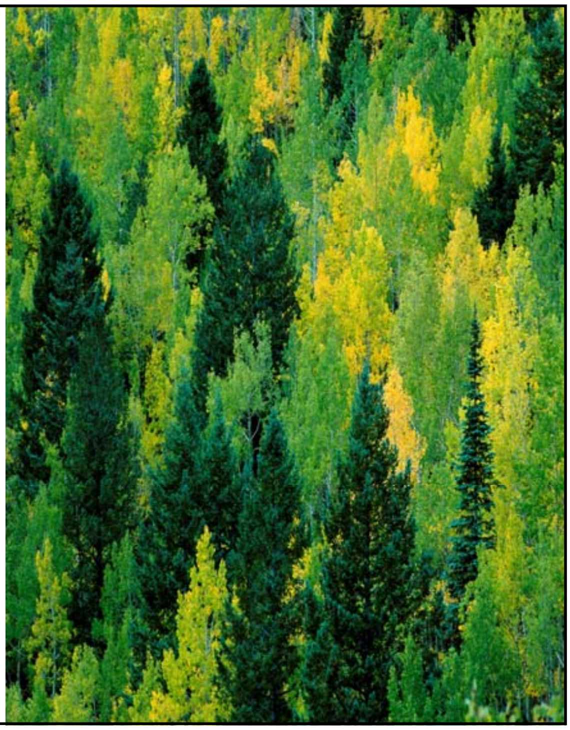

Practical issues on implementation of amendments

Although the amendments seem simple on the face of it, there are a number of areas in practice which prove challenging as below:

1. Capturing and tracking Initial costs
2. Identification of unit of account
3. Determining when to cease capitalisation of costs
4. Determining costs to capitalise

Initial costs

The changes require entities to capture and track new information for existing bearer plants i.e. costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Although, we understand that some entities already collect this information under the IAS 41 exception to fair value model, for other entities establishing systems to collect this information may be costly.

Unit of Account

Entities will need to identify the unit of account, i.e. does one account for a single tree or a field of trees? This is very important as impairment testing may be required, and keeping track of one tree vs a field of trees will have different practical challenges on record keeping.

We notes that IAS 16 does not prescribe the unit of measure, or the extent to which items can be aggregated and treated as a single item of property, plant and equipment. In consequence, applying the recognition criteria in IAS 16 to bearer plants will give an entity flexibility, depending on its circumstances.

Ceasing capitalisation

IAs 16 has the concept of “being in the condition intended by management” – at this point capitalisation of costs ceases and depreciation commences.

Entities will need to consider the point at which capitalisation ceases and depreciation begins.

Important questions include: Is it when the asset is capable of producing a crop? Or when it produces a mature crop? Would you really capitalise fertilizer, water, weeding etc. costs until maturity?

Costs to capitalise

Costs to capitalise will also include borrowing costs (mandatory to capitalise these for PPE under construction) – this will require more effort in getting details for the comparative year which you are restating.

Closing remarks

We (KPMG) note that since the Amendments require the application of IAS 16 instead of the mandatory application of fair value measurement, we think that this change will result in a reduction of ongoing costs to measure bearer plants.

Our overall assessment is that the overall benefits of implementation of the Amendments are likely to outweigh costs associated with the implementation.

Q & A Session