New Developments on Revenue Recognition

IFRS 15-Revenue From Contracts with Customers

Background

- IFRS 15 was finalised in May 2014 with the initial effective date being 1st January 2017
- The effective date for IFRS 15 is 1st January 2018
- IFRS 15 is effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2018
- IFRS 15 replaces the following standards:
  - IAS 11 on construction contracts
  - IAS 18 on Revenue
  - IFRIC 13 on customer loyalty programmes
  - IFRIC 15 on Agreements for construction of real estate

Background(Cont'd)

- IFRS 15 replaces the following standards:
  - IFRIC 15 on Agreements for construction of real estate
  - IFRIC 18 on Transfers of Assets from Customers
  - SCIS on Revenue - Barter Transactions Involving Advertising Services
- **Rationale for the Standard:**
- Improve and converge the revenue recognition principles under U.S. GAAP and IFRSs and to develop guidance that would streamline and enhance revenue recognition requirements while also providing "a more robust framework for addressing revenue issues."

Scope

- IFRS 15 applies to all contracts with customers except for :
  - Leases within the scope of IAS 17 Leases
  - Financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments
  - IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements
  - IAS 27 Separate Financial Statements
  - IAS 28 Investments in Associates and Joint Ventures
  - Insurance contracts within the scope of IFRS 4 Insurance Contracts
  - non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers

Scope (Cont'd)

- For a contract with a customer which may partially be within the scope of IFRS 15 and partially within the scope of another standard :
  - if other standards specify how to separate and/or initially measure one or more parts of the contract, then those separation and measurement requirements are applied first. The transaction price is then reduced by the amounts that are initially measured under other standard
  - if no other standard provides guidance on how to separate and/or initially measure one or more parts of the contract, then IFRS 15 will be applied

Key Definitions

- **Contract:** An agreement between two or more parties that creates enforceable rights and obligations
- **Customer**: A party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.
- **Income:** Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants.
- Performance Obligations: A promise in a contract with a customer to transfer to the customer either:
  - a good or service (or a bundle of goods or services) that is distinct; or
  - a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Key Definitions (Cont'd)

- **Revenue:** Income arising in the course of an entity's ordinary activities.
- **Transaction Price**: The amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The 5-step Model Framework

- The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or service. The five-step model includes:

The 5-step Model Framework

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

1. Identify the contract(s)

- A contract with a customer will be within the scope of IFRS 15 if all the following conditions are met (IFRS 15:9):
  - the contract has been approved by the parties to the contract;
  - each party's rights in relation to the goods or services to be transferred can be identified;
  - the payment terms for the goods or services to be transferred can be identified;
  - the contract has commercial substance; and
  - it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected

2. identify the performance obligations in the contract

- At the inception of the contract, the entity should assess the goods or services that have been promised to the customer, and identify as a performance obligation:
    - a good or service (or bundle of goods or services) that is distinct;
    - a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

3. Determine the transaction price

- The transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services. When making this determination, an entity will consider past customary business practices.
- Where a contract contains elements of variable consideration, the entity will estimate the amount of variable consideration to which it will be entitled under the contract
- Variable consideration can arise, for example, as a result of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items
- variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved

4. Allocate the transaction price to the obligations in the contracts

- Where a contract has multiple performance obligations, an entity will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices.
- If a standalone selling price is not directly observable, the entity will need to estimate it. IFRS 15 suggests various methods that might be used, including
  - Adjusted market assessment approach
  - Expected cost plus a margin approach
  - Residual approach (only permissible in limited circumstances)
- In certain circumstances, it may be appropriate to allocate such a discount to some but not all of the performance obligations
- Time value of money adjustment may be necessary in some cases

5. Recognise revenue when (or as) the entity satisfies the obligation

- Revenue is recognised as control is passed, either over time or at a point in time.
- Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset.
- An entity recognises revenue over time if one of the following criteria is met
  - the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs
  - the entity's performance creates or enhances an asset that the customer controls as the asset is created;
  - the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date
- If an entity does not satisfy its performance obligation over time, it satisfies it at a point in time: inluding payment right, legal title, transfer of physical possession, own risks/rewards, accepting

Contract Costs

- The incremental costs of obtaining a contract must be recognised as an asset if the entity expects to recover those costs
- Those incremental costs are limited to the costs that the entity would not have incurred if the contract had not been successfully obtained (e.g. 'success fees' paid to agents)
- Costs incurred to fulfil a contract are recognised as an asset if and only if:
  - The costs relate directly to a contract (or a specific anticipated contract)
  - The costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future;
  - The costs are expected to be recovered.
- Examples include direct labour, direct materials, and the allocation of overheads that relate directly to the contract
- Such assets are amortised on a systematic basis that is consistent with the pattern of transfer of the goods or services to which the asset relates

Presentation and Disclosure

- Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment
- An entity should disclose qualitative and quantitative information about all of the following:
- its contracts with customers;
- the significant judgments, and changes in the judgments, made in applying the guidance to those contracts; and
- any assets recognised from the costs to obtain or fulfil a contract with a customer.

Key Differences (IFRS 15 vs IAS 18

- Under IAS 18, the timing of revenue recognition from the sale of goods is based primarily on the transfer of risks and rewards. IFRS 15, instead, focuses on when control of those goods has transferred to the customer. This different approach may result in a change of timing for revenue recognition for some entities
- The scope is different for instance, IAS 18 applies to sale of goods and services, rendering of services and the use by others of entity assets yielding interest, royalties and dividends while IFRS 15 shall apply to contracts with customers with exclusions as highlighted in previous slides
- There more emphasis on considering/including time value of money on revenue

IPSAS 9-Revenue From Exchange transactions

Background

- IPSAS 9 is primarily drawn from IAS 18
- Infact extracts from IAS 18 are reproduced in the publication of IPSAS 9
- IPSAS 9 was first issued in July 2001 with further improvements caused by:
  - IPSAS 27, Agriculture (2009)
  - IPSAS 29, Financial Instruments: Recognition and Measurement (2010)
  - Improvements to IPSAS (2010)
- The objective of the standard is prescribe the accounting treatment of revenue arising from exchange transaction and events
- Revenue is recognised when:
  - Future economic benefits or service potential will flow to the entity
  - These measures can be measured reliably

Scope

- Applicable to entities that prepare and present financial statements under the accrual basis of accounting for revenue arising from the following exchange transactions:
  - The rendering of services;
  - The sale of goods;
  - The use by others of entity assets yielding interest, royalties, and dividends or similar transactions
- IPSAS 9 applies to all public sector entities other than Government Business Enterprises (which apply IFRSs)
- Excludes revenue from non-exchange transactions
- Excludes revenue from construction contracts where IPSAS 11 applies
- Excludes revenue from lease agreements under IPSAS 13

Scope (Cont'd)

- Excludes dividends or similar distributions arising from investments that are accounted for under the equity method (IPSAS 7 investments in Associates)
- Excludes gains from sale of PPE under IPSAS 17, Property, Plan and Equipment
- Excludes insurance contracts
- Excludes changes in the fair value of financial assets and financial liabilities or their disposal under IPSAS 29 financial instruments : recognition and measurement
- Excludes changes in the value of other current assets
- Initial recognition, and from changes in the fair value of biological assets related to agricultural activity (IPSAS 27)
- Excludes revenue from extraction of mineral ores

Key Definitions

- **Exchange transactions: are** transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Examples include purchase or sale of goods and services or the lease of property, plan and equipment at market rates.
- **Non-exchange transactions:** transactions that are no exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange. Examples include direct and indirect taxes, duties and fines, grants and donations

Key Definitions (Cont'd)

- **Fair Value:** the amount for which an asset could be exchanged, or a liability settled, between knowledgeable , willing parties in an arm's length transaction
- **Revenue:** Incudes only the gross inflows of economic benefits or service potential received and receivable by the entity on its own account. Examples from provision housing, management of water facilities, roads, payment transfer. Amounts collected as an agent of the government or another government organisation or on behalf of other third parties e.g. collection of electricity payments by the post office on behalf of KPLC does not result in an increase in assets or decrease liabilities therefore this is not revenue for the Post Office.
- Financial inflows does not necessarily translate to revenue , notably borrowings do not meet the definition of revenue.

Measurement of Exchange Revenue

- Revenue shall be measured at the fair value of the consideration received or receivable.
- The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received, or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity.

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Measurement of Exchange Revenue (Cont'd)

- An entity is generally able to make reliable estimates after it has agreed to the following with the other parties to the transaction:
- a)Each party's enforceable rights regarding the service to be provided and received by the parties;
- (b) The consideration to be exchanged; and
- (c) The manner and terms of settlement.

Measurement of Exchange Revenue (Cont'd)

- The stage of completion of a transaction may be determined by the following methods;
- a) Surveys of work performed;
- b) Services performed to date as a percentage of total services to be performed; or
- c) The proportion that costs incurred to date bear to the estimated total costs of the transaction
- **Note** - when the outcome of a transaction cannot be estimated reliably, and it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense

Revenue from Sale of Goods

- Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied:
  - (a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
  - (b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
  - (c) The amount of revenue can be measured reliably;
  - (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
  - e) The costs incurred or to be incurred in respect of the transaction can be measured reliably

Interest, Royalties, and Dividends or Similar Distributions

- Revenue shall be recognized using the following accounting treatments:
  - (a) Interest shall be recognized on a time proportion basis that takes into account the effective yield on the asset;
  - (b) Royalties shall be recognized as they are earned in accordance with the substance of the relevant agreement; and
  - (c) Dividends or similar distributions shall be recognized when the shareholder's or the entity's right to receive payment is established.

Disclosure

- An entity shall disclose:

a) The accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services;

(b) The amount of each significant category of revenue recognized during the period, including revenue arising from:

(i) The rendering of services;

(ii) The sale of goods;

(iii) Interest;

(iv) Royalties; and

(v) Dividends or similar distributions; and

- (c) The amount of revenue arising from exchanges of goods or services included in each significant category of revenue.

IPSAS 23-Revenue From Non-Exchange transactions

Scope

- While revenues received by public sector entities arise from both exchange and non-exchange transactions, the majority of revenue of governments and other public sector entities is typically derived from non-exchange transactions, such as:
- (a) Taxes; and
- (b) Transfers (whether cash or noncash), including grants, debt forgiveness, fines, bequests, gifts, donations, goods and services in kind, and the off-market portion of concessionary loans received

Key Definition

- **Expenses paid through the tax system** are amounts that are available to beneficiaries regardless of whether or not they pay taxes.
- **Fines** are economic benefits or service potential received or receivable by public sector entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.
- **Tax expenditures** are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.
- **The taxable event** is the event that the government, legislature, or other authority has determined will be subject to taxation.

Key Definition (Cont'd)

- **Taxes** are economic benefits or service potential compulsorily paid or payable to public sector entities, in accordance with laws and/or regulations, established to provide revenue to the government.
- **Transfers** are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.
- **Conditions on transferred assets**: stipulations that specific that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or the specified future economic benefits must be returned to the transferor
- **Restrictions on transferred assets**: stipulations that limit or direct the purpose for which a transferred asset may be used , but do not specify that return to transferor

Combination of exchange and Non- exchange transactions

- This situation arises where the entity may provide some consideration directly in return for the resources received, but that consideration does not approximate the fair value of the resources received

Combination of exchange and Non- exchange transactions

Illustration

- Kenyatta National Hospital receives USD 10 million funding from USAID to revamp its cancer unit. The agreement stipulates that KNH must repay USD 9 million of the funding received over a period of 10 years, at 2% interest when the market rate for a similar loan is 11%.
- Required
- Identify the exchange and non-exchange components of this transaction.

Combination of exchange and Non- exchange transactions

Solution

- KNH has effectively received a USD 1 million grant (USD 10 million received less USD 9 million to be repaid) and entered into USD 9 million concessionary loan which attracts interest at 9% below the market interest rate for a similar loan. The USD 1 million grant received, as well as the off-market portion of the interest payments in terms of the agreement, are non-exchange transactions. The contractual capital and interest payments over the period of the loan are exchange transactions.
- In determining whether a transaction has identifiable exchange and non-exchange components, professional judgment is exercised. Where it is not possible to distinguish separate exchange and non-exchange components, the transaction is treated as a non-exchange transaction.

Taxes

- A government levies taxation on individuals and other entities, known as taxpayers, within its jurisdiction by use of its sovereign powers. Tax laws and regulations;

a) establish a government's right to collect the tax,

b) Identify the basis on which the tax is calculated, and

c) Establish procedures to administer the tax, that is, procedures to calculate the tax receivable and ensure payment is received.

- NB Tax laws and regulations often require taxpayers to file periodic returns to the government agency that administers a particular tax.

Measurement of Non-exchange revenue and obligations

- Revenue from non-exchange transactions shall be measured at the amount of the increase in net assets recognized by the entity.
- A present obligation is a duty to act or perform in a certain way, and may give rise to a liability in respect of any non-exchange transaction
- A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognized as a liability when, and only when:

(a) It is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and

(b) A reliable estimate can be made of the amount of the obligation.

Performance obligations

- In the normal course of operations, a reporting entity may accept resources prior to a taxable event occurring. In such circumstances, a liability of an amount equal to the amount of the advance receipt is recognized until the taxable event occurs.

- If a reporting entity receives resources prior to the existence of a binding transfer arrangement, it recognizes a liability for an advance receipt until such time as the arrangement becomes binding.

- The amount recognized as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date.

Expenses paid through tax system

- A government may pay part of residents' health insurance premiums, to encourage the uptake of such insurance, either by reducing the individual's tax liability, making a payment by check, or by paying an amount directly to the insurance company. In these cases, the amount is payable irrespective of whether the individual pays taxes. Consequently, this amount is an expense of the government and should be recognized separately in the statement of financial performance.

- Tax revenue should be increased for the amount of any of these expenses paid through the tax system.

Service in kind

- Due to the many uncertainties surrounding services in-kind, including the ability to exercise control over the services, and measuring the fair value of the services, IPSAS 23 does not require the recognition of services in-kind.

- Disclosure of the nature and type of services in-kind received during the reporting period (if they are material) is however encouraged.

Pledges

- Pledges are unenforceable undertakings to transfer assets to the recipient entity. Pledges do not meet the definition of an asset, because the recipient entity is unable to control the access of the transferor to the future economic benefits or service potential embodied in the item pledged.

- Entities do not recognize pledged items as assets or revenue. If the pledged item is subsequently transferred to the recipient entity, it is recognized as a gift or donation. Pledges may warrant disclosure as contingent assets under the requirements of IPSAS 19

Concessionary Loans

- Concessionary loans are loans received by an entity at below market terms.

- Where an entity determines that the difference between the transaction price (loan proceeds) and the fair value of the loan on initial recognition is non-exchange revenue, an entity recognizes the difference as revenue, except if a present obligation exists, e.g., where specific conditions imposed on the transferred assets by the recipient result in a present obligation. Where a present obligation exists, it is recognized as a liability. As the entity satisfies the present obligation, the liability is reduced and an equal amount of revenue is recognized.

Key Disclosures

- An entity shall disclose either on the face of, or in the notes to, the general
- purpose financial statements:
- a) The amount of revenue from non-exchange transactions recognized during the period by major classes showing separately:

(i) Taxes, showing separately major classes of taxes; and

(ii) Transfers, showing separately major classes of transfer revenue.

(b) The amount of receivables recognized in respect of non-exchange revenue;

(c) The amount of liabilities recognized in respect of transferred assets subject to conditions;

The amount of liabilities recognized in respect of concessionary loans that are subject to conditions on transferred assets;

Key Disclosures (Cont'd)

- An entity shall disclose either on the face of, or in the notes to, the general
- purpose financial statements:
- a) The amount of revenue from non-exchange transactions recognized during the period by major classes showing separately:

(i) Taxes, showing separately major classes of taxes; and

(ii) Transfers, showing separately major classes of transfer revenue.

(b) The amount of receivables recognized in respect of non-exchange revenue;

(c) The amount of liabilities recognized in respect of transferred assets subject to conditions;

The amount of liabilities recognized in respect of concessionary loans that are subject to conditions on transferred assets;

Key Disclosures (Cont'd)

(d) The amount of assets recognized that are subject to restrictions and the nature of those restrictions;

(e) The existence and amounts of any advance receipts in respect of non-exchange transactions; and

(f) The amount of any liabilities forgiven.

An entity shall disclose in the notes to the general purpose financial statements:

(a) The accounting policies adopted for the recognition of revenue from non-exchange transactions;

(b) For major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources was measured;

(c) For major classes of taxation revenue that the entity cannot measure reliably during the period in which the taxable event occurs, information about the nature of the tax; and

(d) The nature and type of major classes of bequests, gifts, and donations, showing separately major classes of goods in-kind received.

Transitioning from IFRS4 to IFRS 17 – Insurance Contracts

Background

- In May 2017 IASB published IFRS 17 Insurance contracts replacing IFRS 4
- IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices
- IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features
- IFRS 17 will apply in financial periods beginning after January 2021
- Earlier application permitted if IFRS 15, "Revenue from Contracts with Customers," and IFRS 9, "Financial Instruments," are also applied.

Scope

- IFRS 17 shall apply to:
  - Insurance contracts, including reinsurance contracts, it issues
  - Reinsurance contracts it holds
  - Investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.
- For fixed-fee service contracts whose primary purpose is the provision of services, entities have an accounting policy choice to account for them in accordance with either IFRS 17 or IFRS 15
- Similar to the position under IFRS 4, financial guarantee contracts are allowed to be within the scope of IFRS 17 if the entity previously asserted explicitly that it regarded them as insurance contracts

Scope (Cont'd)

- Insurance contracts (other than reinsurance) where the entity is a policyholder are not within the scope of IFRS 17.
- Embedded derivatives and distinct investment and service components should be "unbundled" and accounted for separately in accordance with the related IFRSs.
- Voluntary unbundling of other components is prohibited

Key Definition

- Insurance contract: A contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder..
- Portfolio of insurance contracts: Insurance contracts subject to similar risks and managed together.
- Contractual service margin: A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognise as it provides services under the insurance contracts in the group
- Insurance risk: Risk, other than financial risk, transferred from the holders of a contract to the issuer.

Key Definition (Cont'd)

- Risk adjustment for non-financial risk: The compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows arising from non-financial risk as the entity fulfils insurance contracts.

Highlights of Measurement Model

- IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period.
- The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract
- A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less
- Claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability-weighted cash flows.

Highlights of Measurement Model (Cont'd)

- For presentation and measurement, entities are required at initial recognition to disaggregate a portfolio (that is, contracts that are subject to similar risks and managed together as a single pool) into three groups of contracts: onerous; no significant risk of becoming onerous; and remaining contracts. Contracts that are issued more than one year apart should not be in the same group.
- Changes in cash flows related to future services should be recognized against the CSM.
- The CSM cannot be negative, so changes in future cash flows that are greater than the remaining CSM are recognized in profit or loss
- Interest is accreted on the CSM at rates locked in at initial recognition of a contract.
- To reflect the service provided, the CSM is released to profit or loss in each period on the basis of passage of time

Highlights of IFRS 17 Impact

- Under IFRS 17, entities have an accounting policy choice to recognize the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income ("OCI"). The OCI option for insurance liabilities reduces some volatility in profit or loss for insurers where financial assets are measured at amortized cost or fair value through OCI under IFRS 9
- The variable-fee approach is required for insurance contracts that specify a link between payments to the policyholder and the returns on underlying items, such as some "participating", "with profits" and "unit linked" contracts
- Requirements in IFRS 17 align the presentation of revenue with other industries
- Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides in the period, and claims are presented when incurred
- Investment components (that is, amounts repaid to policyholders even if the insured event does not occur) are excluded from revenue and claims.
- Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts. The disclosure requirements are more detailed than currently required under IFRS 4.

Highlights of IFRS 17 Impact (Cont'd)

- IFRS 17 will impact businesses well beyond the finance, actuarial and systems development areas (for example, product design and distribution, development of revised incentive and wider remuneration policies and reconfigured budgeting and forecasting methodologies feeding into business planning).
- There could also be an impact on the cash tax position and dividends, both on transition and going forward
- IFRS 17 might require more than three years to implement.
- Gap analysis and impact assessments to develop an implementation roadmap will enable entities to begin the detailed implementation project.
- A fundamental shift might be required in the way in which data is collected, stored and analyzed, changing the emphasis from a prospective to a retrospective basis of analysis and introducing a more granular level of measurement and additional disclosures
- Before the effective date, insurers will need to carefully consider their "IFRS 17 story" for investors and analysts, as well as the key metrics that they will apply in the new world.