Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

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Afternoon Session

Agenda Item 4. Review of current developments in international standards of accounting and reporting in the public and private sectors

Presented by

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CURRENT DEVELOPMENTS IN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Lebogang Senne – Technical Director
Geneva, Switzerland
31 October 2019
ABOUT PAFA

The Pan African Federation of Accountants (PAFA) is the continental body representing Africa’s Professional Accountants. Established in May 2011, PAFA is a non-profit organisation with 54 Professional Accountancy Organisations (PAOs) from 43 African countries. Our mission is to accelerate and strengthen the voice and capacity of the Accountancy profession to work in the public interest, facilitate trade, and enhance benefits and quality services to Africa's citizens.
**KEY LESSONS LEARNED**

1. **Organisational management**
   - Get more involved – *should not wait for auditor to tell them what adjustments are necessary at the end of the year*

2. **Early preparation is key**
   - Organisations waited until the end of the first year standards become effective to try to quantify adjustments to O/B

3. **Need to bring different BUs on-board from the onset**
   - Collaboration across business units and not only leaving implementation to the accounting department improved efficiencies.

4. **Documentation**
   - Documentation of the processes followed and justification for judgments made is necessary
SPECIFIC CHALLENGES

Adequacy of systems
Inadequate systems and capacity to formulate/develop models

Economic conditions
Quantifying the effect of forecasts of future economic conditions on credit losses has been particularly challenging.

Lack of appropriate skills
Inadequate training and support material to gain a full understanding of the new standards and how to implement them.

Judgments and assumptions
Quantifying the effect of forecasts of future economic conditions on credit losses has been particularly challenging.

Availability of data
Difficulty in determining the forward-looking adjustment for ECL due to lack of past data and information to allow for reasoned assumptions.

Adjustments to day-to-day accounting
Implementation was done as a ‘tickbox’ exercise by most entities and management did not have a proper understanding of the new standards.
MAIN BENEFITS DERIVED

- **More realistic provisions**
  IFRS 9 has resulted in more realistic provisions for credit losses from day one – not waiting until there is objective evidence of impairment.

- **Strengthening of internal processes**
  Given this implementation of ECL, financial institutions have strengthened their underwriting standards and credit appraisal processes.

- **Transparency**
  Better transparency to the investors and stakeholders in terms of enhanced market disclosures.

- **Improvement in disclosures**
  IFRS 15 seems to have resulted in an improvement in the wording of accounting policies and in the disaggregation of revenues.

- **Comparability**
  Comparability of financial statements has improved, which in turn has improved transparency.

- **Enhanced processes**
  Detailed disclosure requirements have enhanced planning and performance management in companies.
IFRS implementation: likely trends in coming years

- Of the 54 countries in Africa, only 10 either do not apply IFRS or their compliance status is unknown.
- 17 Countries in the OHADA region, although having adopted IFRS are still lagging with the implementation process but are expected to make traction over the next 3 – 5 years.
- The rest of the continent is either fully compliant with IFRS or actively making an effort to be compliant (Mozambique and Angola being examples).
[Thank you...]

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