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

36th SESSION

30 October – 1 November 2019
Room XIX, Palais des Nations, Geneva

Thursday, 31 October 2019
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)



PAFA
PAN AFRICAN FEDERATION
OF ACCOUNTANTS

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Geneva, Switzerland

31 October 2019

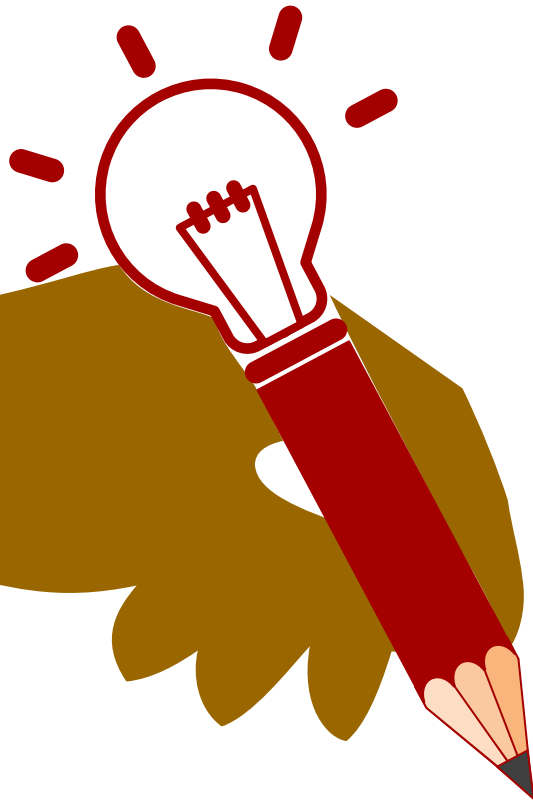


ABOUT PAFA

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



01

Organisational management

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

02

Early preparation is key

Organisations waited until the end of the first year standards become effective to try to quantify adjustments to O/B

03

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.

04

Documentation

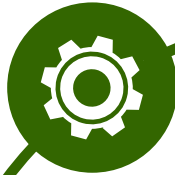
Documentation of the processes followed and justification for judgments made is necessary



SPECIFIC CHALLENGES

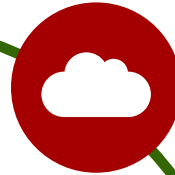
Adequacy of systems

Inadequate systems and capacity to formulate/develop models



Judgments and assumptions

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



Economic conditions

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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



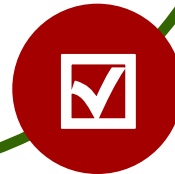
Lack of appropriate skills

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



Adjustments to day-to-day accounting

Implementation was done as a 'checkbox' 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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