News Flash

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The most important changes in IFRS and IAS in 2023

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IFRS and IAS are international financial reporting standards which companies must follow when preparing and disclosing their financial statements. **International Accounting Standards Board** (IASB) published several new changes and amendments to **IAS1, IAS8, IAS12 a IFRS 17.**

Hereby, we bring you a summary of the most significant changes valid from **January 1, 2023.**

Amendments to IAS1 and IFRS Practice statement 2

New amendments have been issued relating to disclosures in financial standards.

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Companies are required to **disclose information regarding the material accounting policies** as opposed to the significant accounting policies. Additionally, guidance has been provided on applying the concept of materiality when deciding on accounting policy disclosures (IFRS Practice Statement 2 includes specific examples).

Companies should review or amend their accounting policy disclosures to ensure the consistency with the updated standard.

Changes in IAS 18: Amendments to accounting policies, changes in accounting estimates and errors

The Board also issued amendments to **IAS 8** to help with distinguishing between changes in accounting policies and changes in accounting estimates.

A new definition on accounting estimates was introduced, where accounting estimates are “monetary amounts in FS that are subject to measurement uncertainty “. A change in accounting estimate resulting from new information/developments is not classed as the correction of an error. The effects of a change in an input/measurement technique are **changes in accounting estimates** if they do not result from the correction of prior period errors.

Changes in accounting estimates are applied prospectively **only to current or future transactions** and other future events.

IAS 12: Amendments to deferred tax related to assets and liabilities arising from a Single transaction

The aim is to provide clarification on **how to account for deferred tax** on transaction such as leases. This should reduce the diversity in accounting.

Amendments include an additional condition where **the exemption for the initial recognition does not apply.** A temporary difference arising on initial recognition of an asset/liability is not subject to initial exemption if the transaction gave rise to equal taxable and deductible temporary differences.

Companies with significant balances of right-of-use assets, lease liabilities, decommissioning liabilities, etc. are highly affected as **the additional deferred tax will have to recognised in financial standards.**

IFRS 17: Amendments to Insurance contracts

The new standard replaces IFRS 4.

It applies **to all types of insurance contracts** regardless of what type of company issues them.

The aim is to help companies with the implementation of the standard. It should **increase transparency** and reduce diversity in the accounting.

Not sure if these obligations apply to your business? Read more about who must prepare financial statements in accordance with IFRS in our article.

Contact

Katarina Scannell

IFRS Consultant

E-Mail: katarina.scannell@accace.com

Tel: +421 232 553 000

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