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IFRS ALERT – Jan 2018

# Mandatory IFRS changes

## *The impact of IFRS 15 and 9 standard changes*

**IFRS standard changes are applied across the accounting discipline in order to remain active and applicable. The latest set of changes to be applied affect standard 15 and 9, from 1 January 2018. The essential changes will impact all businesses who report under IFRS. This summarised alert sets out the changes which are applicable, along with the support that Grant Thornton can provide, in order to ensure you are fully compliant with the requirements.**

## IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15, which replaced IAS 18 and 11, along with some revenue related interpretations, sets out the requirements for recognising revenue which applies to all contracts with customers (*except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments*). All transactions within its scope will apply a single, control-based model centered around 5-steps, which include:

1. **Identifying the contract(s) with a customer**
2. **Identifying the performance obligations in the contract**
3. **Determine the transaction price**
4. **Allocate the transaction price**
5. **Recognise revenue when a performance obligation is satisfied**

IFRS 15 changes the criteria for determining *when* to recognise revenue and *how much* revenue to recognise. Revenue should be recognised to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also offers further guidance for the recognition, measurement and disclosure of revenue.

*The revised Standard:*
- improves the comparability of revenue from contracts with customers;
- reduces the need for interpretive guidance to be developed on a case-by-case basis to address emerging revenue recognition issues;
- provides more useful information through improved disclosure requirements.

**Impact of IFRS 15 changes:**
IFRS 15 has the potential to impact many capabilities across an entity, it will necessitate updates to existing financial accounting policies, procedures and systems, along with potentially affecting internal controls, contracts and compensation.

Additionally, entities will need to carefully assess their current practices for possible changes to the timing of revenue recognition.

**Do you have IFRS 15 standard challenges? Find out overleaf how Grant Thornton can support you, alternatively, contact your Relationship Partner or our IFRS Specialists:**

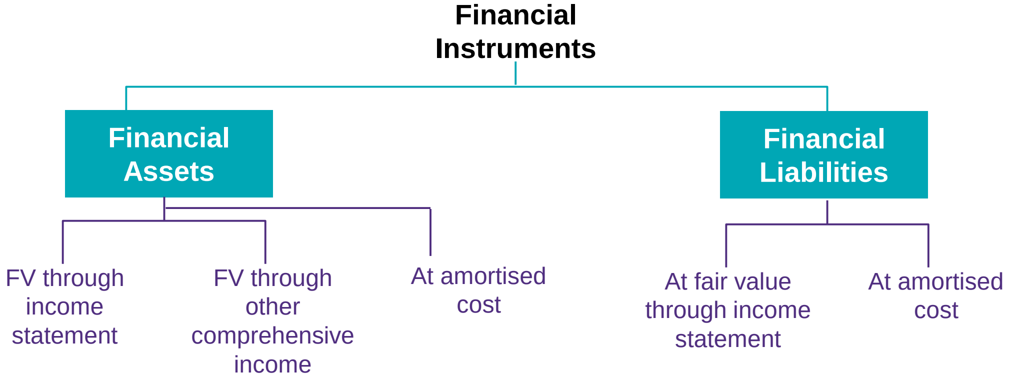
**Khurram Bhatti**
E khurram.bhatti@ae.gt.com

**Muhammad Irshad**
E muhammad.irshad@ae.gt.com

W www.grantthornton.ae
T +971(0)4 388 9925
E grantthornton@ae.gt.com

## IFRS 9: FINANCIAL INSTRUMENTS

Under IFRS 9 (2014), which replaced IAS 39, all firms holding financial debt instruments will need to adopt impairment requirements which use forward-looking models to recognise future expected credit losses. It also introduces a new approach for financial asset classification and major new requirements on hedge accounting.  Outlined below is the classification of financial instruments for reference.




**Impact of IFRS 9 changes:**
IFRS 9 is a significant change and will require substantial effort from accounting, IT and legal teams. Implementation is a complex exercise, requiring careful classification of financial instruments as certain items once classified, will not be adjustable.  Implementation will also be demanding in terms of retrieving both historical data (used for recognition of credit deterioration) and data for the forward-looking element of impairment and for the careful modeling of expected credit losses.

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## Contact us to unlock your IFRS challenges

**Grant Thornton IFRS Specialists can help navigate through the changes required.** Our technical specialists offer a defined and best practice approach to navigating the changes required under IFRS 15 and 9.  Our approach includes:

### IFRS 15:

We can conduct an impact assessment for each type of ongoing contract with customers at the start of the applicable period, undertake a systematic sampling of current contracts to cover each activity or process.

Using specially designed high-level questions and observation techniques, we can address the impact on systems, data, processes, commercial terms, recognition timing, transaction price, and transition to name a few. We can also recommend the required disclosures in the financial statements for the relevant period specifically covering the retrospective impact.

### IFRS 9:

Our services are tailored to your needs, ranging from an initial impact assessment, selecting the correct classification of the financial instruments and related valuation techniques, through to expected loss model and credit modelling.  Our financial instruments process methodology is collaborative, with a focused project management approach.

**Contact your Relationship Partner or our IFRS Specialists:**

**Khurram Bhatti**
khurram.bhatti@ae.gt.com

**Muhammad Irshad**
muhammad.irshad@ae.gt.com

www.grantthornton.ae
+971(0)4 388 9925
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