

(NBAA)
**THE NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS
TANZANIA**



UPDATEs ON TECHNICAL ISSUES – FOURTH QUARTER 2020

INTRODUCTION

These updates on Technical Issues – Fourth Quarter 2020 cover a summary of updates/issues including International Standards on Auditing (ISAs), International Financial Reporting Standards (IFRSs), International Ethics Standards for Professional Accountants and International Public Sector Accounting Standards (IPSAS).

These Technical issues are classified into two broad groups;

Part one: Invitation to comment

This part analyses a number of new raised issues i.e. Exposure Drafts and Consultation Papers that request constructive comments from our members and a broad range of stakeholders within Tanzania. For each new issue raised, a respective commenting deadline is specified as prescribed by comments seeking authority i.e. NBAA, IASB, IESBA, IAASB, IPSAB, IIRC, INTOSAI etc.

Extra related deadline at which NBAA would like to receive stakeholders' comments is as well specified there in. Please use emails mohamed.msimu@nbaa.go.tz or saimon.kiondo@nbaa.go.tz to send your comments before the specified NBAA due dates.

Part two: New Issued Standards, amendments and Guidelines

This part gives updates on the new standards which have been currently issued and those standards which are expected to be applicable in the next coming years.

Note: This document includes issues published in September, October and November (Inclusive) 2020.

PART ONE: INVITATION TO COMMENT

NBAA invites comments on the following updates on or before the due dates as specified by NBAA.

INTERNATIONAL STANDARD ON AUDITING (ISAs)

Current updates on ISAs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
Discussion Paper: Fraud and Going concern in an audit of financial statements	<p>The International Assurance and Auditing Standard Board has issued a Discussion Paper on fraud and going concern in an audit of financial statements.</p> <p>As many commentators continue to challenge the auditor's role in respect to fraud and going concern. Most notably is the emphasis on a continuing "expectation gap," or in general terms, a difference between what users expect from the auditor and the financial statement audit, and the reality of what an audit is</p> <p>The purpose of the Discussion Paper is to gather perspectives from all stakeholders about the role of the auditor in relation to fraud and going concern in an audit of financial statements, and to obtain input on matters about whether standards related to fraud and going concern remain fit-for-purpose in the current environment.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/IAASB-Discussion-Paper-Fraud-Going-Concern.pdf</p>	<p>IAASB Deadline: The deadline for stakeholders' comments is on or before 12th January 2021.</p> <p>NBAA Deadline: Send your comments on or before 1st January 2021.</p>

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Current updates on IPSASs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
Exposure Draft 74: IPSAS 5, Borrowing Costs – Non Authoritative Guidance	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft 74 which aims at adding non-authoritative material to IPSAS 5, Borrowing Costs, and to provide guidance for determining the extent to which borrowing costs can be capitalized.</p>	<p>IPSASB Deadline: The deadline for stakeholders' comments is on or before 1st March 2021.</p>

	<p>The guidance proposed adds implementation guidance and illustrative examples, which IPSAS 5 does not currently contain</p> <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSASB-Exposure-Draft-74.pdf</p>	<p>NBAA Deadline: Send your comments on or before 24th February 2021.</p>
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INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Current updates on IFRSs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Consultation Paper: Sustainability Report</p>	<p>The International Accounting Standards Board (IASB) has issued a Consultation Paper to identify the demand from stakeholders in the area of sustainability reporting and understand what the IASB could do in response to that demand.</p> <p>Since there is an urgent need to improve the consistency and comparability in sustainability reporting. A set of comparable and consistent standards is expected to allow businesses to build public trust through greater transparency of their sustainability initiatives, which will be helpful to investors and an even broader audience in a context in which society is demanding initiatives to combat climate change</p> <p>For more information go to: https://cdn.ifrs.org/-/media/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf</p>	<p>IASB Deadline: The deadline for stakeholders' comments is on or before 31st December 2020.</p> <p>NBAA Deadline: Send your comments on or before 28th December 2020.</p>

<p>Discussion Paper DP/2020/1: Business Combinations – Disclosures, Goodwill and impairment</p>	<p>The International Accounting Standards Board (IASB) has issued an Exposure Draft ED/2019/7 to improve how information is communicated in the financial statements.</p> <p>The Board’s preliminary view is that it should require companies to disclose:</p> <ul style="list-style-type: none"> (a) management’s objectives for an acquisition; (b) the metrics that management will use to monitor whether the objectives of the acquisition are being met; (c) the extent to which management’s objectives for the acquisition are being met in subsequent reporting periods, using those metrics; and (d) other information, reflecting possible targeted improvements to the disclosure objectives and disclosure requirements of IFRS 3 <p>For More information go to: https://cdn.ifrs.org/-/media/project/goodwill-and-impairment/goodwill-and-impairment-dp-march-2020.pdf</p>	<p>IASB Deadline: The deadline for stakeholders’ comments has been extended from 15th September to 31st December 2020.</p> <p>NBAA Deadline: Send your comments on or before 24th December 2020.</p>
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PART TWO: NEW ISSUED STANDARDS, AMENDMENTS AND GUIDELINES

This part includes all newly issued standards amendments, guidelines and technical pronouncements of which NBAA would like to urge members and other stakeholders to get prepared for their application.

INTERNATIONAL STANDARDS ON AUDITING (ISAs)

ISAs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
ISA 315 (Revised 2019): Identifying and Assessing the risks of material misstatements	<p>The International Assurance and Auditing Standard Board has issued a revised ISA 315 on identifying and assessing the risk of material misstatements.</p> <p>The revision has been done with the following objectives:-</p> <ul style="list-style-type: none">a) Establishment of more robust requirements and appropriately detailed guidance to drive auditors to perform appropriate risk assessment procedures in a manner commensurate with the size and nature of the entity,b) Consequential amendments to other standards as a result of the revision (such as ISA 220, ISA 240, ISAS 330, ISA 540 (Revised) and ISA 600),c) The issuance of non-authoritative guidance and support tools to supplement the revised ISAS 315 as well as supporting its implementation. <p>For more information go to: https://www.ifac.org/system/files/publications/files/ISA-315-Full-Standard-and-Conforming-Amendments-2019-.pdf</p>	Effective for audits of financial statements for periods beginning on or after 15th December, 2021.

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

IPSASs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IPSAS 41 : Financial Instruments	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued a new International Public Sector Accounting Standard 41 on financial instruments which replaces IPSAS 29: Financial Instruments: Recognition and Measurements.</p> <p>IPSAS 41 improves financial reporting for financial instruments, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf</p>	<p>Effective for annual periods beginning on or after 1st January 2022.</p> <p>Earlier application is permitted.</p>
IPSAS 42, Social Benefits	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued IPSAS 42 on social benefits.</p> <p>The standard provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment.</p> <p>It seeks to improve the relevance, faithful representativeness and comparability of the information</p>	<p>Effective for the period beginning on or before 1st January 2022.</p>

	<p>that a reporting entity provides in its financial statements about social benefits. To accomplish this, IPSAS 42 establishes principles and requirements for:</p> <ul style="list-style-type: none"> • Recognizing expenses and liabilities for social benefits; • Measuring expenses and liabilities for social benefits; • Presenting information about social benefits in the financial statements; and • Determining what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the social benefits provided by the reporting entity <p>For More information go to: http://www.ifac.org/system/files/publications/files/IPSAS-42-Social-Benefits.pdf</p>	
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INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

IFRSs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
IFRS 17 “Insurance Contracts”	<p>The International Accounting Standards Board (IASB) issued IFRS 17 Insurance Contract. The standard applies to all entities that issue insurance contracts.</p> <p>The standard provides consistent accounting for all insurance contracts</p> <ol style="list-style-type: none"> Updated information about obligations, risks and performance of insurance contract Increased transparency in financial information reported by insurance companies <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf</p>	<p>For annual financial statements beginning on or after 1st January, 2023.</p> <p>Earlier adoption is encouraged.</p>
Narrow-scope amendments to IFRS Standards	<p>The International Accounting Standards Board (IASB) has issued a package of narrow scope amendments to three IFRS standards and annual improvements.</p> <ol style="list-style-type: none"> Narrow scope amendments: The narrowly scope amended standards includes the following:- <ol style="list-style-type: none"> IFRS 3 Business Combination: This standard has been amended by updating references in IFRS 3 to the Conceptual Framework for Financial Reporting with no changes the 	<p>The amendments are effective 1st January 2022.</p>

	<p>accounting requirements.</p> <p>(ii) IAS 16 Property, Plant and Equipment: The amendment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.</p> <p>(iii) IAS 37 Provisions, Contingent Liabilities and Contingent Assets: The amendment specifies which costs a company includes when assessing whether a contract will be loss-making.</p> <p>2. Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases</p> <p>For More information go to: https://www.ifrs.org/news-and-events/2020/05/iasb-issues-package-of-narrow-scope-amendments-to-ifrs-standards/</p>	
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For more information, contact:

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