

UPDATES ON TECHNICAL ISSUES – FIRST QUARTER 2020

Introduction

These updates on Technical Issues – First 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, International Public Sector Accounting Standards (IPSAS) and NBAA Exposure Draft.

This document includes issues published in January, February and March (Inclusive) 2020.

INTERNATIONAL STANDARD 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>	<p>Effective for audits of financial statements for periods beginning on or after 15th December, 2021.</p>

Current issues on ISAs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Consultation Paper, Proposed Non-authoritative guidance: Extended External Reporting Assurance</p>	<p>The International Assurance and Auditing Standard Board has issued a consultation paper for public comment on the proposed non-authoritative guidance on extended external reporting (EER) assurance.</p> <p>The consultation paper is intended to provide non-authoritative guidance to practitioners to address the challenges that they commonly encounter in applying ISAE 3000 (Revised) in EER assurance engagements.</p> <p>EER encapsulates many different forms of reporting including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about financial and non-financial matters, including environmental, social and governance matters, related to an entity's activities.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/Public-Consultation-on-Proposed-Guidance_Extended-External-Reporting-EER-Assurance_0.pdf</p>	<p>The deadline for stakeholders' comments is on or before 13th July 2020.</p>

INTERNATIONAL CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

Current issues on the code of ethics

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft: Proposed revision to the code addressing the objectivity of engagement quality reviewers</p>	<p>The International Ethics Standards Board for Accountants (IESBA) has issued an Exposure Draft on proposed revision to the code addressing the objectivity of engagement quality reviewers.</p> <p>Among others, the Exposure Draft proposes guidance:-</p> <ul style="list-style-type: none"> (a) Explaining the different types of threat to compliance with the fundamental principle of objectivity that might be created in circumstances where an individual is being considered for appointment as an EQR for a particular engagement. The IESBA considers that this would help enhance firms' awareness of the range of possible threats to the objectivity of an EQR and assist them in (b) Identifying threats given the specific facts and circumstances. (See paragraph 120.14 A2.) 12. (c) On factors to consider in evaluating the level of the identified threats, as well as actions that might be safeguards to address the threats. (See paragraphs 120.14 A3-A4.) <p>For more information go to: https://www.ifac.org/system/files/publications/files/Explanatory-Memo-Engagement-Quality-Reviewer-Objectivity.pdf</p>	<p>The deadline for stakeholders' comments is on or before 16th March 2020.</p>
<p>Exposure Draft: Proposed revision to the non-assurance services Provisions of the Code</p>	<p>The International Ethics Standards Board for Accountants (IESBA) has issued an Exposure Draft on proposed revision to the non-assurance services (NAS) provisions of the code.</p> <p>Key changes proposed to the NAS provisions include:</p> <ul style="list-style-type: none"> (a) A general prohibition on the provision of a NAS that creates a self-review threat to independence in the case of an audit client that is a public interest entity (PIE) (see proposed paragraph R600.14). 	<p>The deadline for stakeholders' comments is on or before 4th May 2020.</p>

	<p>(b) New requirements to strengthen firm communication with those charged with governance (TCWG) about NAS-related matters including, in the case of audit clients that are PIEs, a requirement for firms to obtain concurrence from TCWG for the provision of the NAS (see proposed paragraphs R600.18 to 600.19 A2).</p> <p>(c) Strengthened provisions for identifying and evaluating threats, including those that are created by the provision of multiple NAS to the same audit client (see proposed paragraphs 600.9 A1 to 600.10 A1).</p> <p>(d) Enhanced clarity about the relevance of the concept of materiality in applying the NAS provisions (see proposed paragraph 600.15 A1).</p> <p>(e) More robust provisions to address threats, including new application material to emphasize how a firm might deal with situations when a safeguard is not available (see proposed paragraphs 600.16 A1 to 600.16 A4).</p> <p>(f) Within the subsections, the descriptions of the specific types of NAS that are covered in the Code are improved and, in some cases, expanded.</p> <p>For more information go to: https://www.ifac.org/system/files/publications/files/FINAL-IESBA-ED-Proposed-Revisions-to-the-NAS-Provisions-of-the-Code.pdf</p>	
<p>Exposure Draft: Proposed revision to the fee-related provisions of the code</p>	<p>The International Ethics Standards Board for Accountants (IESBA) has issued an Exposure Draft on proposed revision to the fee-related provisions of the code.</p> <p>The IESBA is proposing revisions to the Code which include modifications to:</p> <ul style="list-style-type: none"> i. Articulate and address the issue of threats to independence created when fees are negotiated with and paid by the audit or assurance client. ii. Clarify that the audit fee should be a standalone fee within the spectrum of total fees from the audit client so that the provision of services other than audit does not influence the level of the audit fee. ii. Provide guidance for firms to evaluate and address the threats to independence created when a large proportion of total fees charged by the firm or network firms to an audit client is for services other than audit. 	<p>The deadline for stakeholders' comments is on or before 4th May 2020.</p>

	<ul style="list-style-type: none">v. Enhance the provisions regarding fee dependency both when audit clients are public interest entities (PIEs) and when they are non-PIEs, including establishing a threshold for addressing threats in the case of non-PIE audit clients.v. Require the firm to cease to be the auditor for a PIE audit client if circumstances of fee dependency continue beyond a certain period.i. Enhance transparency with regard to fee-related information for PIE audit clients to assist those charged with governance (TCWG) and the public in forming their views about the firm's independence.ii. Enhance the robustness of guidance in the Code regarding factors to evaluate the level of the threats created when fees are paid by an audit or assurance client and safeguards to address such threats. <p>For more information go to: https://www.ifac.org/system/files/publications/files/FINAL-IESBA-ED_Proposed-Revisions-to-the-Fee-related-Provisions-of-the-Code_0.pdf</p>	
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INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSASs)

Current issues on IPSASs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft 70: Revenue with performance obligations</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft 70 which aims at developing a new standard that provides the recognition and measurements of revenue transactions with performance obligations.</p> <p>The Exposure Draft requires a reporting entity to recognize revenue by applying the following steps:</p> <ul style="list-style-type: none"> (a) Step 1: Identifying the binding arrangement with a purchaser (see paragraphs 8-20); (b) Step 2: Identifying the performance obligations in the binding arrangement (see paragraphs 21-29); (c) Step 3: Determining the transaction price (see paragraphs 45-71); (d) Step 4: Allocating the transaction price to the performance obligations in the binding arrangement (see paragraphs 45 and 72-85); and (e) Step 5: Recognizing revenue when (or as) the entity satisfies a performance obligation (see paragraphs 30-44). <p>The Exposure Draft should be read in conjunction with the following Exposure Drafts</p> <ul style="list-style-type: none"> • Exposure Draft 71: Revenue without performance obligations • Exposure Draft 72: Transfer Expenses <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSASB-ED-70-Revenue-with-Performance-Obligations.pdf</p>	<p>The deadline for stakeholders' comments is on or before 1st November 2020.</p>

<p>Exposure Draft 71: Revenue without performance obligations</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft 71 which aims at updating IPSAS 23, <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i> to provide recognition and measurement requirements for revenue transactions without performance obligations.</p> <p>The core principle of Exposure Draft is that a transfer recipient shall recognize an asset and the associated revenue to the extent it has satisfied any present obligations associated with the transaction.</p> <p>A transfer recipient shall consider the terms of the arrangement, and all relevant facts and circumstances, when applying the requirements of the ED 71. Paragraph AG2 provides additional guidance on the Objective.</p> <p>The Exposure Draft should be read in conjunction with the following Exposure Drafts</p> <ul style="list-style-type: none"> • Exposure Draft 70: Revenue with performance obligations • Exposure Draft 72: Transfer Expenses <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSASB-ED-71-Revenue-without-Performance-Obligations.pdf</p>	<p>The deadline for stakeholders' comments is on or before 1st November 2020.</p>
<p>Exposure Draft 72: Transfer Expenses</p>	<p>The International Public Sector Accounting Standards Board (IPSASB) has issued an Exposure Draft 72 which aims at developing a standard that provides recognition and measurement requirements applicable to providers of transfer expenses.</p> <p>The ED aimed at establishing principles that an entity (a transfer provider) shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenditure and cash flows arising from transfer expenses by requiring transfer provider to recognize expenses as follows:</p> <p>(a) For transfer expenses where the transfer recipient is required to satisfy performance obligations by transferring goods or services to a third-party beneficiary, to depict the transfer of resources in an amount that reflects the consideration which the transfer provider expects to be obligated to pay in</p>	<p>The deadline for stakeholders' comments is on or before 1st November 2020.</p>

	<p>exchange for those goods or services; and</p> <p>(b) For transfer expenses where the transfer recipient is not required to satisfy performance obligations, at the earlier of the date at which the transfer provider has a present obligation to transfer resources to a transfer recipient, and the date when the transfer provider ceases to control the resources (i.e., when it transfers those resources to the transfer recipient)</p> <p>For More information go to: https://www.ifac.org/system/files/publications/files/IPSASB-ED-72-Transfer-Expenses.pdf</p>	
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IPSASs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>IPSAS 41 : Financial Instruments</p>	<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:</p>	<p>Effective for annual periods beginning on or after 1st January 2022. Earlier application is permitted.</p>

	https://www.ifac.org/system/files/publications/files/IPSAS-41-Financial-Instruments.pdf	
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 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>	<p>Effective for the period beginning on or before 1st January 2022.</p>

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Current Updates on IFRSs

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft ED/2019/7: General Presentation and Disclosures.</p>	<p>The International Accounting Standards Board (Board) has issued an Exposure Draft ED/2019/7 to improve how information is communicated in the financial statements.</p> <p>The ED includes:</p> <ul style="list-style-type: none"> (a) a proposal to replace IAS 1 Presentation of Financial Statements with a new Standard that would comprise: <ul style="list-style-type: none"> i. new requirements on presentation and disclosures in the financial statements.² ii. Requirements brought forward from IAS 1 with only limited changes to the wording. (These changes are not intended to modify any requirements.) (b) proposed amendments to other Standards: <ul style="list-style-type: none"> i. IAS 7 Statement of Cash Flows; ii. IFRS 12 Disclosure of Interests in Other Entities; iii. IAS 33 Earnings per Share; iv. IAS 34 Interim Financial Reporting; v. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to include some requirements from IAS 1;3 and vi. IFRS 7 Financial Instruments: Disclosures to include some requirements from IAS 1. <p>For more information go to: https://cdn.ifrs.org/-/media/project/primary-financial-statements/exposure-draft/ed-general-presentation-disclosures.pdf</p>	<p>The deadline for stakeholders' comments is on or before 30th June, 2020.</p>

<p>Request for Information: Comprehensive Review of the IFRS for SMEs Standard</p>	<p>The International Accounting Standards Board (Board) has issued an Exposure Draft ED/2019/7 to improve how information is communicated in the financial statements.</p> <p>The objective of the Request for Information is to seek views on whether and how aligning the IFRS for SMEs Standard with the full IFRS Standards could better serve users of financial statements prepared applying the IFRS for SMEs Standard without causing undue cost and effort for SMEs.</p> <p>For more information go to: https://cdn.ifrs.org/-/media/project/2019-comprehensive-review-of-the-ifrs-for-smes-standard/request-for-information-comprehensive-review-of-the-ifrs-for-smes-standard.pdf</p>	<p>The deadline for stakeholders' comments is on or before 27th July, 2020.</p>
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IFRSs applicable for the next coming years

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>IFRS 17 “Insurance Contracts”</p>	<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> <ul style="list-style-type: none"> a. Updated information about obligations, risks and performance of insurance contract b. 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, 2021.</p> <p>Earlier adoption is encouraged.</p>

NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS

PROJECTS/APPROVED STANDARDS	CHANGES	EFFECTIVE DATE
<p>Exposure Draft: Reviewed TFRS 1 – The Governance Report</p>	<p>The National Board of Accountants and Auditors (NBAA) has issued an Exposure Draft seeking comments on the reviewed Tanzania Financial Reporting Standard No.1.</p> <p>The TFRS 1 has been reviewed to accommodate various since its issuance, those changes includes but not limited to:</p> <ul style="list-style-type: none"> • Changes that has been taken place in financial reporting since 2010 including changes in accounting standards. • To integrate it with integrated thinking reporting which is a strategic approach to communicate how an organization uses resources to create value for its stakeholders. • IASB also issued an IFRS Practice Statement Management Commentary on 9th December 2010, which is now under review a draft Revised Management Commentary is expected in 2020, however, some consultative meetings have already been done <p>For more information go tohttp://www.nbaa.go.tz/2020/feb/exposure_draft2020.pdf</p>	<p>The deadline for stakeholders' comments is on or before 31st March, 2020.</p>