



Financial Reporting - The Human Element

Tax Firms & Technology

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Presenters



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Financial Reporting The Human Element

Nienke Kruger, Product Manager, Financial Reporting

A man in a white shirt and dark trousers stands with his back to the camera, holding his head in his hands in a gesture of stress or frustration. He is standing in front of a large chalkboard covered in dense, hand-drawn white chalk sketches. The sketches include various business and financial symbols: airplanes, envelopes, a hot air balloon, a city skyline, a bar chart, a line graph, a pie chart, a clock, a factory, a truck, a stack of money, a padlock, and several arrows indicating flow or movement. The background is a solid dark blue.

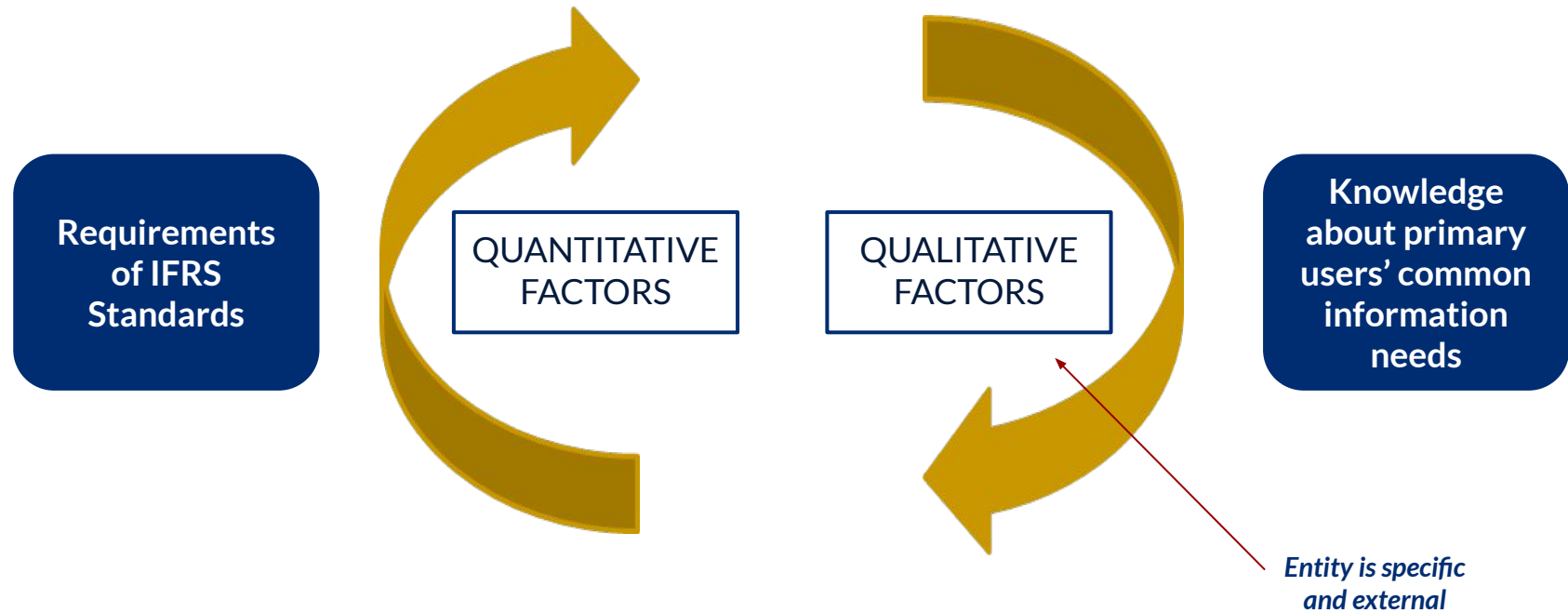


IFRS & SME Standard

International Accounting Standards Board (IASB)

Material

IAS 1.7 “Information is material if omitting, misstating or **obscuring** it could reasonably be expected to **influence decisions** that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information **about a specific reporting entity.**”



Judgement

The ability to make considered decisions or come to sensible conclusions.



CASEWARE_®

Professional Judgement

“Professional judgment involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, taking into account the nature and scope of the particular professional activities, and the interests and relationships involved.”

JSE Report

Reporting back on proactive monitoring of financial statements in 2021

IAS 1 was the single largest contributor to their findings (60%)

- Incl. entity specific information about judgement made that have the most significant impact on amounts recognised
- Providing accounting policies for unusual transactions and unusual accounting treatments
- Providing add disclosure when compliance with the specific IFRS are insufficient to enable a full understanding
- Detailed disclosure to support going concern assumption

IRBA

Public inspection Report on Audit Quality 2021

The deficiencies identified from financial statement presentations and disclosures have increased substantially during inspections over the past few years, to the extent that in the current year they comprised 29% of all inspection deficiencies reported on.

Example - IFRS 9 adoption

- Revenue - R 4 000 000'
- Trade and other receivables - R 80 000'
- Trade receivables - R 30 000'

Example

<div>23. Trade and other receivables</div> <div>The company adopted IFRS 9 Financial Instruments</div> <div>Financial instruments</div> <div>Financial assets measured at amortised cost</div> <div>Trade receivables - gross</div> <div>Trade receivables - loss allowance</div> <div>Other receivables</div> <div>Debt investments</div> <div>Loans</div> <div>Other</div> <div>Non-financial instruments</div> <div>Prepayments</div> <div>Straight-lining of operating lease</div> <div>Text section</div> <div>Classification of trade receivables</div> <div>Text section</div> <div>Debt investments</div> <div>Text section</div>	<div>23. Trade and other receivables (continued)</div> <div>Other receivables and deposits</div> <div>Text section</div> <div>Deposits</div> <div>Other receivables</div> <div>Other receivables aged below</div> <div>Text section</div> <div>On this basis, the loss allowance as at 1 April (on adoption of IFRS 9) was:</div> <div>Other debtors - 2018</div> <div>Current performance R '000</div> <div>Expected loss rate %</div> <div>Gross carrying amount</div> <div>Loss allowance in respect of matrix debtors</div> <div>Loss allowance in respect of specific trade debtors</div> <div>On this basis, the loss allowance as at 31 March 2019</div> <div>Other debtors - 2019</div> <div>Expected loss rate %</div> <div>Gross carrying amount</div> <div>Loss allowance in respect of matrix debtors</div> <div>Loss allowance in respect of specific trade debtors</div> <div>The closing loss allowances for trade receivables as at 31 March 2019 are as follows:</div> <div>31 March - calculated under IAS 39</div> <div>Amounts restated through opening retained earnings</div> <div>At 1 April calculated under IFRS 9</div> <div>Increase in loss allowance</div> <div>Written off as uncollectable</div> <div>Unused amounts reversed</div> <div>At 31 March</div> <div>The carrying amounts of the company's trade and other receivables as at 31 March 2019 are:</div> <div>Text section</div>	<div>23. Trade and other receivables (continued)</div> <div>On this basis, the loss allowance as at year end was determined as follows for trade receivables:</div> <div>Trade debtors - 2019</div> <div>Current performance R '000</div> <div>Expected loss rate %</div> <div>Gross carrying amount</div> <div>Loss allowance in respect of matrix debtors</div> <div>Loss allowance in respect of specific trade debtors</div> <div>Other debtors - 2019</div> <div>Current performance R '000</div> <div>Expected loss rate %</div> <div>Gross carrying amount</div> <div>Loss allowance in respect of matrix debtors</div> <div>Loss allowance in respect of specific trade debtors</div> <div>Other debtors - 2019</div> <div>Expected loss rate %</div> <div>Gross carrying amount</div> <div>Loss allowance in respect of matrix debtors</div> <div>Loss allowance in respect of specific trade debtors</div> <div>The closing loss allowances for trade receivables as at 31 March 2019 are as follows:</div> <div>31 March - calculated under IAS 39</div> <div>Amounts restated through opening retained earnings*</div> <div>At 1 April calculated under IFRS 9</div> <div>Increase in loss allowance</div> <div>Written off as uncollectable</div> <div>Unused amounts reversed</div> <div>Acquisition of subsidiary</div> <div>Currency translation</div> <div>At 31 March</div> <div>* The restatement on transition to IFRS 9 as a result of applying the new impairment requirements</div>	<div>23. Trade and other receivables (continued)</div> <div>Credit risk</div> <div>Trade receivables</div> <div>Text section</div> <div>Text section</div> <div>Text section</div> <div>Text section</div> <div>On this basis, the loss allowance as at on adoption of IFRS 9 was determined as follows for trade receivables:</div> <div>2018</div> <div>Current - performing R '000</div> <div>More than 30 days past due R '000</div> <div>More than 60 days past due R '000</div> <div>More than 90 days past due R '000</div> <div>Total R '000</div> <div>Expected loss rate %</div> <div>Gross carrying amount</div> <div>Loss allowance in respect of matrix debtors</div> <div>Loss allowance in respect of specific trade debtors</div> <div>2019</div> <div>Current - performing R '000</div> <div>More than 30 days past due R '000</div> <div>More than 60 days past due R '000</div> <div>More than 90 days past due R '000</div> <div>Total R '000</div> <div>Expected loss rate %</div> <div>Gross carrying amount</div> <div>Loss allowance in respect of matrix debtors</div> <div>Loss allowance in respect of specific trade debtors</div>
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Example - Covid 19

- Going concern
- Subsequent events
- Impairment

IAS 1 amendment

“The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.”



We are the authors of the financial statements, and we have amazing technology to facilitate with compliance and keeping us up to date, but it is up to us to add the narration, to share the uniqueness.

Tax Firms & Technology

Michael Mncube, Product Manager Tax



Practice Overview

Collaboration

Efficiency

Tax Firms and Technology

Technology enables greater efficiency, better collaboration and improved tax processes.

Key learnings:

- Practice overview
- Collaboration
- Efficiency

Questions



Thank You!

For more information:

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