IFRS Quarterly Navigator:

Your Financial Reporting Roadmap

Quarter 3 2023

Introduction

IFRS News is your quarterly update on issues relating to International Financial Reporting Standards (IFRS). We'll bring you up to speed on topical issues and all recent developments, provide comments and give our perspective on relevant topics.

We are pleased to welcome you to this IFRS-related news edition by Grant Thornton Greece, your quarterly update on issues related to International Financial Reporting Standards (IFRS).

The main objective of this edition is to keep you informed about the recent news and advancements in the field of IFRSs.

Our aim is to provide you with relevant support, useful information, and an understanding of the potential impact these developments may have on your business, by bringing to you the most relevant and up-to-date information and keeping you at the forefront of the ever-evolving world of financial reporting.

From significant standard updates and IASB proposed amendments to thought-provoking articles, our team of experts has crafted this edition to address your informational needs. This edition includes:

- Latest IFRS Updates
- IASB proposed amendments
- Technical insights from our experts:
  - Telling your story: How to make your financial statements an effective communication tool to your investors and other stakeholders
  - Be prepared for the Amendments to IAS 1 and IFRS Practice Statement 2
- Grant Thornton International's Thought Leadership

We also invite you to actively engage with us by sharing your thoughts, questions, or suggestions. Your input is invaluable in shaping the content of future editions.

We hope that you find our IFRS News edition enlightening and a valuable resource for your professional journey, and should you wish to discuss any of the topics covered, please feel free to contact us.

©2023 Grant Thornton Greece. All rights reserved.

Contents

©2023 Grant Thornton Greece. All rights reserved.

01 Latest IFRS updates

This section presents IASB new amendments which have been published in the period from January 2023 until August 2023.

Latest IFRS updates

International tax reform - Pillar Two Model Rules (Amendments to IAS 12)

Executive summary

The International Accounting Standards Board (IASB) has issued amendments to IAS 12 “Income taxes” to give entities temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments introduce both a temporary exception and some targeted disclosure requirements.

Background

The OECD published its Pillar Two Model Rules in December 2021 to ensure that large multinational companies (ie groups with revenue of EUR750 million or more in two of the last four years) would be subject to a minimum 15% tax rate. The reform is expected to apply in most jurisdictions for accounting periods starting on or after 1 January 2024.

However, while the reaction from jurisdictions around the world to implement the changes has been positive, there have been major stakeholder concerns about the uncertainty over the accounting for deferred taxes arising from the implementation of these rules. Those concerns mainly refer to identifying and measuring deferred taxes because determining whether the Pillar Two Rules will create additional temporary differences is very difficult and also which tax rate will be applicable (considering the number of factors affecting its determination).

Therefore, the IASB has acted quickly to address these concerns and provide direction on what they expect entities to disclose.

The amendments

The amendments:

- Provide a temporary recognition exception to accounting for deferred taxes arising from the implementation of the international tax reform (Pillar Two Model Rules). The aim of this exception is to provide some consistency in applying IAS 12 when preparing financial statements as the rules are phased in.
- Additional disclosure requirements – these are targeted at a reporting entity’s exposure to income taxes arising from the OECD reforms in periods in which the Pillar Two Model legislation is enacted or substantively enacted but not yet in effect. The aim of these disclosures is to help investors with their understanding of the reporting entity’s exposure to these tax reforms, particularly before any domestic offshore legislation takes effect. The amendments provide guidance on how this information could be disclosed to meet the above objective.

©2023 Grant Thornton Greece. All rights reserved.

International tax reform - Pillar Two Model Rules (Amendments to IAS 12)

Effective date

Entities are able to benefit from the temporary exception immediately as soon as the amendments are published but in providing this exemption they are required to provide the disclosures to investors for annual reporting periods beginning on or after 1st January 2023. However, in some jurisdictions, such as Europe, the endorsement process will probably not be completed before 30 June 2023 resulting in reporting entities operating in jurisdictions where the Pillar Two Rules have been enacted or quasi enacted, being in a situation that the amendments are aiming to avoid.

We are of the view that if this happens, reporting entities are able to develop their own accounting policy in accordance with the guidance of Paragraph 10 of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

We consider that the value of the information being provided (ie relevancy, reliability, faithful presentation) is outweighed by the costs of attempting to update the deferred tax balances for Pillar Two Model Rules. Put another way, given these amendments to IAS 12 make it clear that no deferred tax is required to be recognised as a result of Pillar Two Model Rules, trying to identify and estimate any deferred tax for one period (i) in a way that might not be consistent with how other reporting entities would do it and (ii) with the only perspective to reverse it in a following period, may not end up providing reliable, consistent and decision useful information for the users of the financial statements.

Our thoughts

We welcome these amendments because many of our clients around the world have indicated they are concerned at the amount of time, cost and effort that will be required to assess the accounting implications associated with the tax consequences arising from the implementation of the Pillar Two Model Rules.

Considering some jurisdictions around the world have already substantially enacted the Pillar Two Model Rules, we commend the IASB for the speed in which they published these amendments and encourage reporting entities to consider what new disclosures are now required well ahead of any reporting obligations they might have.

Listed entities in particular should take into account any views expressed by their local regulator in developing their accounting policy on this matter.

©2023 Grant Thornton Greece. All rights reserved.

Latest IFRS updates

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

Executive Summary

In May 2023, the International Accounting Standards Board (IASB) issued “Supplier Finance Arrangements”, which amended IAS 7 “Statement of Cash Flows” and IFRS 7 “Financial Instruments: Disclosures”.

With the amendments, the IASB has introduced new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk.

The amendments

The amendments require additional disclosures that complement the existing disclosures in these two Standards. They require entities to disclose:

- the terms and conditions of the arrangement
- the amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are included on the statement of financial position
- ranges of payment due dates
- liquidity risk information

These additional disclosure requirements address investors wanting more visibility around supplier finance arrangements, which in some jurisdictions around the world are better known as reverse factoring arrangements.

Effective date

The amendments to IAS 7 and IFRS 7 are effective for accounting periods beginning on or after 1st January 2024 with early application permitted.

Our thoughts

We welcome these amendments. In jurisdictions where supplier financing arrangements are common, we acknowledge there is a need to explain to the users of financial statements what the effects of such arrangements are on an entity’s liabilities and its cash flows.

These amendments will provide the visibility investors require on such arrangements because the disclosures made could impact their assessment of debt covenant arrangements and leverage ratios.

©2023 Grant Thornton Greece. All rights reserved.

Lack of Exchangeability (Amendments to IAS 21)

Executive Summary

The International Accounting Standards Board (IASB) has amended IAS 21 ‘The Effects of Changes in Foreign Exchange Rates’ to clarify the approach that should be taken by preparers of financial statements when they are reporting foreign currency transactions, translating foreign operations, or presenting financial statements in a different currency, and there is a long-term lack of exchangeability between the relevant currencies.

The amendments

The amendments include both updates to guidance to assist preparers in correctly accounting for foreign currency items and increases the level of disclosure required to help users understand the impact of a lack of exchangeability on the financial statements.

The amendments:

- introduce a definition of whether a currency is exchangeable, and the process by which an entity should assess this exchangeability. This includes application guidance included in a new Appendix A
- provide guidance on how an entity should estimate a spot exchange rate in cases where a currency is not exchangeable
- require additional disclosures in cases where an entity has estimated a spot exchange rate due to a lack of exchangeability, including the nature and financial impact of the lack of exchangeability, and details of the spot exchange rate used and the estimation process

The additional disclosure requirements provide useful information about the additional level of estimation uncertainty, and risks arising for the entity due to the lack of exchangeability.

Effective date

The amendments to IAS 21 are effective for accounting periods on or after 1 January 2025, with earlier application permitted.

Our thoughts

Until now IAS 21 included guidance on the exchange rate to be used when exchangeability between two currencies was temporarily lacking but was silent on the approach to be taken when a lack of exchangeability was not temporary. Although lack of exchangeability may occur relatively infrequently, in such cases economic conditions can often deteriorate quickly. Diversity in applying existing IAS 21 guidance may therefore lead to material differences in how events and transactions are reported.

These amendments provide guidance that will increase comparability between financial statements and provide more useful information to users.

©2023 Grant Thornton Greece. All rights reserved.

02 Technical Insights

In this section of our IFRS Quarterly Navigator edition, we bring you technical insights and viewpoints from our experts in the field of financial reporting. We encourage you to dive into these articles and join us on this intellectual journey as we explore the frontiers of financial reporting and unlock new insights that will empower you to navigate the complexities of IFRS.

Technical Insights

Be prepared for Amendments to IAS 1 “Disclosure of Accounting Policies” and IFRS Practice Statement 2 “Making Materiality Judgements” aiming to improve accounting policy disclosures for FY2023 financial statements

In February 2021, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 “Making Materiality Judgements” aiming to improve accounting policy disclosures.

The amendments to IAS 1 require reporting entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1st January 2023.

You can access the article **here.**

©2023 Grant Thornton Greece. All rights reserved.

Technical Insights

Telling your story: How to make your financial statements an effective communication tool to your investors and other stakeholders

Your annual financial statements are a critical communication to your investors and other stakeholders. But how effective are they in meeting your stakeholders' needs?

The average length of financial statements prepared under IFRS has been growing for many years, as more disclosure requirements are added. A reluctance to deviate from well-established practices has led to duplication, irrelevance and "boilerplate".

In the article attached we explore the four key tools you can use to better tell your story and refocus on communication objective, without losing sight of the need to comply with the technical requirements.

The areas where we believe you can make a difference and really refresh your financials are as follows:

- comply but communicate
- prioritise the accounting policies
- omit the immaterial
- re-think the notes

You can access the article **here.**

Supporting you

In making these changes, one thing does not change. Financial reporting is a regulated activity and compliance with the requirements is a must. Getting it right requires professional expertise, care and attention to detail, proper planning and project management and fit-for-purpose systems and controls.

Whatever stage you are at in making improvements to the content and presentation of your annual reports, our specialists can help you get up to date with current trends in financial reporting by providing thought leadership insights, examples of best practice disclosures and support you through the enhancing of your annual reports.

©2023 Grant Thornton Greece. All rights reserved.

03 IASB proposed amendments

This section presents IASB proposed amendments for which exposure drafts have been published in period from January until August 2023.

IASB proposed amendments

Exposure Draft: Amendments to the Classification and Measurement of Financial Instruments

Introduction

The International Accounting Standards Board (IASB) carried out a post-implementation review (PIR) of the classification and measurement requirements in IFRS 9 “Financial Instruments” and related requirements in IFRS 7 “Financial Instruments: Disclosures”.

Feedback indicated that the requirements in IFRS 9 generally work well in practice. In analysing the feedback, the IASB decided to make narrow-scope amendments to IFRS 9 and IFRS 7 to address some of the findings from the post-implementation review.

The IASB published the Exposure Draft Amendments to the Classification and Measurement of Financial Instruments in March 2023.

Proposed Amendments

The Exposure Draft proposes amendments to the following requirements:

- settling financial liabilities using an electronic payment system
- assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features

The Exposure Draft also proposes amendments or additions to the disclosure requirements for:

- investments in equity instruments designated at fair value through other comprehensive income
- financial instruments with contractual terms that could change the timing or amount of contractual cash flows based on the occurrence (or non occurrence) of a contingent event

The comment period closed on 19th of July 2023.

©2023 Grant Thornton Greece. All rights reserved.

IASB proposed amendments

Exposure Draft: International Tax Reform - Pillar Two Model Rules Proposed amendments to the IFRS for SMEs Standard

Introduction

In May 2023 the IASB issued amendments to IAS 12. The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform and introduce targeted disclosure requirements. Because the requirements for accounting for income taxes in Section 29 of the IFRS for SMEs Accounting Standard are based on those in IAS 12, the IASB considered whether to amend Section 29 of the IFRS for SMEs Standard.

The IASB assessed the Pillar Two model rules to be relevant to some entities applying the IFRS for SMEs Accounting Standard. Moreover, because of the urgent need for clarification, the IASB decided to propose amendments to the Standard as a separate standard-setting project outside the Second Comprehensive Review of the IFRS for SMEs Accounting Standard (the IASB's current periodic review of the Standard).

On 1st June 2023 the International Accounting Standards Board (IASB) published the Exposure Draft International Tax Reform - Pillar Two Model Rules - Proposed Amendments to the IFRS for SMEs Standard.

Proposed Amendments

The IASB proposed the following amendments to the IFRS for SMEs Standard:

- introduce a temporary exception to the requirements to recognise deferred tax assets and liabilities related to Pillar Two income taxes and to disclose information that would otherwise be required by paragraphs 29.39–29.41 of the IFRS for SMEs Standard about deferred tax assets and liabilities related to Pillar Two income taxes
- introduce targeted disclosure requirements for affected SMEs in periods when Pillar Two legislation is in effect
- clarify that “other events” in the disclosure objective in paragraph 29.38 of the IFRS for SMEs Standard covers Pillar Two legislation, including in periods when it has been enacted or substantively enacted but is not yet in effect

The comment period closed on 17th of July 2023.

©2023 Grant Thornton Greece. All rights reserved.

04 Grant Thornton International Ltd's Thought Leadership

Grant Thornton International Ltd has released a series of publications providing insights on applying IFRS in challenging situations. Each edition focuses on an area where the Standards have proved difficult to apply or lack guidance.

Grant Thornton International Ltd's Thought Leadership

Insights into IAS 36

IAS 36 "Impairment of Assets" is a Standard that has been effective for many years. However, some areas of the Standard are complex and therefore can be challenging to apply in practice, and therefore many entities struggle when determining whether or not their assets should be impaired.

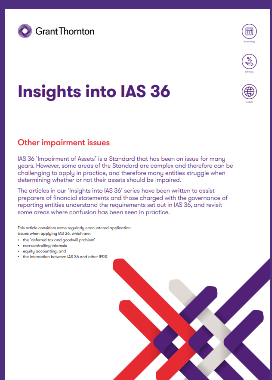
Grant Thornton International Ltd's articles in the "Insights into IAS 36" series have been written to assist preparers of financial statements and those charged with the governance of reporting entities understand the requirements set out in IAS 36 and revisit some areas where confusion has been seen in practice. The final two articles in this series are: "Other impairment issues" and "Presentation and disclosure".

Other impairment issues

Grant Thornton's International Ltd's insights into IAS 36 considers some regularly encountered application issues when applying IAS 36, which are:

- the "deferred tax and goodwill problem"
- non-controlling interests
- equity accounting, and
- the interaction between IAS 36 and other IFRSs

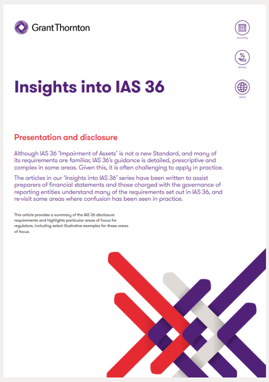
You can access the publication at [Insights into IAS 36 - Other impairment issues]



Presentation and disclosure

This article provides a summary of the IAS 36 disclosure requirements and highlights particular areas of focus for regulators, including select illustrative examples for these areas of focus.

You can access the publication at [Insights into IAS 36 - Presentation and disclosure]



©2023 Grant Thornton Greece. All rights reserved.

Appendixes

Appendixes

Be prepared for the Amendments to IAS 1 “Disclosures of Accounting Policies” and IFRS Practice Statement 2 “Making materiality Judgements” aiming to improve accounting policy disclosures for FY2023 financial statements

Background

In March of 2017, the International Accounting Standards Board (IASB or the Board) published the Discussion Paper Disclosure Initiative— Principles of Disclosure (Discussion Paper) to help it identify and address issues related to the disclosure of information in financial statements prepared by an entity applying IFRSs. The feedback on the Discussion Paper suggested that guidance was required to assist entities in determining which accounting policies to disclose. The Board added this project to its agenda in response to that feedback.

In February 2021, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 “Making Materiality Judgements” aiming to improve accounting policy disclosures. The amendments to IAS 1 require reporting entities to disclose their “material accounting policy information” rather than their “significant accounting policies”. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Amendments

I. Replacing “significant accounting policies” with “material accounting policy information”

The term “significant accounting policies” replaced with the term “material accounting policy information”. The Board concluded that, because “significant” is not defined in IFRSs, entities can have difficulty assessing whether an accounting policy is “significant”. On the other hand, due to the fact that ‘material’ is defined in IFRS Standards and is well understood by stakeholders, the Board decided to require entities to disclose their material accounting policy information instead of their significant accounting policies.

In paragraph 117 of IAS 1 material accounting policy information is defined as:

> **“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.”**

©2023 Grant Thornton Greece. All rights reserved.

II. Applying the definition of material to accounting policy disclosures

What is "material accounting policy information"?

Accounting policy information is material if, **when considered together with other information included in an entity's financial statements**, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The Board explained that, although a transaction, other event or condition to which the accounting policy information relates may be material, it does not necessarily mean that the corresponding accounting policy information is material to the entity's financial statements.

The amendments to IAS 1 clarify that:

- Accounting policy information relating to immaterial transactions, other events or conditions need not be disclosed because it is 'immaterial'.
- Accounting policy information relating to material transactions, other events or conditions may not always be material.

In order to assist entities in determining whether accounting policy information is material to its financial statements the Board included the following diagram.

As can be seen from the diagram, although a transaction, other event or condition to which the accounting policy information relates may be material, it does not necessarily mean that the corresponding accounting policy information is material to the entity's financial statements.

In the transaction, or other event or condition to which the accounting policy information relates material in size or nature, or a combination of both?

No

Accounting policy information that relates to **immaterial** transactions, other events or conditions is immaterial and need not to be disclosed. (para 117A and 117D of IAS 1)

Yes

Is the accounting policy information that relates to a **material** transaction, other event or condition itself material to the financial statements? (para 117B of IAS 1)

No

Immaterial accounting policy information that relates to material transactions, other event or conditions need not to be disclosed. (para 117A & 117D of IAS 1)

Yes

Material accounting policy information shall be disclosed. (para 117 & 117C of IAS 1)

Note: an entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRS Standards (para 117E of IAS 1)

©2023 Grant Thornton Greece. All rights reserved.

When is accounting policy information expected to be material?

The amended IAS 1 includes examples of circumstances in which users of an entity's financial statements would normally need accounting policy information to understand other material information in the financial statements, i.e., where the accounting policy information is normally material.

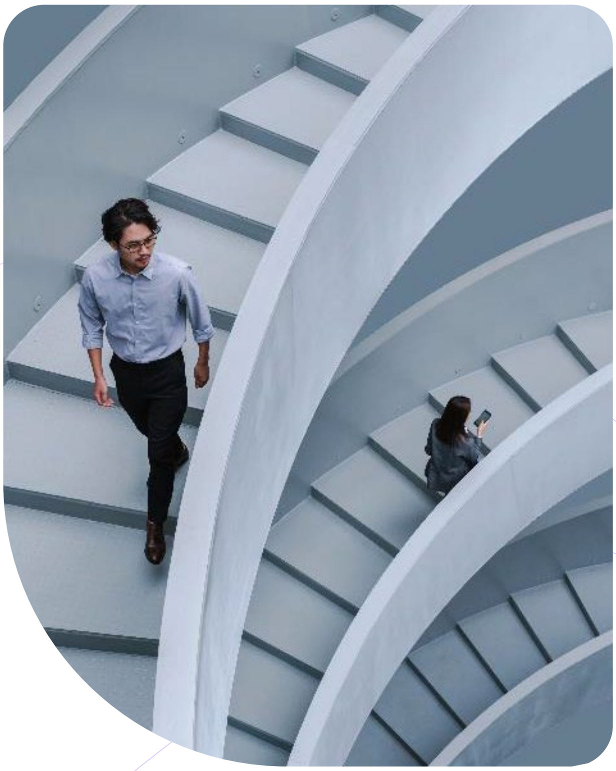
For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:

a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements (e.g. changing policy from the cost to revaluation model in IAS 16 or an entity adopts a new IFRS: an insurance company adopting IFRS 17 in 2023)

b) the entity chose the accounting policy from one or more options permitted by IFRSs (e.g., the entity chose to measure investment property at historical cost rather than fair value)

c) the accounting policy was developed in accordance with IAS 8 in the absence of an IFRS that specifically applies

d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs IAS 1 para 122 and IAS 1 para 125 (e.g. determining multiple aspects of an entity's revenue recognition policies such as determining the transaction price, allocating the transaction price to multiple performance obligations, etc.)



e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions (e.g. convertible notes and other compound financial instruments or those with multiple embedded derivatives).

[IAS 1,para 117B]

The Board clarified that the list of examples is not exhaustive, but it believes that the examples will help an entity to determine whether accounting policy information is material or not.

©2023 Grant Thornton Greece. All rights reserved.

III. Immaterial accounting policy information

If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. [IAS 1, para 117D]. That means that, while the amended IAS 1 implicitly acknowledges that disclosure of immaterial accounting policy information could be acceptable, entities must ensure that such immaterial information does not obscure material accounting policy information.

Immaterial accounting policy information could be removed from the accounting policies disclosures (or relocated) to avoid obscuring material accounting policy information.

An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other IFRSs [IAS 1, para 117E]. For example, if an entity applying the amendments decides that accounting policy information about intangible assets is immaterial to its financial statements, the entity would still need to disclose the information required by IAS 38 "Intangible assets" that the entity had determined to be material.

IV. Entity-specific information to be disclosed

Paragraph 117C of IAS 1 describes the type of material accounting policy information that users of financial statements find most useful. Users generally find entity-specific information more useful than disclosures that only include standardised information, or information that duplicates or summarises the requirements of the IFRS Standards.

V. Disclosure of standardised information

The Board acknowledged that although entity-specific accounting policy information is generally more useful, material accounting policy information could sometimes include information that is standardised, or that duplicates or summarises the requirements of the IFRS Standards. The amendments to Practice Statement (IFRS practice statement 2, para 88f) provide the following examples when such information may be material:

a) users of the entity's financial statements need that information to understand other material information provided in the financial statements

b) an entity reports in a jurisdiction in which entities also report applying local accounting standards

c) the accounting required by the IFRS Standards is complex, and users of financial statements need to understand the required accounting (e.g., where more than one IFRS is applied)

©2023 Grant Thornton Greece. All rights reserved.

Effective date

An entity shall apply the amendments to IAS 1 for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Our Thoughts

The amendments affect all reporting entities when disclosing their accounting policies and impact what accounting policies are disclosed which could affect investors decisions.

Due to the above-mentioned changes to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 “Making Materiality Judgements”, it is expected a significant reduction in the amount of accounting policy disclosures in financial statements and a change from standardized accounting policies to entity-specific disclosures.

Replacing the requirement to disclose “significant” accounting policies with the requirement to disclose “material” accounting policies is expected to enhance the usefulness of financial statements by making the disclosure of accounting policy information more entity-specific and reducing the disclosure of immaterial and “standard” accounting policies.

Therefore, entities should carefully consider whether “standardized information, or information that only duplicates or summarizes the requirements of the IFRSs” is material information and, if not, whether it should be removed from the accounting policies disclosures to enhance the usefulness of the financial statements.

©2023 Grant Thornton Greece. All rights reserved.

Appendixes

Telling your story: Making your financial statements an effective communication tool for your stakeholders' needs

Foreword

Your annual financial statements are a critical communication to your investors and other stakeholders. But how effective are they in meeting your "stakeholders" needs?

The average length of financial statements prepared under IFRS has been growing for many years, as more disclosure requirements are added. A reluctance to deviate from well-established practices has led to duplication, irrelevance and "boilerplate".

All this increases the burden on you – the preparers. Disclosures are added for good reasons – responding to more complex business models and transactions and investors' needs to understand them. Unfortunately, many investors complain that the result is cluttered financial statements in which the truly important information is hard to find.

The problem is not just down to the standards. Companies have struggled to apply the materiality concept to their disclosures. A fear of regulatory challenge has led companies – and their auditors – to take a "safety-first approach". Against this backdrop, and also due to IAS 1 amendments "Disclosure of Accounting Policies" and IFRS Practice Statement 2 "Making Materiality Judgements", which are effective for annual reporting periods beginning on or after 1st January 2023, many companies are taking a fresh look at their financial statements and their process for preparing them.

Their goal is to refocus on the communication objective, without losing sight of the need to comply with the technical requirements.

Summary of best practice

> **"With encouragement from regulators and from the IASB itself, companies around the world are making innovations in their financial statements. Each company is doing so in its own way, in order to better tell its own story. However, we have identified four themes – or best practices – that are common to most companies."**

In this short publication we explore the four best practices you can use to better tell your story. These practices are interdependent. Each is a "tool" that should be used to a greater or lesser extent depending on your circumstances. The areas we believe you can make a difference are as follows:

- comply but communicate
- prioritise the accounting policies
- omit the immaterial
- re-think the notes

©2023 Grant Thornton Greece. All rights reserved.

I. Comply but communicate

Tell your story. Comply with the standards and regulations but also ensure your financial statements are an effective part of your wider communication with your stakeholders.

Your financial statements are just one "piece of the puzzle" when communicating with your stakeholders.

Make them effective using the following tips:

- **Keep it simple** – provide commentary on more complex areas in plain Greek and English language. Some areas of the financial statements can prove difficult for non-experts to follow and understand. Whilst you can attempt to simplify wording, sometimes in order to meet the requirements of the Standards there is a limit to how much simplifying you can do. Instead, you can provide commentary on more complex areas in simple Greek and English. In doing this, you will assist user's interpretation and understanding of the financial statements.
- **Holistic approach** – in order to ensure overall effective communication, you should have a holistic approach. This means you should consider your annual report as a whole and deliver a consistent and coherent message throughout.
- **Be transparent with your Alternative performance measures (APMs).** APMs are performance metrics that are either not defined in IFRS, or are calculated differently from the requirements if IFRS.

So, if using APMs, what should you do?

1. Define your APMs and explain the basis of how they are calculated.
2. Explain why you are using particular APMs.
3. Label your APMs clearly and distinguish them from IFRS disclosures.
4. Ensure your measures are unbiased. Be attention of your definition of "non-recurring".
5. Reconcile to IFRS disclosures if it is not immediately clear where the numbers come from.
6. Use measures consistently and explain any changes together with reasons. Include comparative disclosures for all APMs (with reconciliations).

- **Think digital** – digital reporting is evolving and more companies are addressing its increased demand. More people are using a digital format to read, therefore more companies are addressing the increased demand for digital reporting by focusing on the computerized version. So, find ways to make your PDF interesting. Continues text is hard to read on screen, so using tables or infographics are two ways to break up the text and add some interest to the page. Also be aware of using security features to enable users to gain assurance that the information has not been manipulated.

©2023 Grant Thornton Greece. All rights reserved.

II. Prioritise the policies

The financial statements should disclose your "material accounting policy information". The disclosure of accounting policies is often the longest note in the financial statements.

Done well, this disclosure helps your investors and other stakeholders to properly understand your financial statements. Done badly, it contributes to clutter without adding value. Your disclosures should be relevant, specific to your company and explain how you apply your policies.

In February 2021, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2 "Making Materiality Judgements" aiming to improve accounting policy disclosures. The amendments to IAS 1 require reporting entities to disclose their "material accounting policy information" rather than their "significant accounting policies". The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

These amendments were issued as a result of feedback received indicating that reporting entities needed more guidance when determining what accounting policy information should be disclosed. The amendments are effective for annual reporting periods beginning on or after 1st January 2023. Earlier application is permitted.

You should ask whether your accounting policy disclosures:

- Cover the transactions and balances that are material to your company?
- Remain relevant or need updating?
- Are specific to your company?
- Are positioned in the financial statements in a way that best meets your user's needs?
- Capture your key judgements in applying your policies and your major sources of estimation uncertainty?

©2023 Grant Thornton Greece. All rights reserved.

The aim of accounting policy disclosures is to help your investors and other stakeholders to properly understand your financial statements.

To make accounting policy disclosures effective you should:

- **Disclose only your material accounting policy information** – remove your non-significant disclosures that do not add value. Use judgement to determine whether your accounting policies are material by considering not only the materiality of the balances or transactions affected by the policy but also other factors including the nature of the company's operations.
- **Make your policies clear and specific** – reduce generic disclosures (for example those that summarise the accounting standards) and focus on company specific disclosures that explain how the company applies the policies. Company-specific accounting policy disclosures are written in plain Greek or English so they are easily understood, are up-to-date in terms of IFRS requirements and the business and state if the Company made a policy choice from the Standard and why this choice was made.
- **Articulate key estimates and judgements** – effective disclosures about the most important estimates and judgements enable investors to understand your financial statements. Making estimates and judgements is an integral part of preparing financial statements. However, given the pervasiveness of estimates and judgements, deciding which to disclosure – and what to say about them – can be challenging.

For more information also read **"Be prepared for the Amendments to IAS 1 "Disclosures of Accounting Policies" and IFRS Practice Statement 2 "Making materiality Judgements" aiming to improve accounting policy disclosures for FY2023 financial statements.**

IAS 1 distinguishes between judgements and sources of estimation uncertainty. In practice, however, we observe that many companies' disclosures blur the line. So:

for estimates

Focus on the most difficult, subjective and complex estimates. Include details of how the estimate was derived, key assumptions involved, the process for reviewing and a sensitivity analysis. Many estimates are routine and the range of reasonable possible alternative outcomes is small. However, investors and other stakeholders need to know more about the major sources of estimation uncertainty to properly understand the financial statements.

for judgements

Provide sufficient background information on the judgement, explain how the judgement was made and the conclusion reached. The outcome of your judgements can have a major effect on your reported results and financial position. Your investors and other stakeholders need to understand your critical judgements in order to understand your financial statements.

©2023 Grant Thornton Greece. All rights reserved.

III. Omit the immaterial

Make effective use of materiality to enhance the clarity and conciseness of your financial statements.

The concept of materiality is used throughout financial reporting and auditing. Put it simply, information is material if it could influence the decisions made by users which are based on your financial statements.

According to IAS 1 “Presentation of Financial Statements”, omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Why is materiality an issue?

Many companies traditionally have taken a checklist approach. Why is this? It can seem easier to simply include a disclosure than to make a difficult judgment about whether it’s material. The new consensus is that including immaterial information is not only unnecessary – it actually reduces the usefulness of your financial statements.

What information should you disclosure?

In deciding what information to disclose, it can be useful to think about the broad types of disclosure that IFRS requires. Most IFRS disclosures can be classified into four types:

- Analysis of amounts in the primary financial statements
- Event-drive disclosures
- Unrecognised items
- Risks and uncertainties

How should you assess materiality?

Some materiality assessments are straightforward. For example, you would not disclose information about share-based payment plans if your company has no such plans.

You should also think about removing some other types of disclosure even though they may be considered useful (i.e. movements reconciliations of balance sheet items when there are no movements or disclosures about transaction types that the company no longer engages or “nil” disclosures).

Conversely, a few disclosures are always considered material in practice (i.e. key management personnel compensation, related party transactions or going concern disclosures). The challenge lies in deciding what to disclosure about an underlying transaction or line item that is itself material.

©2023 Grant Thornton Greece. All rights reserved.

Your materiality assessment is the "filter" in deciding what information to disclose and what to omit.

Once you have determined which specific line items require disclosure, you should assess what to disclose about these items, including how much detail to provide and how best to organise the information. This is done by a filtering process as follows:

firstly, filter #1

is to consider if the underlying item (i.e. the amount recognised or unrecognised, event, risk) is itself material because of its size or its nature,

if it is, filter #2

is to determine which specific disclosures (and level of detail) to provide for each item.

For more information also read
"Be prepared for the Amendments to IAS 1 "Disclosures of Accounting Policies" and IFRS Practice Statement 2 "Making materiality Judgements" aiming to improve accounting policy disclosures for FY2023 financial statements.

IV. Re-think the notes

Re-evaluate how you organise the notes to your financial statements to improve their effectiveness as a communication tool.

The disclosures (or notes) are a large section of your financial statements. As such they can have the greatest impact on the effectiveness of your financial statements as a communication tool.

Many companies have been experimenting with the traditional way of organizing the notes in order to better tell their story and emphasize the most important information. This section considers some of the emerging practices. Improve the effectiveness of your notes by:

- **Integrating the notes** – You are not required to have separate notes for each material line item in the primary statements. Nor do you need separate notes to meet requirements from different standards. Notes can be combined in different ways to achieve a more effective communication. An integrated approach provides all the same information as the traditional approach but gives your user all the information they need in one place. For example, some companies choose to combine a note that sub-analyses a balance sheet item, information about the accounting policy and any critical estimates and judgements affecting that item. In that way, the same information is being presented, however is condensed as it is all together.

Another aspect is to combine all information about a specific type of transaction or a group of related transactions, in a single note (i.e. Goodwill and intangible assets, employee benefits).

©2023 Grant Thornton Greece. All rights reserved.

- **Re-ordering the notes** – Traditionally companies have organized the notes starting with accounting policies (including information about key judgments and estimates), then notes to each primary statement in the order of the line items in those statements, and finally other notes such as post-balance date events. You can move away from the traditional order of the notes. Alternative structures may help you to tell your story more effectively, and emphasize the information you consider most important to your users.

The basis for re-ordering is normally to:

- group notes into categories that cover related areas
- place the most critical information more prominently
- a combination of both

- **Using signposting** – Assist users in navigating your financial statements through the use of effective signposting, cross-referencing and indexing. This becomes even more important if you adopt a non-traditional approach to the notes or if your financial statements are very large. Providing cross-references from the primary statements to related notes is of course well-established and is required by IAS 1. However, additional cross-references can help when information has been re-ordered or relocated.

©2023 Grant Thornton Greece. All rights reserved.

What defines our unparalleled edge

Grant Thornton works to support dynamic organizations to address financial reporting issues in today's complex word.

In making this changes, one thing does not change. Financial reporting is a regulated activity and compliance with the requirements is a must. Getting it right requires professional expertise, care and attention to detail, proper planning and project management and fit-for-purpose systems and controls.

We can help you get up to date with current trends in financial reporting by providing:

- thought leadership insights
- examples of best practice disclosures
- support you through the enhancing of your annual reports

Whatever stage you are at in making improvements to the content and presentation of your annual reports, our specialists offer pragmatic solutions, whilst still complying with IFRS Standards.

The Standards are detailed and technical. To the untrained eye, they can appear hard to navigate.

But at Grant Thornton,
we have people who are well versed in their intricacies and can translate them into language that you can understand and apply to your financial statements.

A dedicated team of experts

For further help on IFRS technical issues, contact:

Manolis Michalios
Partner, Head of Assurance

E manolis.michalios@gr.gt.com

Dimitra Pagoni
Partner, Head of Technical Office, Assurance

E dimitra.pagoni@gr.gt.com

Christos Tsagkaris
Principal, Head of Financial Reporting Advisory, Assurance

E christos.tsagkaris@gr.gt.com

Stathis Koutoulogenis
Senior Manager, National Technical Office, Assurance

E stathis.koutoulogenis@gr.gt.com

©2023 Grant Thornton Greece. All rights reserved.

© 2023 Grant Thornton. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Greece is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.