

## TAS Activities Update – October 2021

The last quarter of the year is always laden with activity as many entities will be preparing their annual budgets, getting ready for December year end reporting, preparing for their annual shutdowns, to name a few. As a way of assisting entities with preparation for year-end reporting, TAS carried out some webinars and financial reporting trainings in the month of October. Below is a summary of our service offering to assist entities:

### **Unpacking the effects of changes in the Zimbabwean tax landscape on financial reporting**

On 15 October 2021, TAS hosted a webinar titled ‘Unpacking the effects of changes in the Zimbabwean tax landscape on financial reporting’, presented by Wilbert Mudukuti and Desmond Makoni, and moderated by Ackson Mapfundematsva. The webinar was mainly focusing on Withholding Taxes, Intermediate Monetary Transfer Tax (IMTT), Value Added Tax (VAT) and Import taxes. More than 50 participants registered and paid for the webinar ranging from Clerks to Finance Managers and Auditors.

The webinar helped to address the following:

- Accounting treatment of IMTT for instances where the underlying expenditure is of a capital nature.
- How import tax and VAT affect the cost of an asset and the deferred tax thereof.
- Withholding tax accounting treatments in the books of both the customer and supplier as well; and
- Audit file preparation.

### **The impact of exchange rate issues to the 2021 financial reporting period**

On the 29<sup>th</sup> of October 2021, we hosted a webinar titled ‘The Impact of exchange rate issues to the 2021 financial reporting period’. Innocent Sithole moderated, with Webster Sigauke and Ackson Mapfundematsva presenting to over 70 attendees. The presenters reminded the attendees of the journey that Zimbabwe has walked since 2009 with regards to currency.

The webinar covered the following:

- Financial reporting challenges posed by exchange rate issues in Zimbabwe.
- Which other countries have faced similar issues and what did they do to address them?
- What has been the response from financial reporting standard setting bodies.
- What legal connotations may adoption of IASB recommendations have on a company.

Webster and Ackson continued the conversation on the exchangeability of the Zimbabwe dollar against other currencies, which TAS started discussing in 2020. The discussion touched on the appropriateness of the different exchange rates that entities come across daily and

the kind of disclosures that would be required in a situation where there is lack of exchangeability of a currency.

### **Bulawayo City Council – IPSAS Training**

As part of the drive within the public sector to move towards reporting under IPSAS as opposed to current framework(s), Bulawayo City Council engaged TAS for the provision of training services for the purposes of capacitating the Council in preparation for IPSAS implementation. The training was held from the 11<sup>th</sup> of October to 15<sup>th</sup> of October 2021 in Bulawayo. The IPSAS training covered all the elements of financial statements with emphasis being placed on areas core to first time implementation of IPSAS by the Council. This is a big step by the Council towards the implementation of IPSAS, and we applaud their efforts.

### **UPCOMING EVENTS**

In line with preparation for year-end reporting, in December we will be hosting three additional webinars on the following topics:

#### **ISAs Update**

Auditors play an important role in ensuring the integrity and reliability of the financial statements for companies across all sectors. In essence auditors are the gate keepers in the accounting field as they ensure that the financial statements comply with accounting standards and represent a fair view of the state of affairs of a business. As a result, keeping abreast with changes in the auditing standards is imperative for audit firms to fulfil their mandate to act in public interest. Over the past there have been some changes in the auditing standards to better equip the auditors with methods to deliver on their mandate efficiently and effectively. Under the recently updated ISAs are the following, to name a few:

- *ISA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*
- *ISRS 4400 Agreed Upon Procedures*
- *ISA 220 Quality Management for an Audit of Financial Statements*
- *ISQM 1 Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- *ISQM 2 Engagement Quality Reviews*

TAS is offering a 3-hour training session for audit firms to demystify the changes in ISAs which have occurred since 2020 to date. This training will highlight the impact of these changes in auditing standards to the audit process itself.

#### **Finance for non-finance managers and other professionals**

Financial literacy for non-finance managers and other professionals is a broader term that goes beyond understanding the debits and credits. It is about having the ability to analyse, interpret and critique financial statements information because this is key for sound decision

making and value proposition. It covers the ability to analyse and interpret financial information turning raw data into ideas for better decision making.

It is important for every person involved in a business to understand the ultimate goals of the entity as reflected in the financial information, how this is generated and issues around the process for successful decision making. For instance, for the production manager on the shopfloor, what is critical to them is understanding how much revenue was generated and the costs of production as this will help them to better manage costs of production by monitoring abnormal losses and idle time. Misunderstanding of the key finance related issues by non-finance professionals may inhibit business growth in the long-term.

As TAS we will be offering a 3-hour finance training session for the non-finance managers and other professionals to better equip them with the relevant and key finance related skills to help them craft sound, short- and long-term strategic plans of the company. The training will also help you to understand financial statements and how to analyse them to inform the decisions you make in your non-finance area of work.

### **IFRS update**

When Benjamin Franklin said, “in this world nothing can be said to be certain, except **death and taxes**,” he may not have been aware that accountants are always certain to have year-end reporting. IFRSs are constantly being updated for the purposes of improved financial reporting, which some may find difficult to keep up to date with. With the continued focus on preparation for year-end, TAS will be hosting an IFRS update webinar in November. The webinar will cover the following which are some of the recent changes to IFRSs:

- IAS 1 Amendments
- IAS 8 Amendments
- IFRS 16 amendment as a result of covid-19

### **2022 Calendar**

We will be publishing a calendar of events for the 2022 annual period by the end of November. Keep a lookout for the calendar as it includes CPD events which you may be interested in.

## **CHANGES IN THE ACCOUNTANCY INDUSTRY**

### **IFRS 17 *Insurance Contracts***

IFRS 17 was published in May 2017 with an initial effective date of 1 January 2021, which was subsequently changed to 1 January 2023. This standard replaces IFRS 4 and is meant to bring uniformity – for the purposes of comparability and faithful representation – to the financial reporting of insurers. An amendment to IFRS 4 allowed insurers to postpone the implementation of IFRS 9 and implement it at the same time as IFRS 17.

IFRS 17 affects entities that accept significant risk from other parties, agreeing to compensate the other parties in the event of the occurrence of an uncertain future event. This includes, but is not limited to, the following:

- Life insurance
- Funeral insurance
- General insurance
- Reinsurance
- Medical aid

In preparation for this, the entities affected should be capacitating their teams in preparation for implementation, performing gap analyses to assess the work that needs to be done in order to be IFRS 17 compliant and developing models for use in their financial reporting. In preparation for implementation, TAS has developed training material and capacitated the financial reporting team to assist clients.

### **IPSAS**

The government of Zimbabwe has been on a drive to implement International Public Sector Accounting Standards (“IPSAS”) within the public sector for the purpose of improved accountability and decision-making across the board. This also allows for uniformity and comparability as different entities in the public sector use different reporting frameworks.

IPSAS affects public sector entities which are urban councils, rural councils, public hospitals and state universities to name a few. Entities affected, similar to IFRS 17, should be capacitating their teams and doing gap analyses.

In relation to preparing to implement IPSAS, TAS has prepared training material, trained staff internally and developed implementation guides. We have also started training public sector entities such as Bulawayo City Council and Marondera Town Council.

### **Author**

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Ackson is a Chartered Accountant, Registered Assessor with ICAZ and a Registered Public Accountant. He is the current Head of the Financial Reporting division at TAS. His areas of

expertise are International Financial Reporting Standards (IFRS), International Public Sector Accounting Standards (IPSAS) and Taxation. He has considerable experience in the advisory of a vast number of clients across different industries and countries in Financial Reporting and Taxation.