TRAINING & ADVISORY SERVICES

# NEWSLETTER

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# 01. Should you apply IFRS 17?

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The accountancy profession is abuzz with the approaching effective date of IFRS 17, which is 12 months away. At this point, many insurers around the world have initiated the implementation process for the standard, with some having already achieved full compliance with the new standard. With the focus mostly being on insurance companies it's easy to overlook the fact that in Zimbabwe, IFRS 17 may also apply to some companies that are currently not being regulated by the Insurance and Pensions Commission (IPEC).

IFRS 17 defines an insurance contract as a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

This definition of insurance above raises a number of questions as to who should be applying IFRS 17. To simplify matters, think about when you buy a television with a guarantee or a warranty, is the selling entity not taking insurance risk? How about when companies sell goods and promises to cover for any damages or theft within a given time frame, is that not insurance? Think of legal aid cover, roadside assistance service, credit guarantee contracts, medical cover etcetera, the list is endless.

There is therefore no doubt that insurance services are not restricted to insurance registered companies only. This leaves us with an even bigger question, "Should an entity with one or two insurance type contracts, but whose main business is not insurance apply IFRS 17 for those few insurance type contracts? The answer to this question makes a huge monetary saving difference as implementation of new standards does not come cheap. On the flip side, not making the assessment may also result in financial reports failing to comply with international standards resulting in audit qualifications.

If you feel the issues above speak to you, contact TAS to help you answer these questions and make the right decision. Training and Advisory Services is assisting the market in implementing IFRS 17 through trainings and handholding in the implementation process. Our vast experience in the field of financial reporting including participating in standards writing processes has enabled us to deliver the right level of support to entities and practitioners to implement new standards.

If you liked this article and would like to learn more about IFRS 17, do not hesitate to call us on +263 8688 007098 or email us at marketing@tas.co.zw

## 02. IFRS 9 for insurers

With the effective date for IFRS 17 being less than ten months away, financial statements for insurance companies are expected to undergo major changes. A key area that may be easily overlooked as insurers prepare to implement IFRS 17 is IFRS 9 given that insurers are among the largest holders of financial instruments within the economy.

IFRS 9 became effective on 1 January 2018, but insurance entities were given the option to be exempted from applying IFRS 9 thereby continuing to apply IAS 39 until annual periods beginning before 1 January 2023, same as IFRS 17. This temporary exemption from IFRS 9 was instituted by the International Accounting Standards Board (IASB) to avoid potential undesirable consequences, such as additional accounting mismatches and volatility in profit or loss.

The temporary exemption from IFRS 9 to allow for the simultaneous implementation of both IFRS 9 and 17 presented a problem that was soon picked up by insurers. IFRS 17 requires companies to present one restated comparative period and IFRS 9 permits but does not require restatement of comparative periods and prohibits companies from applying IFRS 9 to financial assets derecognized in the comparative period. Thus, if an entity had any financial assets that it derecognized within the comparative period, it would have been forced to prepare comparative financials by either applying only IAS 39 or a mixture of IAS 39 and IFRS 9. This would result in potential operational complexities giving rise to significant accounting mismatches between financial assets and insurance contract liabilities in the comparative period.

This was resolved by the IASB when they released the IFRS 17 and IFRS 9 comparative information amendment in December 2021. This allows for the application

of IFRS 9 on financial assets derecognized in the comparative period provided the required criteria is met.
For entities that did not exercise the temporary exemption and applied IFRS 9, IFRS 17 allows the entities to redesignate financial assets at the initial application of IFRS 17 to ensure that accounting mismatches are eliminated.
Transition reliefs are also available for insurers dependent on whether an insurer applied for the temporary exemption from IFRS 9 or not.
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# 03.The Journey to adoption of IPSAS in Zimbabwe

In the year 2019, the Finance Minister Honourable Mthuli Ncube launched the migration to Accrual Based International Public Sector Accounting Standards (IPSAS). This game changer move will result in our Public Sector entities producing better financial reports complying to international standards and giving more useful information about the stewardship of our public sector entities. Some of the expected benefits include:

•Clear and transparent information on all resources the entity controls and how those resources were deployed:
•Clear and transparent information on the entity's efficiency level in utilising resources allocated and whether measures taken were effective (thus resources were put to good use)
•Provides an entity with the opportunity to demonstrate successful management of its resources.
•Informed decisions on further provision of resources to the entity:
•Allows government to measure and consolidate all its resources and how they were utilised and the outputs using one framework.

The migration processes are to be done piece meal with 15 pilot entities having started in 2021 and the rest to complete by 2025. One would wonder why give 7 years just to transit from one reporting framework to another. Well, making the change to IPSAS is much more than a simple accounting exercise, it impacts

policies, people, systems, and processes. It is important to appreciate that public sector entities in Zimbabwe are not on the same level. Some are on cash basis accounting, some on partial-accrual basis, others are on IFRS whilst others are already in IPSAS. Their accounting processes, policies, system capabilities, human skilling needs as well as financial resource therefore differ. It is therefore imperative that each entity assesses its readiness and comes up with a feasible plan to prepare for the implementation of IPSAS.
One of the critical and major area to focus on is the internal control frameworks. IPSAS compliant reporting must be backed up by solid internal controls and risk management processes to substantiate the integrity of data produced. This means first time implementors may require improving existing processes or rather create new ones.
Further, first time implementors must also think about factors that influence the nature and speed of the transitioning process, options available in respect of the transition paths, and the management of the transition process. It is therefore critical that an entity choose the right team to drive the transitioning process.
Training and Advisory Services has assisted several entities in applying IPSAS. Our vast experience in the field of financial reporting including participating in standards writing processes has enabled us to deliver the right level of support to entities and practitioners to implement new standards.
If you liked this article and would like to learn more about IPSAS, do not hesitate to contact us on: marketing@tas.co.zw or +263 8688007098

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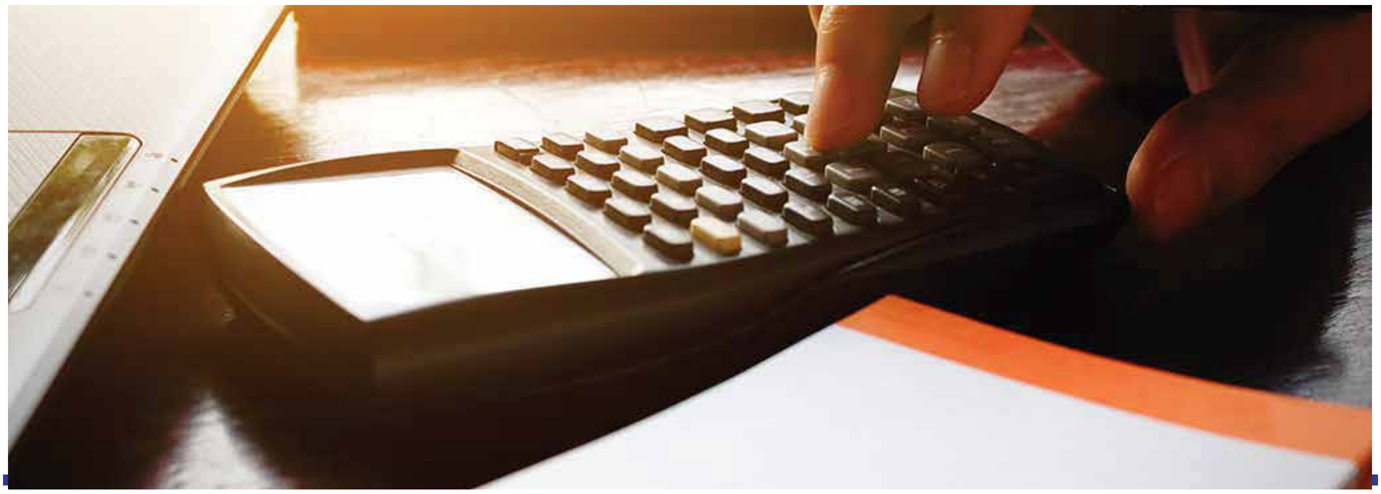

## 04. Future fit Accountant

### What does the future hold for Chartered Accountants and their professional training?

The 21st century, commonly known as the information age, has seen a significant change within the business environment as compared to the 20th century which was mainly characterised by the end of the Industrial Revolution and introduced the Digital Age. This Information Age is much more fuelled by a knowledge economy that values problem solving and critical thinking over the route skills of the Industrial era. The world is becoming one global village and, increasingly, it is becoming important to be able to learn, unlearn and relearn skills necessary to be effective in the new environment. The Chartered Accountancy (CA) profession has not been spared by these changes. The skill sets that a CA should possess to be competent and provide value services have had to change

.

The Institute of Chartered Accountants in Zimbabwe (ICAZ) has been actively revamping its skills framework to ensure its members remain competent and relevant in this century around the world. In 2016, the institute introduced a new skills framework in its training program which requires trainee accountants to demonstrate competency in the execution of technical skills and utilisation of professional skills. The model has seven competency areas in which trainees should be exposed, at varying levels depending on the training office in which they work. At entry level, a CA has been expected to demonstrate competence in technical skills and professional skills.

Technical skills consist of demonstration of application of knowledge in Accounting and external reporting, Financial management, Auditing and assurance, Taxation, Management decision making, Risk management and governance. Professional skills on the other hand consist of Professional conduct, Management and Leadership, Professional attributes and Information technology. The major steps in this framework was to introduce information technology as an area every CA should be well comfortable with.

The institute, however continued to explore what further skills a CA require as this Information Age evolves. Already post 2016, we have seen new transformation in business such as use of fiat money, increased cashless economies, virtual operations just to mention a few, which calls for the CA training model to always be aligned to these changes. ICAZ therefore embarked on a journey in the past few years to realign the current competences, to those required for an accountant in the future. As a result, a new framework was developed with new skill sets and competences fit for a future accountant commonly known as the CA2025.

The Future fit framework brings in new competences around digital skills, business acumen, relational acumen, decision making withing the knowledge economy, social citizenship values among other skills. The Future fit framework is expected to be launched in 2022 with all new trainees signing up after 1 January 2023 expected to be on the new model.
In our next article we will explore the differences between the ICAZ 2016 training framework and the ICAZ Future Fit framework.

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# 05. Training Calendars

## Competence Learning Solutions Calendar

| Description | Proposed Date |
|---|---|
| Trainees Conference | June 2022 |
| Reviewers' Conference | June 2022 |
| Assessor Training | June 2022 |
| Microsoft Office Training (PowerPoint and Word) | July 2022 |
| Excel (Beginners and Intermediate) | July 2022 |
| Evaluators' Conference | August 2022 |
| Excel (Advanced) | August 2022 |
| Assessor Training | September 2022 |
| Future fit Accountant -Trainees Conference | September 2022 |
| Future fit Accountant -Reviewers Conference | September 2022 |
| Assessor Training | December 2022 |

## Financial Reporting Technical Training Calendar

| Description | Proposed Date |
|---|---|
| IFRS Update | June 2022 |
| IPSAS 43 training | June 2022 |
| Finance for Non-Finance | July 2022 |
| Tax Update | July 2022 |

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