

**i**nsights

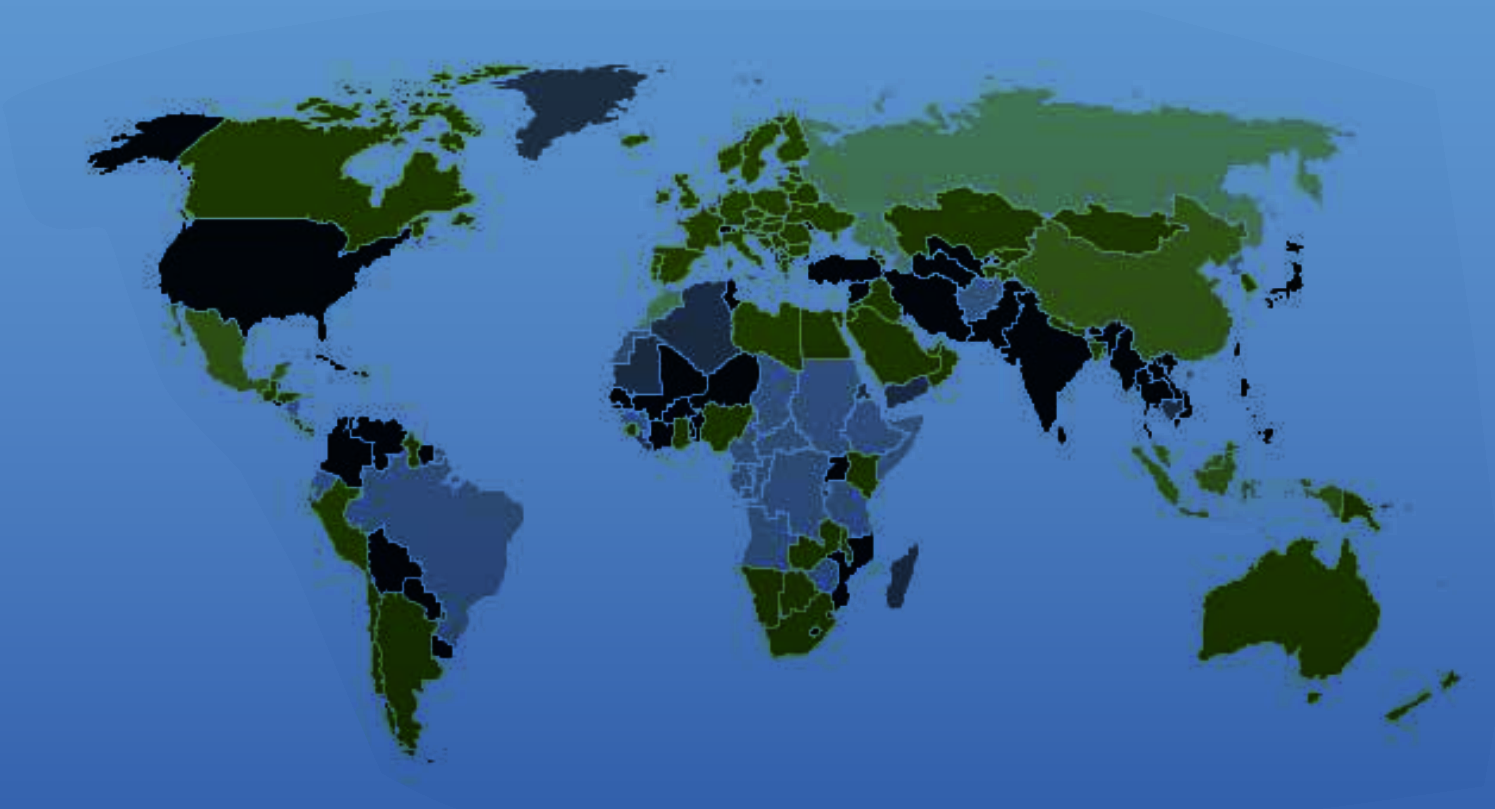
# IFRS Implementation Glimpse



International Financial

# IFRS

Reporting Standards



## Overview of IFRS Implementation

### Organization Current Objective

The current regulatory requirements applicable in the Kingdom of Saudi Arabia require unlisted companies to use IFRS for their financial reporting starting from 1st January 2018.

Implicitly also requires the adoption of IFRS based financial reporting from 1st January, 2017.



#### ASSESSMENT (SOCPA Vs IFRS)

- In depth study of currently applicable and adopted SOCPA standards.
- In depth study of IAS, IFRS, IFRIC & SIC applicable on the company.
- Performing a detailed GAP analysis between the above performed procedures.
- Assessment of materiality and significant changes.
- Drafting the road map & action plans.

#### CONVERGENCE (Adoption of IFRS)

- Thorough comparison of IFRS requirements of first time adoption and the significant changes required in system.
- Breaking down the anticipated changes for the whole system.
- Consideration of Management perspective towards purposed financial reporting.
- Project initiation; division of purposed strategy at Business Unit level.

#### IMPLEMENTATION (Configuring the System)

- Drafting the new financial reporting requirement by adjusting the IFRS implication.
- Embedding the IFRS reporting system into the current system.
- Development of new long term accounting and financial reporting plans ensuring complete compliance with IFRS & IASB.

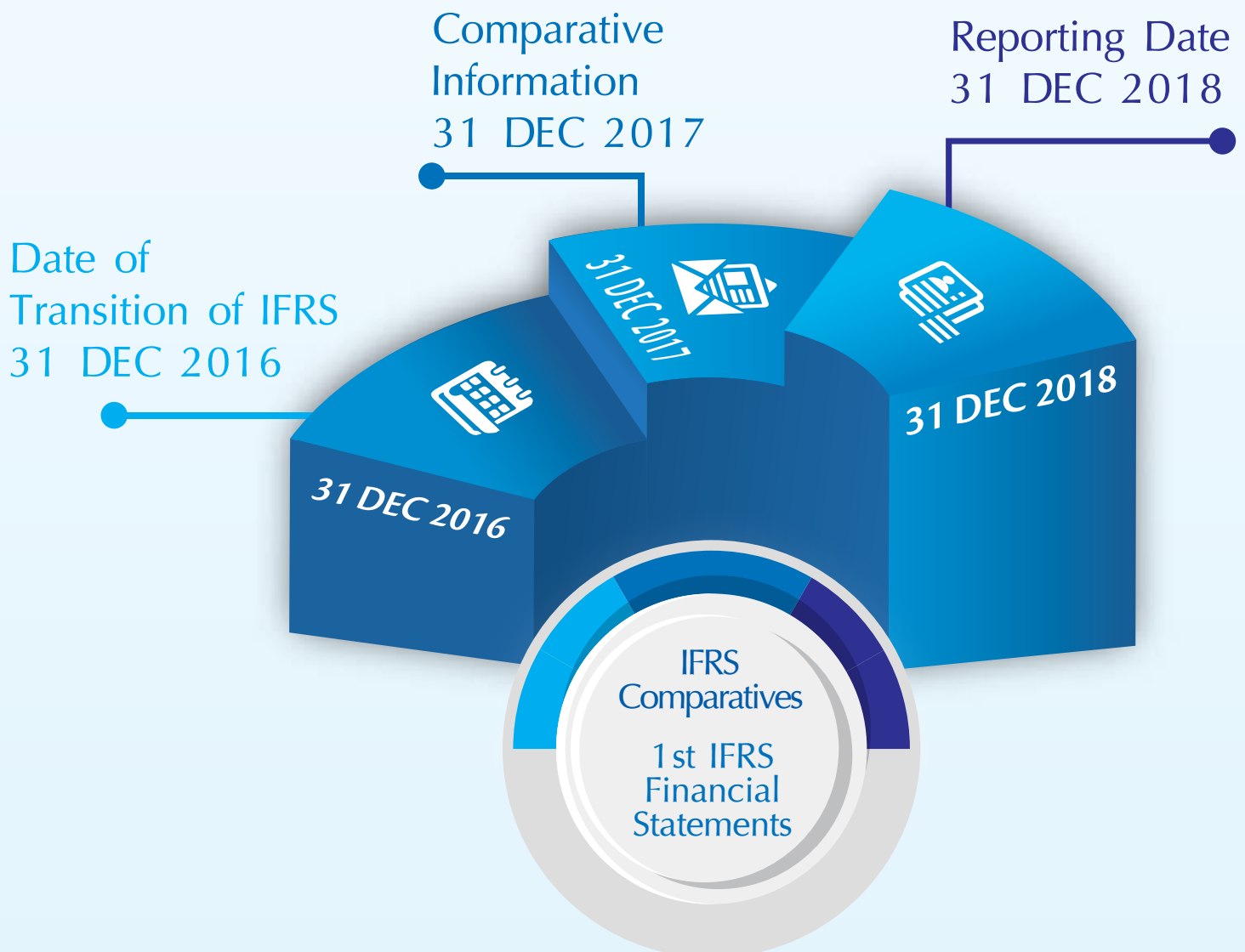
Requirements



## IFRS Transition Timeline in KSA

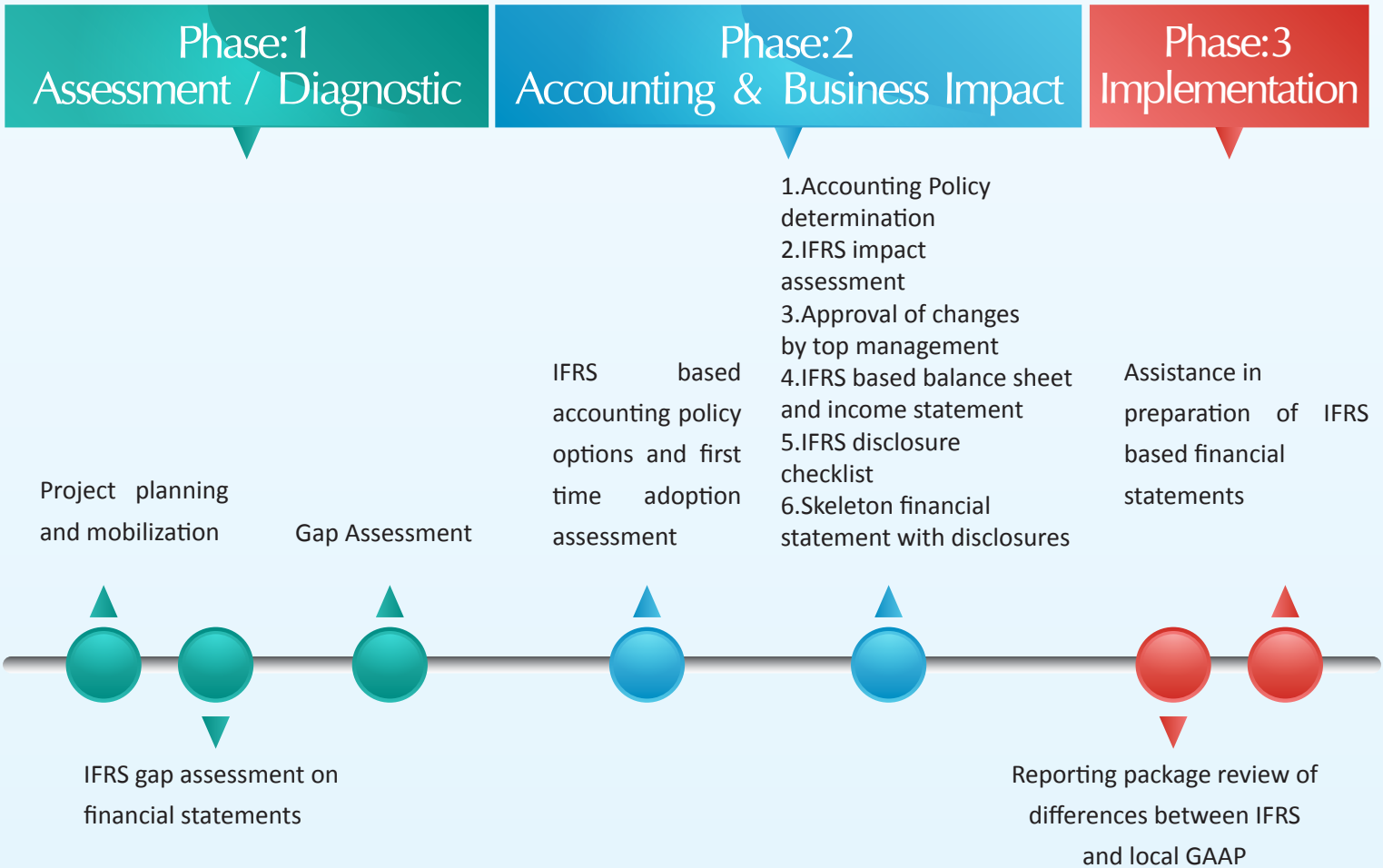
Listed Companies

# Dual Reporting Required for 2018





## Overall Project Journey



The overall timeline is just indicative and will depend on many factors including timely receipt of information and agreeing on the detailed project work plan for implementation activities.

6-8 weeks

8-10 weeks

8-10 weeks

## Road Map - Action Plan

### Phase 1

#### IFRS Diagnostic

- Develop a course plan to suit company's finance team.
- Identification of GAAP differences between company's current accounting policies under SOCPA and IFRS based on the 2016 financial statements. Differences will be identified for all IFRS standards relevant to company, based on its written accounting policy .

Where necessary, additional disclosures, inquiries and interviews will be held with process owners and department heads regarding company's current accounting policies.

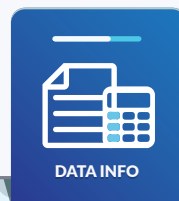
- Identification of significant GAAP differences in disclosures.



### Phase 2

#### Accounting & Business Impact

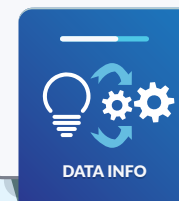
- Provide management with a "Next Step" summary of the accounting policies identified in Phase 1.
- Provide inputs on accounting policy choices available on the transition to IFRS through discussions with management along with PROs & CONs of options available.
- Identifying new group structure - to be vetted by the Auditors/External Consultant if applicable.
- Approval of Proposed Accounting Policies by top management.
- Quantification of impact of the proposed accounting policies under IFRS
- High level assessment of potential zakat/tax related implications following transition to IFRS.
- High level impact of IFRS on chart of accounts, ERP system and key financial ratios.



### Phase 3

#### Implementation

- Assistance in drafting a set of new accounting policies for inclusion in the financial statements.
- High level profit and equity reconciliations to be reported as part of first time IFRS based financial statements.
- Assistance to management on quantification of numbers.
- Skeleton IFRS financial statements tailored for company's.
- Review of opening balance sheet as at 1 January 2017 prepared by management.



## Approach Towards Conversion

### First Time Adoption of IFRS

#### Main Requirements

- An explicit and unreserved statement of compliance.
- Select accounting policies based on IFRS.
- Adjustments to opening balances of year 1 (considering current year ended as year 3)
  - ✓ Derecognition of SOCPA based assets & liabilities
  - ✓ Recognition of IFRS defined assets & liabilities.
  - ✓ Re-classification, re-measurement, re-estimating of all the financial statement elements.
- Preparation of following corresponding current and prior period financial statement:
  - ✓
  - ✓ 3 statements of financial position.
  - 2 statements of profit and loss and
  - ✓ other comprehensive income.
  - ✓ 2 statements of cash flows.
  - ✓ 2 statements of changes in equity.
  - Related notes; including comparative financial information.

#### IFRS 1

First-time Adoption of IFRS sets out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.

#### IAS 1

Presentation of Financial Statements Prescribes the basis for presentation of general purpose financial statements that are prepared and presented in accordance with IFRS.



## Approach Towards Conversion

### First Time Adoption of IFRS

#### General Exemptions:

- Complete exemption from additional disclosure as per IFRS 7.
- Improved Disclosures about Financial Instruments.

#### Some of the Optional Exemptions:

- Borrowing Cost: Exemption from retrospective application of capitalizing borrowing cost for qualifying asset, prior to the date of transition. (IAS – 23)
- Business Combination: Exemption from retrospective application of IFRS prior to the date of transition. (IFRS – 10)
- Employee Benefits: Complete exemption to recognize actuarial gains & losses as per corridor method only if the benefit plan is on defined basis.
- Insurance Contract: Exemption from retrospective application, entities can use transitional requirement under IFRS – 4.
- Leases: Exemptions that permits to apply the transitional requirements in IFRIC 4.
- Deemed Cost: Exemption available for revaluation as purpose to determine deemed cost if entity has revalued assets in recent past and the value is based on fair market value.



# Why Insights

We offer multi-disciplinary skills to address the range of issues that our clients face in dealing with composite matters in the areas of IFRS Implementation, VAT, Trainings, Risk Advisory Services, Accounting Advisory and Financial Advisory.

We work with our clients to provide advice and assistance in developing and implementing the most suitable business strategies sufficing their particular needs.

At Insights, We bring much needed capabilities and deep local expertise to address your needs, your stakeholder expectations and to cater your regulatory obligations.

We serve our clients at every level of their organization, whether as a trusted advisor to top management or as a hands-on coach for front line employees.

Our exclusive performance methodologies and analytical tools enable our clients to run their business more effectively and efficiently.

## Our Services





## Our Clientele

IFRS & VAT Clients in KSA

التصنيع TASNEE



البنك الأول Alawal bank



الراجحي المالية Al Rajhi Capital

ADTRAN

التعاونية Tawuniya



ايسكو AESSCO

Redflex

innovation INTEGRATED BUSINESS SOLUTIONS SA



BROCADE



كينان kinan



تمويل الأولي TAHWEEL AL OULA



Rowad شركة الرواد العالمية للتغليف المصنوع Rowad Global Packaging Co. Ltd.

الشركة الوطنية لصناعة البطاريات National Batteries Company

كريستل CRISTAL

مسقط المالية muscat capital

AGH

# CONTACT US

## Contact Us

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**Insights**

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**Thank You!**

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