www.pwc.ch

IFRS 9 – Are you ready?

What Swiss corporates have so far learned through IFRS 9 implementation

pwc

For the majority of Swiss corporates, the new financial instruments standard came into force on 1 January 2018. Many are finding that the impact of IFRS 9 conversion is greater than had been expected – or planned for. As organizations are now preparing for their 2018 first quarter or half-year results reporting, it is of particular importance to fully reflect the effects of IFRS 9 conversion already in organisations' earliest interim reporting, so as to avoid a potential restatement of balances and disclosure information in subsequent reporting.

Our experience shows that certain key elements frequently carry an elevated impact on Swiss corporates in preparing for their earliest interim reporting under the new standard, including:

Classification & measurement

- Determining the classification and accounting treatment for debt instruments and money market funds, following transition to the more judgment based 'business model assessment,' and application of the 'SPPI test' (Solely Payment of Principal and Interest); e.g. considering any call or conversion features, or other elements which may impact the treatment under IFRS 9.
- Adjusting the accounting treatment for equity instruments previously considered AfS (Available for Sale) and voluntarily measured under IFRS 9 at Fair Value through Other Comprehensive Income (FVOCI).
- Factoring of trade receivables, seizure of collateral, or other factors which may impact the treatment of trade and lease receivables
- Updating the measurement approach for equity instruments previously measured at historical cost.
- Operational aspects, such as programming system solutions for the new accounting logic.

Impairment

- Adjusting provision matrices for allowance accounts to become 'forward looking,' affecting not just trade receivables, but also debt securities, lease receivables and contract assets. Most companies witness an increase in provision balances.
- Updating accounting policy for the definition of impairment for long term trade and lease receivables and contract assets.
- For bonds, tracking changes in credit quality since initial recognition.

Hedging

- Considering the potential for additional or simplified (and more advantageous) hedge accounting relationships.
- Updating hedge designation documentation and corresponding hedge effectiveness calculation methodologies.
- Programming system solutions to account for the portion of derivative valuations which are excluded from hedging relationships (such as paid option premiums, forward points, or currency basis spread).

Transition / Disclosure

- Defining the transition approach.
- Calculation of transitional adjustments.
- Adjusting for the accounting impact of financial liabilities which have been, or which will be, restructured since initial recognition.
- Preparation of extensive additional disclosures required in the year of transition.

If your organization has not yet completed its transition to IFRS 9, our experts stand ready to assist with any remaining measures, such as impact analysis, training, revision of accounting policies, updating of hedge designation documentation and hedge effectiveness testing, configuration of accounting or treasury management systems, or drafting of the required transition disclosures.

Your contacts

Stefan Wüest
Director, Treasury Solutions – Basel/Zurich
+41 79 277 78 88
stefan.wueest@ch.pwc.com

May Soukaseum Peghoux
Manager, Treasury Solutions – Zurich
+41 79 614 93 11
may.soukaseum-peghoux@ch.pwc.com

Andreas Dold
Manager, Treasury Solutions – Basel/Zurich
+41 79 878 01 03
andreas.dold@ch.pwc.com

Pekka Korpi
Manager, Treasury Solutions – Romandie
+41 79 238 60 47
pekka.korpi@ch.pwc.com

James Nelson
Manager, Treasury Solutions – Basel/Zurich
+41 79 627 16 34
james.d.nelson@ch.pwc.com

Tereza Kraus
Manager, Treasury Solutions – Zurich
+41 79 419 62 10
tereza.kraus@ch.pwc.com

pwc