Technical Update TU004/2024

Issued in March 2024

This article covers important amendments issued by:

- **The International Accounting Standards Board, as adopted and approved by Accounting and Auditing Regulator, Cambodia's Regulator of the Accountancy Profession**

The coverage of this newsletter are on the following areas:

1. AMENDMENTS TO CIAS 1: DISCLOSURE OF MATERIAL ACCOUNTING POLICY INFORMATION.

THE AMENDMENTS REQUIRE COMPANIES TO DISCLOSE 'MATERIAL' RATHER THAN 'SIGNIFICANT' ACCOUNTING POLICIES.

ENTITIES ARE EXPECTED TO MAKE DISCLOSURE OF ACCOUNTING POLICIES SPECIFIC TO THE ENTITIES AND NOT GENERIC DISCLOSURES ON CIFRS APPLICATIONS.

I. EFFECTIVE DATE AND KEY TERMS

Effective Date

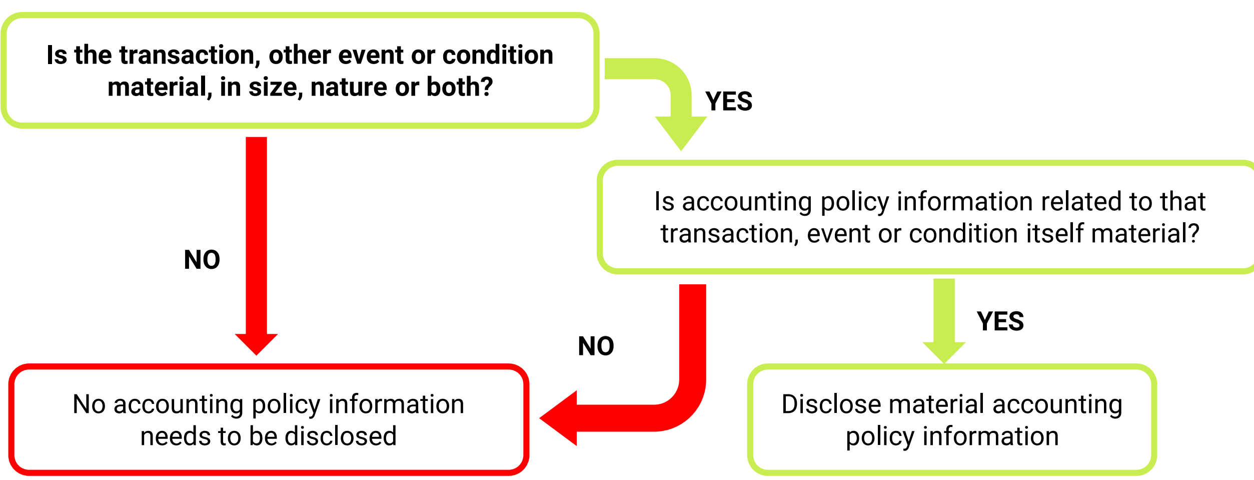
The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. This amendment is applicable to full CIFRS reporters. Amendments to CIFRS for SME is still under exposure draft stage.

Key Terms

Accounting policies: are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. [CIAS 8.5]

Material information: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. [Amendments to CIAS 1.7]

II. DETERMINING WHETHER ACCOUNTING POLICY INFORMATION IS MATERIAL



CIAS 1 provides a non-exhaustive list of examples of when accounting policy information is likely to be material, as follows [CIAS 1.117B]:

- *Change in policy during the period;*
- *Policy chosen from one or more options permitted – e.g. fair value vs cost;*
- *Policy developed in absence of directly applicable guidance in CIFRS;*
- *Significant judgement or assumptions required in applying the policy; and*
- *Complex accounting treatment.*

The Amendments To CIAS 1 Also Clarify That:

- *Accounting policy information relating to immaterial transactions, other events or conditions need not to be disclosed because it is immaterial. However, if it is disclosed, it should not obscure material accounting policy information [CIAS 1.117A-D] ;*
- *Accounting policy information may nevertheless be material because of the nature of the transactions, other events or conditions even if the amounts are immaterial [CIAS 1.117A] ;*
- *Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements [CIAS 1.117B] ; and*
- *Accounting policy information relating to material transactions, other events or conditions may not always be material. [CIAS 1.117A]*

Note: Other disclosure requirements in CIFRS and other events or conditions related to the transaction apply, regardless of whether management assesses accounting policy information to be immaterial.

For example, the disclosure requirements in CIAS 37 Provisions, Contingent Liabilities and Contingent Assets apply even if management determines that the accounting policy information for provisions is immaterial to its financial statements.

III. ILLUSTRATIVE EXAMPLE

PROPERTY, PLANT AND EQUIPMENT

Before The Effect Of The Amendments To IAS 1

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with note 3.5(b).

The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

With The Effect Of The Amendments To IAS 1

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Note:

The accounting policy information stated in paragraphs defining the cost of assets/self-constructed assets and describing the accounting treatment of integral assets and when the assets have different useful lives is just duplicated or summarised the requirements of the CIFRS and this information is not material for the primary users to understand the financial statements. Therefore, these paragraphs are not disclosed.

Subsequent cost

The cost of replacing a part of an item of property, plant and equipment, other than bearer plants, is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

Note: This accounting policy information is just duplicated or summarised the requirements of the CIFRS and this information is not material for the primary users to understand the financial statements. Therefore, these paragraphs are not disclosed.

Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful life (years)
Building	30
Machinery and equipment	5
Motor vehicle	5
Furniture and fittings	4

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

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All other property, plant and equipment are depreciated on straight line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful life (years)
Building	30
Machinery and equipment	5
Motor vehicle	5
Furniture and fittings	4

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

Note: There is no disclosure requirements in relation to the derecognition of PPE and the accounting policy information is just duplicated or summarised the requirements of the CIFRS. Therefore, the paragraph is also not disclosed.

IV. ADDITIONAL GUIDANCE

The accounting policy disclosure section of financial statements often contains standard generic disclosures that can be shortened or tailored to fit specific needs, especially for:

- *Accounting policies that are not material or applicable to the entity;*
- *Accounting policies that are non-complex and has no options within CIFRSs; and*
- *Accounting policies that are standardised information, or information that only duplicates or summarises the requirements of the CIFRSs and are not necessary to understand the related material information disclosed or the significant judgments and estimates made in the financial statements preparation.*

For example:
1. Information that are not actually accounting policy information or just definitions of the accounts such as definitions of related parties and cash and cash equivalents.
2. Accounting policy for financial instruments' classification between liability and equity when the entity does not issue complex debt instruments or only has common shares.
3. Accounting policy regarding various categories of financial instruments such as fair value through profit or loss and fair value through other comprehensive income when the entity only has a single type of financial (loan receivables).
4. Accounting policy pertaining to the offsetting of financial instruments when the entity has no instruments that satisfy the predetermined criteria.
5. Accounting policy regarding contingent liabilities (which are not recognized but disclosed unless they are remote) and contingent assets (which are not recognized but disclosed when they are probable), in cases where the entity does not have any contingent liabilities or contingent assets.
6. Accounting policy information of an item that has a carrying value that is already immaterial or zero.

The above list is not exhaustive. The list does not remove the requirement to provide other disclosure requirements of the related standard(s) and entity-specific disclosures that were assessed material to the entity.

Disclaimer

Let us be of assistance to you.

For further information about how Baker Tilly Cambodia can assist you and your organisation, please contact us via below.

Contact Our Experts

Oknha Tan Khee Meng (KM Tan)
Managing Partner
M: +855 16 988 933
E: km.tan@bakertilly.com.kh

Mercurio C. Rivera I
Director, Audit & Assurance
M: +855 96 387 9490
E: mercurio.rivera@bakertilly.com.kh

Our Office
Baker Tilly (Cambodia) Co., Ltd.
No. 87, Street 294
Sangkat Boueng Keng Kang 1
Khan Boueng Keng Kang
Phnom Penh, Cambodia

T: +855 23 987 100/
+855 23 987 388/
+855 15 888 233

info@bakertilly.com.kh
www.bakertilly.com.kh

Baker Tilly Cambodia