

TAG-Audit Newsletter

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Talal Abu-Ghazaleh & Co. International (TAG-Audit) is a leading global accounting and auditing firm. It is considered as an independent member company of Talal Abu- Ghazaleh organization (TAG-Org). TAG-Audit provides a complete range of internal auditing, external auditing, taxation, and other financial services based on international professional standards.

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Amid the coronavirus outbreak worldwide Talal Abu-Ghazaleh Global Gives Full Support to MSI 20000 Financial Standard



Amid the coronavirus outbreak worldwide and the general economic downturn, IWK Corporate, the technical supporter of the MSI Observatory, and Talal Abu-Ghazaleh Global (TAG. Global), the global organization for professional services, education and technology, have signed a strategic partnership for the deployment of the financial standard MSI 20000 in 14 countries including the United Arab Emirates, Egypt and Jordan.

The partnership also aims at supporting investors and financial experts in evaluating the financial health of enterprises in terms of resilience and performance.

The agreement was signed early March at Brongniart Palace in Paris, in collaboration with Finance Innovation, was attended by leading experts in the fields of finance, financial information, standardization and certification, including Dr. Rama Cont, President of the MSI Observatory, Mr. Jérôme Gacoin, President of Aelium Finance, and Mr. Yvan Mainguy, General Director of DEKRA Certification, MSI 20000 Certifier in Europe.

The objective of the agreement is also to duplicate and deploy in the Middle East a model that proved its value in Europe and in Africa.

Through the MSI 20000 accreditation, TAG. Global strives to consolidate its leading position in the markets, and position itself well with respect to its high added value services in

terms of financial engineering in a perpetually evolving and changing region.

Moreover, the partnership comes in line with the strategic vision of TAG. Global Chairman and Founder, HE Dr. Talal Abu-Ghazaleh, which allowed the Organization to maintain a strong and sustainable international growth since its establishment in 1972. TAG. Global operates out of more than 100 offices worldwide and employs close to 2000 multidisciplinary professionals.

It is worth mentioning that the selection of TAG. Global as IWK partner was primarily based on the fact that it is a major and a key player within a wide range of professional services, and the largest international group of firms for professional services in the fields related to finance, accounting, audit, legal, consulting and intellectual property.

The MSI 20000 standard is the international standard for determining the quality of the situation of financial enterprises and institutions. The MSI 20000 certification aims to assess the financial health of enterprises, on the basis of their solidity and their performance. The Standard applies to all companies, of all sizes, listed or not listed and it covers every sector of activity. Established by the MSI Observatory, the MSI 20000 standard was developed by leading global financial experts, before being tested and adapted over several years.

The analysis process evaluates all data regarding business finances and management of a company, through a sectorial approach and very strict principles, based on several evaluation criteria and inherent normative reference levels.

Commenting on the signing of the partnership, Dr. Abu-Ghazaleh, known as the Godfather of Arab Accounting, expressed his complete support for this cooperation.

“Our belief is that the MSI 20000 certification, through its exhaustiveness and quality of analysis, represents a decisive advantage for any company, and it is for this reason, and even more during these troubled times, that the MSI 20000 certification is entirely adapted to the challenges of the enterprises in the Middle East in terms of process of consolidation and of valuation of enterprises” Dr. Abu-Ghazaleh said.

Meanwhile, Dr. Cont commented: “We, with much interest, welcome the decision of the adoption of the MSI 20000 methodology for accompanying the enterprises in the Middle-East, and we are happy about the natural synergy established between the MSI 20000 standard and the activities of financial and accounting audit.”

For his part, Mr. Cristian Mocanu, General Director of IWK Corporate in Paris, said: “During an ongoing sanitary crisis, that has a major impact on the global economy that unavoidably reminds us of the roots of the MSI 20000 standard, this partnership will allow us to channel and centralize all the certification requests in the Middle East particularly through a prominent partner such as TAG.Global.”

Meanwhile, Mr. Souheil Skander, Director General of Maghreb Corporate in Tunisia, an affiliated member of IWK Corporate that is designated to assist TAG.Global, due to its geographical proximity and the similarities between the regions of Maghreb and of the Middle-East commented that: “This rapprochement, is the first foundation stone in building a real and a fruitful partnership, bearing in mind the Arab countries’ -already included- interest in the MSI 20000 standard.”

Jérôme Gacoin, President d’Aelium Finance said “We are proud to be associated with this operation that prefigures a new era for the listed and non-listed companies in the Middle-East and beyond”.

The partners announced in this respect that they have already identified the first companies that qualify for obtaining the certification; companies that will be subject to MSI 20000 evaluations.

Abu-Ghazaleh: IASCA Holds its Annual Meeting Remotely

HE Dr. Talal Abu-Ghazaleh, Chairman of the International Arab Society of Certified Accountants (IASCA), announced that due to the prevailing conditions, the annual meeting of the Society’s Board of Directors and General Assembly will be held remotely online. This step has been taken in line with the current circumstances relating to the coronavirus spread which banned travel and ordinary meetings.

Accordingly, IASCA has become one of the leading professional entities to conduct its meetings digitally.



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The International Arab Society of Certified Accountants (IASCA)

Member of TAG-Foundation

عضو في طلال أبوغزاله فاؤندينشن

IASCA’s preparedness for digital transformation and online work, is an established certainty where all files, reports and even voting will be exchanged electronically. The same will apply to the publication of reports and meeting’s outputs.

Dr. Abu-Ghazaleh affirmed the Society's keenness on providing all its services for all professionals through its electronic systems which allow remote work such as electronic exam system, digital training platform as well as digital professional publications and curricula issued by the Society; pointing out that the Society also will develop a new set of electronic services which will be announced later on to facilitate publishing and exchange of information.

The International Arab Society of Certified Accountants (IASCA) was established as a non-profit professional accounting organization on January 12, 1984 in London - UK and was officially registered in Amman on February 24, 1994. IASCA aims to improve the science of accounting, auditing and other related subjects at the international level, as well as to maintain the professional independence of accountants, ensure their protection and apply professional supervision standards as means of upgrading the accountancy and auditing professions.

IFRS 16 and covid-19

Accounting for covid-19-related rent concessions applying IFRS 16 Leases

This document is intended to support the consistent application of requirements in IFRS® Standards.

We have been made aware of changes in lease payments that have occurred, or are expected to occur, as a result of the covid-19 pandemic. These changes include, for example, lessors providing rent 'holidays' to commercial lessees.

IFRS 16 Leases contemplates that changes may occur in lease payments over the term of a lease. The required accounting for such changes (if material) involves the application of judgement and depends on a number of factors, including importantly whether those changes were part of the original terms and conditions of the lease. Changes could arise directly from amendments to the lease contract itself or indirectly—for example, from actions of government in response to the covid-19 pandemic. When accounting for changes in lease payments, an entity considers together the lease contract and any applicable law or regulation. In other words, in applying IFRS 16 an entity treats a change in lease payments in the same way, regardless of whether the change results from a change in the contract itself or, for example, from a change in applicable law or regulation.

IFRS 16 sets out specific requirements for how



to account for some changes in lease payments—for example, those arising from changes in an index or rate used to determine lease payments. Otherwise the accounting required by IFRS 16 for a change in lease payments depends on whether that change meets the definition of a lease modification.

Assessing whether a change in payments is a lease modification

IFRS 16 defines a lease modification as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease.

In assessing whether there has been a change in the scope of the lease, an entity considers whether there has been a change in the right of use conveyed to the lessee by the contract—examples of a change in the scope of a lease include adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term. A rent holiday or rent reduction alone is not a change in the scope of a lease.

In assessing whether there has been a change in the consideration for a lease, an entity considers the overall effect of any change in the lease payments. For example, if a lessee does not make lease payments for a three-month period, the lease payments for periods thereafter may be increased proportionally in a way that means that the consideration for the lease is unchanged. If there is no change in either the scope of the lease or the consideration for the lease, then there is no lease modification.

If there has been a change in either the scope of or the consideration for the lease, an entity next considers whether that change was part of the original terms and conditions of the lease. An entity applies paragraph 2 of IFRS 16 and considers both the terms and conditions of the contract and all relevant facts and circumstances. Relevant facts and circumstances may include contract, statutory or other law or regulation applicable to lease contracts¹. For example, lease contracts or applicable law or regulation may contain clauses that result in changes to payments if particular events occur or circumstances arise. Government action (for example, requiring the closure of retail stores for a period of time because of covid-19) might be relevant to the legal interpretation of clauses, such as force majeure, that were in the original contract or in applicable law or regulation. Changes in lease payments that result from clauses in the original contract or in applicable law or regulation are part of the original terms and conditions of the lease, even if the effect of those clauses (arising from an event such as the covid-19 pandemic) was not previously contemplated. In such a case there is no lease modification for the purposes of IFRS 16.

If a change in lease payments results from a lease modification, a lessee applies paragraphs 44-46 of IFRS 16 and a lessor applies paragraphs 79-80 or paragraph 87 of IFRS 16.

Changes in payments that are not lease modifications

If a change in lease payments does not result from a lease modification, that change would generally be accounted for as a variable lease payment. In this case, a lessee applies paragraph 38 of IFRS

16 and generally recognises the effect of the rent concession in profit or loss. For an operating lease, a lessor recognises the effect of the rent concession by recognising lower income from leases.

Partial lease liability extinguishment

If a change in lease payments results in the extinguishment of a part of a lessee's obligation specified in the contract (for example, a lessee is legally released from its obligation to make specifically identified payments), the lessee would consider whether the requirements for derecognition of a part of the lease liability are met applying paragraph 3.3.1 of IFRS 9 Financial Instruments.

Impairment of assets

IAS 36 Impairment of Assets applies in determining whether right-of-use assets (for lessees) and items of property, plant and equipment subject to an operating lease (for lessors) are impaired. The circumstances that give rise to rent concessions as a result of the covid-19 pandemic are likely to indicate that assets may be impaired. For example, loss of earnings during the period covered by a rent concession may be an indicator of impairment of the related right-of-use asset. Similarly, longer-term effects of the covid-19 pandemic could affect the expected ongoing economic performance of right-of-use assets. Lessors will also need to consider the applicable requirements of IFRS 9, for example when accounting for any impairment of lease receivables.

Disclosure

Lessees and lessors must also apply the disclosure requirements of IFRS 16 and other IFRS Standards, such as IAS 1 Presentation of Financial Statements. For example, IFRS 16 requires both lessees and lessors to disclose information that gives a basis for users of financial statements to assess the effect that leases have on their financial position, financial performance and cash flows. The information disclosed will need to be sufficient to enable users of financial statements to understand the impact of covid-19-related changes in lease payments on the entity's financial position and financial performance (paragraph 31 of IAS 1).