
Ihre Ansprechpartner

Sehr geehrte Damen und Herren,

für Rückfragen zu der beigefügten Publikation „In brief“ zur Thematik
“IFRIC 21 Levies – Recognition of the debit“
stehen Ihnen folgende Ansprechpartner gerne zur Verfügung:



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In brief

A look at current financial reporting issues

19 October 2015

IFRIC 21 Levies – Recognition of the debit Issue

In September 2015 the European Securities and Markets Authority ('ESMA') issued an opinion on the recognition of contributions to Deposit Guarantee Schemes (DGS). DGS fall within the scope of IFRIC 21 'Levies'.

IFRIC 21 provides guidance for recognising an obligation to pay a levy that is accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. It does not address the accounting for the costs that arise from recognising a liability to pay a levy. Other standards determine whether the recognition of a liability gives rise to an asset or an expense.

ESMA concluded that contribution to DGS are recognised as an expense in full. ESMA stated that an opinion is necessary to promote consistent application of IFRS in the European Union (EU) and avoid divergence in practice.

Impact

DGS (also known as deposit protection schemes) are used in many countries to protect bank depositors from losses caused by a bank's inability to pay its debts when due. Depositors are protected from bank default by the agency that governs the contributions collected from participating banks. Membership in the DGS is a condition for the banks to take deposits.

The obligating event that gives rise to a liability to pay contributions to DGS depends on the contribution terms in each country. ESMA's opinion is limited to the accounting treatment of contributions that are paid based on forecast rather than actual results (ex-ante contributions), that are non-refundable and for which the obligating event is identified at a single point in time (for example, on 1 January). The opinion explains why no intangible asset or prepayment should be recognised.

Intangible asset?

An asset is a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity (para 8 of IAS 38).

The bank would need to be able to restrict the access of others to the benefits of the DGS to control an asset. No bank could restrict the access of other banks to the benefits of the DGS. This criterion is therefore not met.



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The DGS is designed so that the prime beneficiaries of the scheme are depositors. Repayment of deposits in the event of default would be made by the DGS to the depositors and not to the banks. Future economic benefits will therefore not flow to the bank.

Prepayment?

Paragraph 4.50 of the Conceptual Framework does not allow the recognition of items in the balance sheet that do not meet the definition of assets and liabilities. The payments are not refundable, so the future economic benefits criterion is not met and therefore no prepayment asset can be recognised.

Expense?

ESMA is of the view that the contribution to a DGC is recognised as an expense as soon as the obligating event has occurred.

IAS 34 Interim Financial Statements has no specific guidance for this type of expense and therefore the expense is recognised in full in the interim financial statements in which the obligating event occurs.

Insight

ESMA opined on DGS only, however the opinion shows the thought process applied to the accounting for the debit. This thought process should be considered more broadly when entities are assessing how to account for the debit side of a levy.

Questions

If you have further accounting questions then please contact your usual PwC technical contacts.

