

Ihre Ansprechpartner

Sehr geehrte Damen und Herren,

für Rückfragen zu der beigefügten Publikation „In brief“ zur Thematik „Immediate impact on cash pooling arrangements of IFRS IC decision“ stehen Ihnen folgende Ansprechpartner gerne zur Verfügung:



Guido Fladt
Tel.: +49 69 9585-1455
E-Mail: g.fladt@de.pwc.com



Karsten Ganssaue
Tel.: +49 40 6378-8164
E-Mail: karsten.ganssaue@de.pwc.com



Wolfgang Weigel
Tel.: +49 69 9585-2574
E-Mail: wolfgang.weigel@de.pwc.com



Die PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft bekennt sich zu den PwC-Ethikgrundsätzen (zugänglich in deutscher Sprache über www.pwc.de/de/ethikcode) und zu den Zehn Prinzipien des UN Global Compact (zugänglich in deutscher und englischer Sprache über www.globalcompact.de).

© April 2016 PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. Alle Rechte vorbehalten.
„PwC“ bezeichnet in diesem Dokument die PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, die eine Mitgliedsgesellschaft der PricewaterhouseCoopers International Limited (PwCIL) ist. Jede der Mitgliedsgesellschaften der PwCIL ist eine rechtlich selbstständige Gesellschaft.

In brief

A look at current financial reporting issues

No. INT2016-08
15 April 2016

Immediate impact on cash pooling arrangements of IFRS IC decision

Issue

The IFRS Interpretations Committee (IC) issued an agenda decision in April 2016 on when and whether entities are able to offset balances in accordance with IAS 32. This could have wide ranging implications for both financial institutions and corporate entities. The IC noted that, to the extent to which a group does not expect to settle its subsidiaries' period-end account balances on a net basis, it would not be appropriate for the group to assert that it had the intention to settle the entire period-end balances on a net basis at the reporting date. Hence such balances cannot be offset under IAS 32.

Impact

Who might be affected?

Financial institutions and corporates with cash pooling arrangements where balances fluctuate and are not settled or swept at the period end date.

The example considered by the IC was a group with a cash pooling arrangement involving its subsidiaries' separate bank accounts. There is a legally enforceable right to set off the balances in those accounts in accordance with IAS 32 para 42(a). The group regularly transfers amounts on the accounts (which could be in a cash positive or overdraft position) into a single netting account, but not at the period end. The group expects that the subsidiaries will use their bank accounts before the next settlement date, for example by placing further cash on deposit, repaying an overdraft or withdrawing cash to settle other obligations.

Until now entities with this kind of cash pooling arrangement may have presented the deposit and overdraft balances net in the financial statements because they have both a legally enforceable right to set off and an intention to net settle whatever the balance is on the underlying accounts on a regular basis.

What is the impact?

Positive cash balances and overdrafts cannot be offset to the extent that the entity does not intend to settle the period end balances on a net basis.

However offsetting may still be appropriate if the entity expects the only cash movements before the next settlement date to be deposits into accounts with a positive cash balance and/or withdrawals from accounts in an overdraft position. Also, if an entity maintains a 'core' balance, which is unlikely to fluctuate before the

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2016 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

next settlement date, this core balance may qualify for offset even though balances in excess of the core balance do not.

When is the agenda decision effective?

The agenda decision is effective immediately as it clarifies the IC's view of the accounting treatment that should always have been followed. However, as the decision was only issued in April 2016 entities are not required to amend the presentation of these arrangements for March 2016 period ends.

The revised presentation should be accounted for as a change in accounting policy. It will therefore need to be accounted for retrospectively. Where, in the previous reporting period, the balances did not meet the offset criteria as described in the agenda decision comparative amounts should be restated.

What should groups do?

Immediately

Affected entities should consider whether to reflect the IC decision in their March period ends or defer until the next reporting date and make sure that those charged with governance are aware of the potential impact if material.

For example, if the balance sheet needs to be grossed up because bank account balances can no longer be reported net, entities should check whether this will affect any of their KPIs or banking covenants and take action if necessary.

Grossing up of the balance sheet could also have an impact on financial institutions' regulatory capital reporting, tax charges and the cost of providing notional pooling products.

Going forwards

We may see banks amending their cash pooling offerings e.g. to require settlement (via a transfer into a single netting account) at the reporting date. All parties should consider the effect of proposed changes to the contracts and make sure any new arrangements are in line with their cash management strategy. The accounting effect of any changes should be reflected prospectively from when the change is made.

Even if there are no amendments to the contractual terms of cash pooling arrangements, corporate groups may wish to refine their netting practice to demonstrate an intent to net settle, for example by maintaining a 'core' balance which is unlikely to fluctuate before the next settlement date or by settling the balances more frequently, including at or near the period end.

Where can entities get more details?

See the March 2016 IFRIC update for the full agenda decision.

https://inform.pwc.com/inform2/s/March_2016/informContent/1633082604140124



This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2016 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.