

Balance sheet training for the water companies

S/NO	Asset/ liability	Standard	Key Issues	Recent trends
1.	Property plant and Equipment	IAS 16 PPE	<p>Assets include land, buildings , equipment, ICT, furniture, and fittings, infrastructure assets among others.</p> <p>Initial measurement- cost</p> <p>Subsequent measurement- cost less depreciation and impairment or revaluation/fair value less depreciation and impairment.</p> <p>Disclosure- accounting policy, depreciation method, assets in their classes, independent valuers, fair value measurement models, impairment and reasons for the same and assets pledged as security.</p>	Recent amendments made in 2020 (applicable 1 st Jan 2022) to clarify that sales made from testing an asset will not be deducted from the cost of the asset. These will now be accounted for through the profit and loss statement.
2	Intangible Assets	IAS 38 Intangible assets	<p>Intangible asset- non- monetary asset without physical substance.</p> <p>Software, copyrights , trade secrets, customer lists, franchise agreements, import quotas, video and audio-visual material e, g TV programmes, internet domains, databases, licensing and royalties among others.</p> <p>Initial measurement-cost</p> <p>Subsequent measurement- cost or revaluation model less amortization (assets with finite useful life) and impairment losses. Assets with indefinite life are just impaired.</p> <p>Disclosure- accounting policy, amortization method and rates, basis for determining that an asset has indefinite life , restricted titles and amount of research and development costs expensed</p>	No recent updates.

S/NO	Asset/ liability	Standard	Key Issues	Recent trends
3	Investment property	IAS 40 Investment property	<p>Land or buildings held to earn rentals or for capital appreciation or both.</p> <p>Initial measurement- cost Subsequent measurement – fair value through profit or loss or cost less depreciation and impairment losses.</p> <p>Whether cost or fair value model is used, any classification challenges, accounting policy, independent valuer, rental income from the IP, direct operating expenses of the IP, among others.</p>	No recent changes
4	Right of use assets	IFRS 16 Leases	<p>IFRS 16 replaced IAS 17 Leases.</p> <p>This standard became applicable 1st January 2019. This lease seeks to bring operating leases to the balance sheet under an asset called the right of use asset except for leases for a less period of 12 months and leases where the underlying asset has a low value.</p> <p>Initial measurement- amount of lease liability plus any direct costs incurred by the lessee. (Lease liability is measured at net present value of the lease payments over the lease term discounted at the rate implicit in the lease.</p> <p>Subsequent measurement- Cost less accumulated depreciation(over the life of the lease) and accumulated impairment.</p> <p>Disclosure- Right of use asset in various classes, lease liability , implicit lease rate/ discount rate</p>	Applicable from 1 st January 2019

S/NO	Asset/ liability	Standard	Key Issues	Recent trends
5	Biological Assets	IAS 41 Agriculture	<p>Relates to a living animal or plant. Does not deal with bearer plants, agricultural produce at the time of harvest and government grants related to biological assets. It however applies on produce on bearer plants.</p> <p>Initial recognition- fair value less costs to sell. Subsequent measurement- fair value less costs to sell. Gain or loss to PL. Other costs to PL at fair value except for purchases of biological assets.</p> <p>Disclosure- description of biological assets by group, aggregate gain or loss from initial recognition and changes in periods thereafter, biological assets subject to restriction or security, commitment for development or acquisition of these assets.</p>	
6	Fixed interest investments	IFRS 9 Financial instruments	<p>Classification- Amortized cost- Motive to hold for contractual cash flows and hold to maturity. Contractual terms of the asset is to give rise on specified dates cashflows that are solely payments of principal and interest on repayment of outstanding principal.</p> <p>Fair value through Other comprehensive income- Motive for contractual cash flows hold to maturity or sell.</p> <p>Fair value through profit and loss- motive to trade.</p> <p>Initial measurement- fair value plus transaction costs Subsequent measurement- amortized cost/ FVTPL/ FVTOCI based on classifications above. Disclosures are listed in IFRS 7</p>	Effective 1 st Jan 2018. Other amendments 1 st Jan 2022
7	Quoted investments	IFRS 9 Financial instruments	Fair value through profit or loss	Effective 1 st Jan 2018. Other amendments 1 st Jan 2022

S/NO	Asset/ liability	Standard	Key Issues	Recent trends
8	Unquoted investments	IFRS 9 Financial instruments	Fair value through profit or loss/ Through OCI can be elected.	IFRS removed the cost option for unquoted investments
9	Inventories	IAS 2 Inventories	<p>Finished goods, raw materials, work in progress.</p> <p>Measurement- lower of cost and net realizable value less costs to sell</p> <p>Measurement methods- weighted average and FIFO LIFO is not allowed(why)</p> <p>Disclosure- Accounting policy, carrying amount in their various classifications(appropriate to the entity), any write downs, inventories pledged as security, cost of inventories expensed.</p>	
10	Trade receivables	IFRS 9 Financial instruments	<p>Amortized cost- loss allowance</p> <p>Impairment now measured at the expected credit loss model. (Change from the incurred loss model)</p> <p>This means a receivable has a potential for default from the moment it is contracted.</p>	
11	Tax Recoverable	IAS 12 Taxes	<p>Accounting treatment for income taxes.</p> <p>Current tax asset- Amounts already paid exceeds the amount due (e.g installment taxes paid more than tax computed)</p> <p>Current tax liability- Tax that is yet to be settled.</p> <p>Measurement- amount expected to be paid or recovered from tax authorities using the tax rate enacted or substantively enacted at the reporting date.</p>	Amendments in 2023 Jan – included in the reporting template.
12	Short term deposits Cash and cash equivalents	IFRS 9 Financial instruments	Armortised cost/ FVTOCI- less impairment losses	
13	Ordinary share capital	IAS 32 Financial	Definition and treatment of dividends	

S/NO	Asset/ liability	Standard	Key Issues	Recent trends
		instruments presentation		
14	Revaluation reserve	IAS 16 PPE	On revalued assets. Revaluation gain	
15	Deferred tax liability	IAS 12 Taxes	<p>Deferred tax liability- represents obligation to pay taxes in the future.</p> <p>Deferred tax liability= Temporary difference * tax rate Temporary difference = Carrying amount- tax base</p> <p>Deferred tax asset Amount of tax recoverable in future periods in respect of deductible temporary differences, carry forward of unused tax losses and unused tax credits</p>	
16	Borrowings/ Debt	IFRS 9 Financial instruments	Armortised cost	
17	Lease liability	IFRS 16 on leases	<p>See above</p> <p>To note is the interest to be charged to Profit and loss</p>	Applicable 2019
18	Provisions	IAS 37 provisions contingent assets and contingent liabilities	<p>Provision is a liability of uncertain timing or amount Provision is recognized when there is a present obligation arising from a past event, payment is probable and can be measured reliably.</p> <p>Measurement- best estimate of the expenditure required to settle the obligation at the balance sheet date.</p>	
19	Retirement benefit obligations	IAS 19 Employee benefits	Retirement benefits for entities that operate defined benefit schemes.	
20	Trade and other payables	IFRS 9 Financial instruments	Amortized cost	

S/NO	Asset/ liability	Standard	Key Issues	Recent trends
21	Deferred Income	IAS 20 Accounting for government grants and disclosure of government assistance	<p>Government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.</p> <p>Non-monetary gifts- fair value</p> <p>Grants without conditions- other income</p>	