



CHANGES IN ACCOUNTING STANDARDS WITH TAX IMPLICATIONS

IFRS 9, 15 and 16

International Financial Reporting Standards (IFRS) set common rules so that financial statements can be consistent, transparent and comparable around the world. IFRS are issued by the International Accounting Standards Board (IASB) and in Costa Rica these standards are mandatory since 2001.

IFRS are constantly changing to adapt themselves to the financial reality of companies. In 2018, IASB incorporated several changes for: financial assets and liabilities, income and leases. Unfortunately, we have identified that many companies have not yet updated their accounting practices and not implementing the new standards carry financial and tax risks.

1. Changes IFRS 9 Financial Instruments. This standard is applicable to the financial assets and liabilities of the companies. Implementation date: for annual periods beginning on January 1st, 2018.

Risks:

- Sub or over valuation of the company's financial instruments.
- Inadequate presentation and disclosure in notes of the financial statements of the financial instruments.
- Inaccurate filing of income tax declaration.
- Impact on the opinion of the external auditors.

2. Changes IFRS 15 Revenue from contracts with customers. This rule is applicable to the income obtained by the company for its ordinary activities, regardless of

the moment of billing. Implementation date: for annual periods beginning on January 1, 2018.

Risks:

- Erroneous recognition of income
- Erroneous presentation of profit
- Inaccurate calculation of taxable income
- Audit adjustments adding or reversing income.

3. Changes IFRS 16 Leases: This standard is applicable to long-term leases, except for short-term or low-value leases. Implementation date: for annual periods beginning on January 1st, 2019.

Risks:

- Inadequate classification of leases.
- Incorrect presentation of financial statements.
- Incorrect calculation of the profits.
- Impact calculation of cash flows.
- Inaccurate calculation of deductible expenses.
- Audit adjustments reclassifying assets, liabilities and expenses.

If you have any questions on this matter, our financial services and taxes department can gladly answer your questions.



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