

## Case Study

# One of the largest law firms in the Middle East

Service(s) offered: **IFRS impact assessment and implementation**

Sector/Industry: **Legal service-providers**



## Impact assessment and implementation of IFRS 9 and IFRS 15

Our client is one of the largest law firms in the Middle East. They prepare their books of accounts as per the International Financial Reporting Standards (IFRS). The International Accounting Standard Board (IASB) issued new standards – IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers – applicable to all companies for financial year beginning from or after January 1, 2018

### Challenge

The client had resources who were adept with the basic knowledge on the accounting standards; however they were not updated with the latest amendments and issues that were introduced in the revised standards.

They found complexities dealing with the new accounting standards which had an impact across industries. Therefore, the auditors requested for an impact assessment report.

### Solution

#### Thorough study of the customer contracts

The client had various types of customer contracts when assessed on the type of revenue stream. Our team studied each type of these contracts to understand the impact of new accounting standards.

### Case Highlights

- Detailed study of the firm's customer contracts and account balances to understand the initial impact areas.
- Preparation of accounting template to assist the client with revenue recognition accounting as per the new accounting standard.
- Studying each account balances under the provisions of IFRS 9 – Financial Instruments
- Preparing an ECL model suitable to the information available with the firm and acceptable under the guidelines of the accounting standard

#### Preparation of an accounting template for revenue recognition

Basis the client's revenue contracts and model, our on- site team prepared a revenue recognition template and assisted the client in identifying the events affecting the recognition and the amount for accounting.

This template was tailored to meet the client's specific needs and terms of their contracts.

#### **Studying each balance in the firm's accounts to check the applicability under financial instruments**

We assessed details of each account in the financial statements under provisions of IFRS 9 – Financial Instruments. Furthermore, we studied the impact of the standard on these balances – such as amortization requirement, impairment testing, fair valuation, etc. - and assisted the client to make necessary changes in the accounts and update their financial statements.

#### **Preparation of Expected Credit Loss (ECL)**

The receivables formed a major part of the firms financials, however, they had limited resources to evaluate their expected credit loss. Our team recommended alternative methods of ECL computation after studying and using their historic receivables trend.

#### **Training the firm's personnel and answering auditors' questions**

We explained the newly introduced concepts of the new standards vis-à-vis the earlier provisions to the client's team, answering all their queries and addressed their doubts. Our team was also available on-site to answer all the questions by the auditors with respect to resolve the auditor's queries related to the implementation of the new standards.

#### **Detailed reporting on various aspects of both the standards**

The report issued by us covered all the aspects of the standards applicable to the client's accounts in detail. It included the various options available to the client under the standard, impact on their accounts – numerical or otherwise, comparison to the client's existing accounting practices, additional disclosure requirements under the standard, etc.

#### **Impact**

Our client had a smooth transition to the new accounting standards. The client also appreciated the our solution-oriented approach while we helped them with various alternatives when faced with dilemmas.

From the initial stage, we ensured that the client's team was fully thorough with every aspect of the impact assessment and also implemented our suggestions.

The auditors were provided with detailed responses to their queries, resulting in a smooth performance.

We have since been associated with the client for impact assessments and implementation of further issued accounting standards applicable to them.

For more information on this case study, please write to us at:

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You can also visit our website to know how our services resulted in tangible business benefits:

**[www.nexdigm.com](http://www.nexdigm.com)**