



Areas of focus of SIX Exchange Regulation

How will SIX review 2018 financial statements?

As in prior years, SIX Exchange Regulation (SIX) has released a communiqué (Communiqué No. 1/2018) setting out the areas of focus for its review of 2018 interim and annual financial statements.

Areas of focus for the review of 2018 interim and annual financial statements under IFRS and US GAAP

SIX has indicated three areas where they intend to check compliance with the respective IFRS or US GAAP requirements. For financial statements prepared under Swiss GAAP FER, SIX has defined different areas for focus, as explained later.

1. Relevance and understandability of accounting policies and information on estimation uncertainties (Conceptual Framework/IAS 1)

SIX intends to review the disclosures provided with respect to significant accounting policies and information on estimation uncertainties. In particular, the information will be reviewed for its relevance, understandability and topicality. In addition, SIX will check that the information in the notes to the financial statements reflects the entity's specific circumstances, and whether the significant management judgements are appropriately reflected. The appropriateness and meaningfulness of disclosures regarding significant assumptions about the future and information on material estimation uncertainties will be reviewed.

In order to assess materiality and thus the relevance of financial information, SIX recommends that 'IFRS Practice Statement 2 – Making Materiality Judgements' should be considered.

Further explanations can be found in the Financial Reporting Circular of 19 October 2017, margin numbers 4, 5, 6, 14 and 15.

2. Financial Instruments (IFRS 9/IFRS 7)

SIX will also critically assess the qualitative and quantitative disclosures in connection with the initial application of IFRS 9, pursuant to the relevant requirements of IFRS 7. Particular attention will be given to the clarity and understandability of disclosures regarding the main transition effects in the areas of classification and measurement of financial instruments, and impairment of financial assets. Additionally, the reconciliations provided as at the date of initial application will be critically examined.

SIX draws attention to the consequential amendments to IAS 1 p82, which require the separate presentation of additional significant line items in the statement of comprehensive income.

3. Revenue from Contracts with Customers (IFRS 15)

The new revenue standard and its qualitative and quantitative disclosures are the third area for review by SIX Exchange Regulation: it will verify whether unconditional items (receivables) in the statement of financial position are distinguished from conditional items (contract assets and liabilities). The disclosures of revenue recognition will also be monitored, to assess whether they are sufficient in terms of their nature, amount and timing, and whether any existing uncertainties are described appropriately.

Concerning disclosures to the contracts with customers, SIX expects adequate information about the disaggregation of revenue, movements in the contract balances and the aggregate and remaining performance obligations, in accordance with IFRS 15 p113-122. Additionally, SIX will check the disclosures of information about significant judgements relating to customer contracts, in particular those relating to the satisfaction of performance obligations, the determination and allocation of transaction prices from customer contracts, and assets in connection with costs of obtaining or fulfilling customer contracts (IFRS 15 p123-128). Where practical expedients are applied, the relevant disclosure (IFRS 15 p129) will also be subject to review. Finally, SIX will also check that the first-time application of the new standard complies with one of the two permitted transition methods (IFRS 15 C3).

Areas of focus for the review of 2018 interim and annual financial statements under Swiss GAAP FER

As in prior years, SIX has also selected areas of focus for the review of Swiss GAAP FER financial statements.

1. Cash Flow Statement (FER 4)

SIX intends to review the appropriateness of the presentation of cash flows from operating activities according to the direct or indirect method, and also the classification of cash flows as financing or investing activities in accordance with the requirements of FER 4 and the supplementary provisions of FER 30. SIX will also examine the disclosures about non-liquidity related activities in the notes of the financial statements: these need to be complete and understandable.

2. Long-term Contracts (FER 22)

Significant long-term contracts are a second area of focus for this year's review. SIX will inspect the application of the correct recognition method and the related disclosures. Such long-term contracts should be recognised by applying the percentage-of-completion method where the appropriate conditions are met. Otherwise, they should be recognised by applying the completed contract method or, alternatively, revenue should be recognised to the extent of recoverable expenses (without realising any profit).

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