

Communiqué No. 1/2018

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Areas of focus for the review of 2018 annual and interim financial statements

When reviewing financial statements for the 2018 financial year, SIX Exchange Regulation intends to focus on compliance with the following IFRS requirements (this also applies by analogy to issuers reporting under US GAAP).

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

The disclosures provided with respect to the significant accounting policies and information on estimation uncertainties will be critically examined as to whether they are relevant, understandable and current. In this regard, it will be particularly verified whether the information in the notes to the financial statements is addressing the entity-specific circumstances and whether the significant judgements management has made are appropriately reflected. In addition, the disclosures of the significant assumptions about the future and the information on material estimation uncertainties will be reviewed regarding appropriateness and meaningfulness. In order to assess materiality and thus the relevance of financial information, it is recommended to consider the "IFRS Practice Statement 2 - Making Materiality Judgements". For further explanations, we refer to margin numbers 4, 5, 6, 14 and 15 of the Financial Reporting Circular of 19 October 2017 ([Financial Reporting Circular](#)).

2. Financial Instruments (IFRS 9/IFRS 7)

The qualitative and quantitative disclosures in connection with the initial application of IFRS 9 pursuant to the relevant requirements of IFRS 7 will be critically assessed. In this context, particular attention will be paid to clear and understandable disclosures of the main transition effects in the areas of classification and measurement of financial instruments as well as impairment of financial assets. Furthermore, the reconciliations provided as at the date of initial application will be critically examined. In connection with the initial application of IFRS 9, we draw attention to the consequential amendments to IAS 1p82, 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 presentation as well as the qualitative and quantitative disclosures are key areas for the review of the new standard. Regarding the presentation, we will verify if unconditional items (receivables) in the statement of financial position are distinguished from conditional items (contract assets and liabilities). Regarding the disclosures, we will monitor if sufficient information about the nature, amount and timing of revenue recognition is available and if the existing uncertainties are described appropriately. We expect that the disclosures to the contracts with customers provide adequate information about the disaggregation of revenue, movements in the contract balances and the aggregate and remaining performance obligations (IFRS 15p113-122). It is also expected that significant judgements made with regard to the satisfaction of performance obligations, to the determination and allocation of the transaction price from the customer contracts, and to assets in connection with the costs of obtaining or fulfilling customer contracts will be disclosed (IFRS 15p123-128). If practical expedients are applied, the relevant disclosure (IFRS 15p129) will also be reviewed. Furthermore, the review will check that the first-time application of the new standard complies with one of the two permitted transition methods (IFRS 15C3).

The review of statements prepared for the 2018 financial year under Swiss GAAP FER will focus on compliance with the following provisions:

1. *Cash Flow Statement (FER 4)*

The appropriate presentation of cash flows from operating activities according to the direct or indirect method will be verified. Furthermore, the correct classification of cash flows to categories of financing and investing activities in accordance with the requirements of FER 4 and the supplementary provisions of FER 30 will also be checked. In addition, the disclosures in the notes of the financial statements with regard to non-liquidity related activities will be critically examined as to whether they are complete and understandable.

2. *Long-term Contracts (FER 22)*

For significant long-term contracts, the application of the correct recognition method as well as the related disclosures will be examined. Long-term contracts are recognised according to the percentage-of-completion method if the corresponding conditions are met. Otherwise, the contracts need to be recognised applying the completed contract method or revenue is recognised to the extent of recoverable expenses (without realising any profit).

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