



January 2020

IPA action deferred

In November 2019, the IPA indicated that they would take action against companies that were delinquent in their obligation to prepare and file annual returns. The planned exercise potentially involves several thousand entities and was to have commenced in December 2019. However, the IPA has now indicated that the deadline to bring compliance up to date has been extended to 16 January 2020 and the deregistration program will commence on 17 January. The list of companies scheduled for deregistration is now available through a link from the IPA website. Once deregistered, PNG incorporated companies forfeit their assets to the IPA. Reinstatement to the register is possible, but is a time consuming process.

We also note that companies that are removed from the register will have their IPA certificate cancelled. This in turn would lead to the cancellation of any work permits or visas supported by that entity. Therefore, should an entity be inadvertently removed from the register, there may be other related implications.

Bank of PNG and Superannuation review

Recently the Superannuation and Life Insurance supervision department of the Bank of PNG has been conducting a series of checks on entities that it believes may not be complying with the provisions of the compulsory superannuation contributions for employees.

The Bank has the obligation for supervising compliance with the provisions of the Superannuation (General Provisions) Act 2000 which provides for employer and employee contributions to superannuation for all qualifying employers. Companies with a total of 15 employees or more are required to be registered with an authorised superannuation fund and making the relevant contributions for their national employees.

Are you ready for the impact of IFRS 16 - Leases?

The new accounting standard on lease accounting is applicable for financial years ended 31 December 2019.

The new requirements eliminate nearly all off balance sheet accounting for lessees. Most organisations use rentals or leasing as a means to obtain access to assets and will therefore be affected by the new standard.

The new standard will affect virtually all commonly used financial ratios and performance metrics such as gearing, current ratio, asset turnover, interest cover, EBITDA, EBIT, operating profit, net income, EPS, ROCE, ROE and

operating cash flows. These changes may affect loan covenants, credit ratings and borrowing costs, and could result in other behavioural changes. These impacts may compel many organisations to reassess certain 'lease versus buy' decisions.

There will also be a change to both the expense character (rent expenses replaced with depreciation and interest expense) and recognition pattern (acceleration of lease expense relative to the recognition pattern for operating leases today).

Feedback from organisations who have completed their IFRS 16 implementation process has been the level of effort required to adopt the provisions of the new standard is significantly more than anticipated.

Therefore the importance of finalising the implementation exercise and assessing the impact of the new standard, including informing stakeholders of the impact on the reported results, is paramount.

Organisations should:

- determine how the new standard will affect their financial reporting
- consider how to identify and extract all relevant lease agreements and information required to ascertain the financial reporting impact
- determine the impact on compliance with loan covenants or regulatory capital requirements, future tax liabilities and tax effect accounting and the ability to pay dividends
- identify changes to systems, processes and internal controls that will have to be made.

If you would like to know more about these recent developments or have any other questions, please get in touch with your usual PwC contact.

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