INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

IFRS 9 POST IMPLEMENTATION REVIEW REPORT

AUGUST 2026

Plot 42 Bukoto Street, Kololo, P.O. Box 12464,
Kampala, UGANDA Tel: 041-4540125
standards@icpau.co.ug
www.icpau.co.ug

Table of Contents

ABOUT ICPAU

The Accountants Act, Cap 266, established the Institute of Certified Public Accountants of Uganda (ICPAU) in 1992. This has now been repealed and replaced by the Accountants Act Cap. 294.

The functions of the Institute, as prescribed by the Act, are to regulate and maintain the Standard of Accountancy in Uganda; and to prescribe and regulate the conduct of accountants and practicing accountants in Uganda. Under its legal mandate, the Institute prescribes professional standards to be applied in the preparation and auditing of financial reports in Uganda.

International Affiliations

The Institute is a member of:

- International Federation of Accountants (IFAC)
- Pan African Federation of Accountants (PAFA).

Vision

A globally recognized promoter of accountants for sustainable economies.

Mission

To develop and regulate accountants for professional excellence and sustainable impact.

Core Values

- Professional Excellence.
- Accountability.
- Integrity.
- Responsiveness

1.0 INTRODUCTION

On 24 July 2014, the IASB published the complete version of IFRS 9, 'Financial instruments', which replaced IAS 39. IFRS 9 sets out the requirements on how an entity classifies and measures financial assets, financial liabilities and some contracts to buy or sell non-financial items. The post-implementation review of IFRS 9 Financial Instruments is divided into three major components, i.e., Recognition, Classification & Measurement, and Impairment.

However, entities are also required to carry out an SPPI (Solely Payments of Principal and Interest) test, along with the business model test, to determine whether financial assets are classified at amortised cost or at FVOCI, rather than at fair value through profit or loss (FVPL).

The objective of a post-implementation review is to assess how effectively entities have adopted and applied IFRS 9 in practice, identifying areas of strength as well as those areas requiring improvement.

It also seeks to determine whether the effects of applying the new requirements on users of financial statements, preparers, auditors, and regulators are consistent with the outcomes intended by the IASB when developing the standard.

2.0 BACKGROUND AND SCOPE OF THE REVIEW

The scope of this review focused on evaluating the application of IFRS 9 by entities across two distinct sample sets: the Quality Review (QR) sample and the FiRe Awards sample.

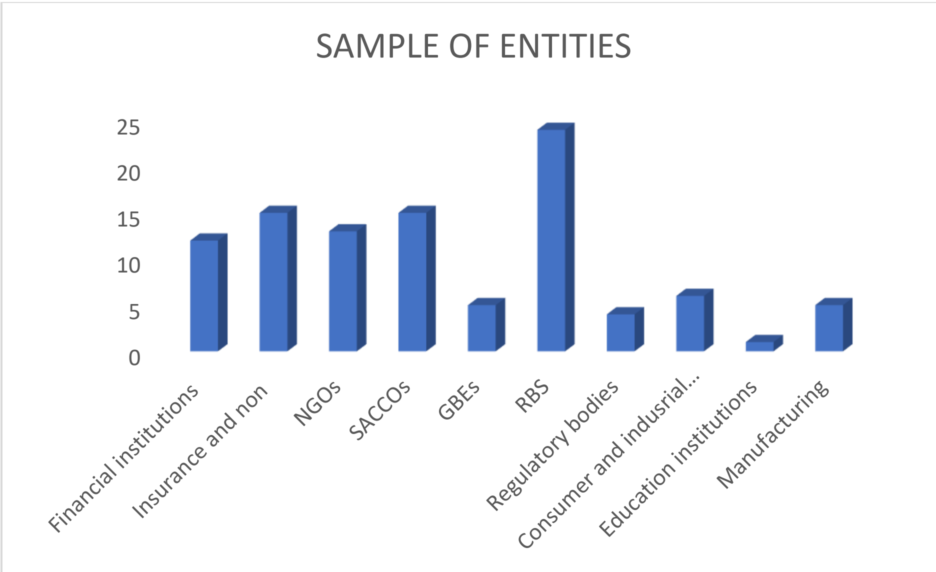
The QR sample comprised 30 entities selected based on the outcomes of routine regulatory quality reviews conducted on financial statements. The FiRe Awards sample included a broader group of 70 entities drawn from participants in the 2024 Annual Financial Reporting Awards.

Key areas reviewed included:

- Recognition Criteria,
- Classification and measurement policies,
- Impairment and
- Disclosure requirements.

2.1 Review Sample

We reviewed the full-year accounts for 100 entities representing the following industries:



Source: Review data

3.0 TRANSITION

3.1 Recognition Criteria

Initial recognition

Requirement: According to IFRS 9 paragraph 3.1.1, an entity shall recognise a financial asset or financial liability in its financial position when the entity becomes a party to the contractual provisions of the instrument.

Expectation: Entities were expected to initially recognise financial instruments by listing them, as these differ depending on the sector in which the entity operates.

Findings: 89% of the sampled entities had financial instruments and were able to recognise them, while the remaining 11% had financial instruments but did not recognise them according to IFRS 9. It was a common revelation that entities that attempted to disclose financial instruments adopted boilerplate disclosure with limited reference made to the specific financial instruments relevant to the entity.

Recommendation

We encourage entities to present the above information more systematically and cohesively, in line with the requirements of IFRS 9 paragraphs 3.1.1 and 3.1.2 on recognition, providing information in chronological order rather than dispersed across different sections, and being specific to the financial assets they are recognising.

Exemplary illustration: Initial recognition of the financial assets specific to the entity.

'The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated (e.g., Loans and advances to customers are recognised when funds are transferred to the customers' accounts and the Bank recognises balances due to customers when funds are transferred to the Bank). All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.'

DFCU Bank, Annual Report 2023, page 141.

3.2 Initial measurement

Requirement

IFRS 9 paragraph 5.1.1 guides that Entities are expected to initially measure except for trade receivables within the scope of paragraph 5.1.3, at initial recognition an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an entity shall apply paragraph B5.12A.

Finding

During our review, we found that 71% of the entities had properly applied the requirements of the Standard on initial measurement, 13% made disclosures that were inappropriate and not compliant with the Standard, while 16% of the reports, particularly those of retirement benefit schemes, did not disclose the initial measurement at all.

Recommendation

We encourage all entities that have financial instruments to initially disclose the manner in which such instruments are measured.

Exemplary illustration: Initial measurement

'A financial asset or financial liability is measured initially at fair value plus or reduced by transaction costs that are directly attributable to its acquisition or issue, respectively, for an item not at fair value through profit or loss. The fair value of a financial instrument at initial recognition is generally its transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

DFCU Bank, Annual Report 2023 page 141[1]

[1] https://www.dfcugroup.com/wp-content/uploads/2024/07/DFCU-ANNUAL-REPORT-2023-8-7-2024-WEB.pdf

3.3 Classification

Requirement

IFRS 9 paragraph 4.1.1 requires an entity to classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) based on both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold an asset to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTPL unless a financial asset is measured at amortised cost in accordance with paragraph 4.1.2 or at FVOCI.

Expectation

All entities that have financial instruments were expected to properly assess and classify them in accordance with the standard.

Finding

Overall, 72% of the entities classified their financial assets appropriately. These entities were distributed across different sectors, including financial services (58%), comprising financial institutions, SACCOs, Insurance services, and retirement benefit schemes. 14% comprises other sectors such as regulatory bodies (3%), not-for-profit (6%), and Consumer and industrial products (5%).

However, some entities referred to outdated terminology of classification of financial instruments, e.g held for trading instruments, which terminology is inappropriate to IFRS 9. Other entities adopted boilerplate disclosure with no effort taken to specifically mention the relevant financial instruments under the respective classification modes.

Recommendation: We encourage entities to provide disclosures about the instruments' contractual cash flow characteristics, business model, and the nature of any contingent events that could alter these cash flows.

Exemplary illustration: classification of financial assets.

'A financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

(a) The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
(b)the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
(a)The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL

DFCU Uganda, Annual report 2023 page 141

3.4 Derecognition

Requirement: IFRS 9 paragraph 3.2.3 requires an entity to derecognise a financial asset when the contractual rights to its cash flows expire, or it transfers the financial asset as set out in paragraphs 3.2.4 and 3.2.5, and the transfer qualifies for derecognition in accordance with paragraph 3.2.6.

IFRS 9 paragraph 3.3.1 requires an entity to remove a liability (or part of a liability) from its statement of financial position when and only when it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Expectations

- Entities are expected to disclose sufficient information to enable users of financial statements to understand the effect of derecognised financial instruments on the entity's financial position and risk exposure.
- The disclosure is also expected to cater for how any gain or loss resulting from the derecognition is recognised, including any cumulative gains or losses with the OCI.

Findings

During our review, we found that 17% of the entities were merging the recognition policy with the write-off policy, even though these two are distinct under IFRS 9. Additionally, 11% of the reports did not provide any disclosure of the policy, while 72% of the entities were able to disclose the policy.

Recommendation

We encourage entities to always disclose the policy on derecognition of all financial instruments. Entities should also separate the policy on derecognition and write-off since they do not carry the same meaning.

Exemplary illustration: Derecognition of financial liabilities

'The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be Purchased or Originated Credit Impaired (POCI).

***Post Bank Uganda, Annual report 2023 page 256*[2] .**

3.5 Write-off policy

Under IFRS 9 paragraph 5.4.4, an entity shall directly reduce the carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

Expectations: We expect entities to disclose the write-off policy in relation to IFRS 7 and offsetting policy in relation to IFRS 9. Specifically, the policy should highlight;

- When the entity considers writing off the financial instruments.
- Whether the assessment for write-off is done at individual level, financial instrument level or not.
- How any recoveries for previously written off amounts are treated.
- Whether written-off financial instruments are still enforceable as per the entity's policy or not.

Finding: Through our review, we noted that 25% of the entities disclosed the policy, 57% combined the write-off policy with the derecognition policy, and 18% did not disclose the policy. However, there was a generic disclosure in nature which did not clearly specify the financial instruments to which the policy applied.

Recommendation: Entities should comply with the requirements of IFRS 9 regarding the policy on derecognition.

Exemplary illustration: Derecognition of financial liabilities

"Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off."

***Post Bank Uganda, Annual report 2023 page* [3].**

[2] https://www.pearlbank.co.ug/wp-content/uploads/2025/12/IR_2023_WEB-1.pdf
[3] https://www.pearlbank.co.ug/wp-content/uploads/2025/12/IR_2023_WEB-1.pdf

4.0 IMPAIRMENT

IFRS 9 paragraph 5.5.1, an entity shall recognise a loss allowance for a financial asset that is measured in accordance with paragraphs 4.1.2 or 4.1.2A, a lease receivable, a contract asset of a loan commitment, and a financial guarantee contract to which the impairment requirements apply in accordance with paragraphs 2.1(g), 4.2.1(c) or 4.2.1(d)

Subject to paragraphs 5.5.13 - 16, at each reporting date, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. An entity shall recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with this Standard.

Expectation: we expected entities to specifically disclose;

- Financial instruments that are measured at FVTPL for which the loss allowance for ECL is recognised.
- Financial instruments for which no impairment loss is recognised (if any).
- Financial instruments for which loss allowance is measured at an amount equal to the life time ECL and those measured as the 12-month ECL.
- The model adopted for measurement of loss allowance for receivable (if any).
- The measurement of ECL for the restructured financial instruments.
- Considerations for credit impaired financial assets including evidence that the same are impaired.
- How allowance of ECL for the different financial instruments is disclosed in the statement of financial position.
- Designation of financial instruments at FVTPL. Recognition of an impairment loss or gain, the amount of expected loss or reversal in P/L.

Findings: We observed that some entities;

- Did not indicate how movements in gross carrying amounts are linked to movements for certain financial instruments.
- The staging for all financial instruments held at amortised cost or FVOCI was not clear.
- The transfers from stages for ECL purposes in some instances were not appropriately done.
- Barely mentioned the financial instruments or the class for which loss allowance for ECL was recognised.
- Did not have clear policies on write-off, reversal of impairment, etc.

Generally, the majority of the sample entities (87%) were still struggling with disclosing the requirements of IFRS 9 paragraph 5.5, while 13% that made the disclosure did not meet our expectations as provided above.

Recommendations: We encourage entities to make disclosures in accordance to the standard.

Exemplary Illustration: Impairment
DFCU Uganda Annual Report 2023

5.0. CONCLUSION

Generally, the review indicated that while there was notable progress in the adoption and application of IFRS 9, entities have continued to rely on generic disclosures that do not adequately reflect the specific financial instruments and transactions relevant to their operations. Entities also tended to merge distinct accounting policies in areas such as derecognition, write-off policies, and impairment disclosures despite the provisions provided under IFRS 9.

Additionally, a significant number of entities either failed to disclose or inadequately disclosed the policies governing impairment and the Expected Credit Loss (ECL) model, particularly in relation to staging, transfers between stages, and the measurement of loss allowances. These shortcomings reduce the usefulness of financial statements for users by limiting their ability to understand the impact of financial instruments on the entity's financial position, performance, and risk exposure.

We therefore recommend that ICPAU undertake some activities to support entities to become compliant with the various IFRS 9 requirements. Such activities vary from having IFRS 9 sessions incorporated in the Continuing Professional Development (CPD) activities, as well as undertaking to publish articles to enhance awareness about IFRS 9 requirements.