



Accounting newsletter

For the period

October - December 2023

January 2024

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Welcome to the sixth edition of our quarterly accounting newsletter.

Foreword

As we enter the busiest part of the year for finance professionals, we are pleased to bring to you a summary of key developments in the accounting world. In this edition of the accounting newsletter, we explore updates for the period October-December 2023. There have been some thought-provoking conversations at the IFRIC about accounting for climate related commitments. In addition, as companies prepare for 2023 reporting, a major topic of conversation is disclosure requirements for global minimum top-up tax. We hope you find this publication an informative read.



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Updates on financial reporting requirements



Financial liability or equity? | IASB proposals

Some companies could see changes in the classification of their financial instruments under proposed amendments to IAS 32 Financial Instruments: Presentation. The International Accounting Standards Board (IASB®) [proposals](#) address some common challenges faced by companies in classifying financial instruments as financial liabilities or equity.

Many companies would need to disclose substantially more information about their equity instruments and certain types of financial liabilities.

The IASB proposals would amend:

- IAS 32 *Financial Instruments: Presentation* to clarify some of the underlying principles on classification and add application guidance; and
- IAS 1 *Presentation of Financial Statements and IFRS 7 Financial Instruments: Disclosures* to improve the information companies provide on financial instruments they issue.

[Click here](#) to read more.



Business combinations under common control | IASB project discontinued

The IASB has decided to discontinue its project on business combinations under common control. This means that the gaps in IFRS Accounting Standards will remain and diversity will continue to exist.

Companies will need to continue to develop accounting policies for these transactions and ensure robust disclosures to communicate their impact. [Insights into IFRS®](#) provides our latest thinking in this area with practical examples of some of the approaches applied in practice.

[Click here](#) to read more.



Climate-related commitments | IFRIC discussion

At its November meeting, the IFRS Interpretations Committee discussed accounting for climate-related commitments – specifically, the circumstances in which a company recognizes a provision for the costs of fulfilling a commitment to reduce or offset its greenhouse gas emissions. The case has implications for any company that has made a net-zero or similar commitment.

In our latest *IFRS Today* [video](#), Brian O'Donovan, KPMG Global IFRS Leader and IFRS Interpretations Committee member, summarizes the discussions.

Guides on financial reporting



Global minimum top-up tax | Your questions answered for 2023 reporting

Many countries are currently amending their local laws to introduce a global minimum top-up tax under the new OECD rules ('Pillar Two').

Preparers of 2023 annual financial statements may have a number of practical questions. Our new [web article](#) answers your questions on the two key issues:

- **New disclosures:** To compensate for the potential loss of information resulting from the [mandatory deferred tax accounting relief](#), companies are required to provide new disclosures in their financial statements from 31 December 2023.
- **Impairment assessment:** Companies may also need to reflect the impact of upcoming changes in tax laws in their 2023 impairment assessments.



Banks | Your essential guides to disclosures

Our [Guide to annual financial statements – Illustrative disclosures for banks](#) helps your clients to prepare and present their financial statements in accordance with IFRS® Accounting Standards, illustrating one possible format for financial statements based on a fictitious banking group.

The 2023 edition reflects IFRS Accounting Standards in issue at 30 November 2023 that apply for annual periods beginning on 1 January 2023. It illustrates disclosures relating to:

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);*
- *International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12);*
and
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*

KPMG Handbooks updates

Share-based payments | IFRS 2 handbook

IFRS 2 Share-based Payment has remained unchanged for a number of years and is likely to remain that way for the foreseeable future. However, as companies adapt their businesses to our changing world, the terms and conditions included in share-based payment arrangements continue to evolve, leading to additional questions about how to apply the principles of the accounting standard.

In this edition of our [Share-based payments – IFRS 2 handbook](#), we include guidance on how companies might apply the IFRS 2 principles to ESG-related conditions in share-based payment arrangements, among other helpful updates. This is based on actual questions that have arisen in practice around the world and includes illustrative examples and journal entries.

Fair value measurement | Handbook

The latest edition of [Fair value measurement](#) includes a new series of questions and answers on applying the US Financial Accounting Standards Board's (FASB) new Accounting Standards Update 2022-03 *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, among other helpful updates. This will help you apply the principles of the FASB's Topic 820, *Fair Value Measurement* and IFRS 13 *Fair Value Measurement*, as well as understand the key differences between the two accounting standards.

IFRS® compared to US GAAP | Handbook

Our updated [IFRS® compared to US GAAP](#) highlights key differences between the two frameworks. In addition, it includes:

- the newly effective requirements for insurance contracts; and
- new guidance on the global minimum top-up tax and credits under the US's Inflation Reduction Act and CHIPS and Science Act.

Sustainability reporting

Climate change resource centre | Web article updates

In our [Climate change financial reporting resource centre](#) we've updated articles on:

- climate-related [disclosures](#) in the financial statements;
- useful lives and residual values of [non-current assets](#); and
- testing these assets for [impairment](#).

The updates follow recent standard-setting developments (including the publication of international and EU sustainability standards) and guidance from regulators. They primarily address connectivity between the front part of the annual report and the financial statements, and regulatory expectations.

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