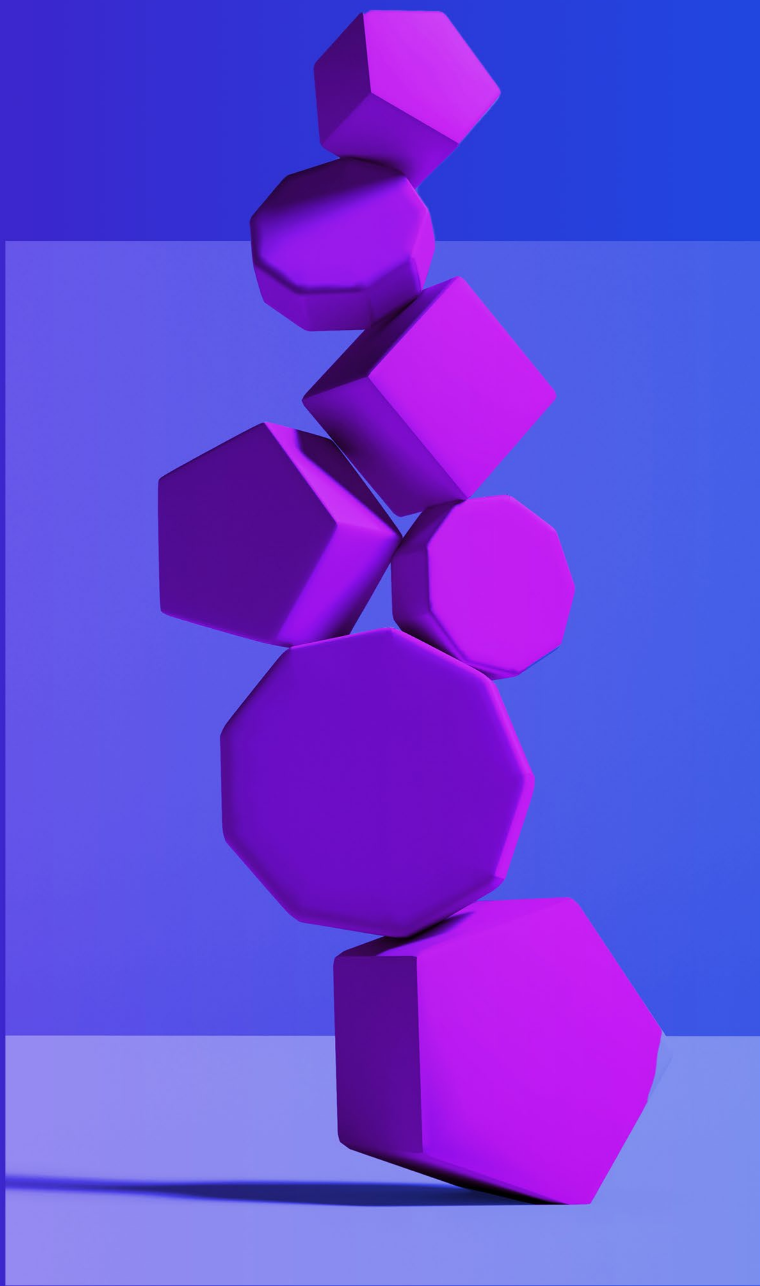
KPMG

Accounting newsletter



April 2024
KPMG Lower Gulf

Content

Foreword

In this edition of our quarterly accounting newsletter, we cover a major milestone event - the issuance of IFRS 18 *Presentation and Disclosure in Financial Statements*, which will replace IAS 1. In addition, as companies prepare for 2024 Q1 reporting, make sure to refer to the latest versions of KPMG *Illustrative condensed interim financial statements*, which have now been released.

We hope you find this publication an informative read. To find out more about how KPMG can help your organization with your accounting needs, please feel free to get in touch with any of the contacts listed in this publication.

Aram Asatryan

Head of IFRS Technical Desk
KPMG Lower Gulf, Saudi Levant and Caspian Region
E: aasatryan1@kpmg.com

Leading article

Get ready for IFRS 18

The way companies communicate their financial performance is set to change.

Responding to investor calls for more relevant information, IFRS 18 *Presentation and Disclosure in Financial Statements* will enable companies to tell their story better through their financial statements. Investors will also benefit from greater consistency of presentation in the income and cash flow statements, and more disaggregated information.

Under IFRS 18, which is effective from 1 January 2027, companies' net profit will not change. What will change is how they present their results on the face of the income statement and disclose information in the notes to the financial statements. This includes disclosure of certain 'non-GAAP' measures – management performance measures (MPMs) – which will now form part of the audited financial statements.

Read more

Updates on financial reporting requirements

Climate-related commitments | Accounting for net zero

During its March meeting, the IFRS Interpretations Committee (IFRIC) voted to finalize its agenda decision on climate-related commitments – about recognizing a provision for the costs of fulfilling a commitment to reduce or offset greenhouse gas emissions. This case has implications for any company that has made a net-zero or similar commitment.

The agenda decision is subject to approval by the International Accounting Standards Board (IASB).

In our latest *IFRS Today* video, Brian O'Donovan, KPMG Global IFRS Leader and IFRIC member, explains what the final version does and doesn't say.

Business combinations and impairment | IASB proposals

Investors are increasingly seeking improved information on acquisitions – referred to as business combinations under IFRS Accounting Standards. This includes information on the success of the deal and whether the price paid was reasonable. The IASB proposes to enhance disclosures for business combinations and to maintain the impairment-only model for goodwill, with some simplifications made to the impairment test.

Read more

Guides on financial reporting

Investment funds | Your essential year-end guide

Our Guides to financial statements help you to prepare financial statements in accordance with IFRS Accounting Standards by illustrating one possible format.

Our *Guide to annual financial statements – Illustrative disclosures for investment funds* is based on a fictitious tax-exempt open-ended single-fund investment company, which is not a first-time adopter of IFRS Accounting Standards. It reflects IFRS Accounting Standards in issue as at 30 November 2023 that are required to be applied for annual periods beginning 1 January 2023.

The 2024 edition includes an illustration of new disclosures relating to *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*

Condensed interim financial statements | Your essential interim reporting guides

Our 2024 guides to condensed interim financial statements are now available. The guides are intended to help companies prepare and present condensed interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. They comprise Illustrative disclosures and a Disclosure checklist.

These updated guides reflect IFRS Accounting Standards in issue as at 20 March 2024 that are required to be applied by a company with an annual reporting period beginning 1 January 2024.

In particular, they illustrate amendments to IAS 1 *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*, as issued in 2020 and 2022.

Find out more about interim financial reporting in uncertain times in our article.

Acquiring insurance contracts

A company may acquire rather than issue an insurance contract – e.g. via a transfer, or via a business combination either in the scope of IFRS 3 *Business Combinations* or under common control.

Under IFRS 17 *Insurance Contracts*, a company now needs to assess *all* insurance contracts acquired as at their date of acquisition, not their date of inception (or previous modification).

This means that it may need to account for insurance contracts with similar characteristics differently. Further, some acquired contracts may no longer be in the scope of IFRS 17 but in the scope of another accounting standard – e.g. IFRS 9 *Financial Instruments.*

Our updated guide *Acquiring insurance contracts* will help you understand how to account for acquired contracts under IFRS 17 and IFRS 3.

Global minimum top-up tax in financial reports

Many countries have amended their local laws to introduce a global minimum top-up tax under the new OECD rules known as 'Pillar Two'.

As you prepare your financial statements, you may have a number of practical questions. Our web article and accompanying video answer your questions on two key issues:

- interim reporting; and
- recharges of Pillar Two taxes.

Connected reporting | New content hub

A company's annual report contains three key areas that provide insights into the business model and strategy: the financial statements; the sustainability disclosures; and management's discussion and analysis (MD&A). To achieve connectivity, it is important that companies are both compliant with relevant standards and are connecting the dots between financial and non-financial information.

Climate-related matters and other uncertainties are under particular scrutiny. To help companies meet the rising expectations of investors, regulators and other report users, we've set up a new Connected reporting content hub, which brings together our latest insight and practical guidance in this area.

Sustainability reporting

Equivalence | Achieving a cost-effective regime

Writing on global sustainability reporting in *Accountancy Today*, KPMG Global Head of Audit Larry Bradley cites 'equivalence' as the next big opportunity.

Having led the way in driving global consistency of financial reporting by endorsing IFRS Accounting Standards, the EU now has the opportunity to lead the way with equivalence for sustainability reporting. This would reduce the reporting burden for non-EU companies and remove barriers to trading and raising capital in Europe.

Therefore the question is: what package of global sustainability reporting standards would be acceptable to the European Commission as equivalent to the European Sustainability Reporting Standards (ESRSs)?

Read more

SEC climate rule finalized

In the US, the Securities and Exchange Commission (SEC) has finalized its climate rule (SEC Release Nos. 33-11275; 34-99678 *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, referred to as the SEC climate rule) which first applies for certain companies beginning in 2025. Meanwhile, both the ISSB Standards (IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*) and ESRSs are now effective for the first wave of companies reporting on 2024 year ends.

The SEC's climate rule requires financial statement disclosures and, in a separate section of the annual report, climate risk disclosures. Scopes 1 and 2 greenhouse gas emissions are required for larger registrants, if material, and will be subject to assurance. KPMG in the US has issued Top 10 questions on the rule and a Defining Issues summary to answer your questions.

Global companies may be required to apply multiple sustainability reporting frameworks. Read our updated guide to understand some of the key differences and similarities as companies prepare for the new sustainability reporting standards.

Bookmark our Ready for ESG reporting? page to stay up to date on the latest developments transforming the global ESG reporting landscape.

ESRS | KPMG comments on proposed EFRAG guidance

The European Financial Reporting Advisory Group (EFRAG) invited comments on its proposed ESRSs implementation guidance on materiality, value chain and datapoints.

We welcome EFRAG's efforts to develop such guidance, as interpretations of these areas will be critical in supporting consistency and comparability in reporting. However, we believe further clarity is needed to enable interoperability and cost-effectiveness.

Read more

GRI consults on new proposals | KPMG comments

Global Reporting Initiative (GRI) Standards are already used by 78 percent of G250 companies globally. To respond to emerging needs, the GRI has invited comments on its climate change and energy proposals.

Given the current sustainability reporting landscape – and the opportunity for equivalence described in the article above – we suggest the GRI consider whether GRI Standards remain unchanged at the current time and instead focus on collaborating with the ISSB and EFRAG as the GRI has an important role to play in bridging the gap between ISSB Standards and ESRSs.

Read more

Limited vs reasonable assurance | Blog post

Writing in a blog post on limited vs reasonable assurance over ESG-related matters, KPMG Global Head of ESG Assurance Mike Shannon addresses some key questions around the topic.

Mike writes: "As the momentum continues to build around ESG reporting requirements, so too does the need for assurance. Assurance is critical – robust assurance processes over ESG data improve the reliability of the information reported, building confidence in the ESG agenda."

Read more

About KPMG Lower Gulf

For 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the United Arab Emirates and in the Sultanate of Oman.

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. KPMG firms operate in 143 countries and territories, and in FY23, collectively employed more than 270,000 partners and people. Established in 1973, KPMG in the UAE and Oman is well connected with its global member network and combines its local knowledge with international expertise.

For 50 years, KPMG Lower Gulf has provided audit, tax and advisory services to public and private sector clients and continues to serve the needs of business, governments, public-sector agencies, not-for-profits and through the firms' audit and assurance practices, the capital markets. As we continue to grow, we aim to evolve and progress, striving for the highest levels of public trust in our work. KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

Our values are: Integrity: We do what is right; Excellence: We never stop learning and improving; Courage: We think and act boldly; Together: We respect each other and draw strength from our differences; For Better: We do what matters. Our Values guide our behavior day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, and all of our stakeholders.

To meet the changing needs of our clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change.

At KPMG Lower Gulf, we believe that ESG is core to sustainable growth. KPMG's Global ESG Plan details its commitments across four ESG categories: planet, people, prosperity, and governance. These four priority areas assist us in defining and managing our environmental, social, economic and governance impacts to create a more sustainable future.

Through KPMG's ESG Plan, we aim to deliver growth with purpose. We unite the best of KPMG to help our clients fulfil their purpose and deliver against the SDGs, so all our communities can thrive and prosper.

Contacts

Rohit Rajvanshi
Partner I Head of Audit
KPMG Lower Gulf
E: rohitrajvanshi@kpmg.com

Aram Asatryan
Head of IFRS Technical Desk
KPMG Lower Gulf, Saudi Levant
and Caspian Region
E: aasatryan1@kpmg.com

www.kpmg.com/**ae**
www.kpmg.com/**om**

Follow us on:

@kpmg_lowergulf

Publication name: KPMG Accounting newsletter
Publication number: 5044
Publication date: April 2024