CURRENT DEVELOPMENTS

Spotlight on IFRS

Q4 2025

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Quarterly update

KPMG Spotlight on IFRS: The Accounting and Financial Reporting milestones in the year ended on December 31, 2025.

In the fourth quarter of 2025, evolving global, political, and macroeconomic uncertainties have continued to pose challenges for companies in developing and preparing estimates, assumptions and financial plans. These uncertainties are resulting in increased scrutiny and heightened expectations from regulators and investors for companies to provide clear disclosures in the financial statements. Regulators and investors expect these disclosures to not only explain how these uncertainties affect the company and its business, but also how the related judgements, estimates and assumptions are reflected in the financial statements. In addition, regulators and investors expect these disclosures to be continually updated.

Refer to our *Import tariffs – what's the impact on your financial reporting?* webpage for key considerations and resources on the accounting and financial reporting impact of tariffs, and our *Financial reporting in uncertain times* resource centre which features a range of articles, blog posts and podcasts to explore the financial reporting impacts of operating in an uncertain environment, including our new *Be clear in times of uncertainty* guide. Also refer to our *Connected reporting* resource centre for insights and guidance on enhancing connectivity between the financial statements, MD&A, and sustainability-related financial disclosures.

From the standard setting front, the International Accounting Standards Board (IASB) made further progress on its long-term projects this quarter, including publishing the exposure draft for the *risk mitigation accounting (RMA) model* (previously referred to as dynamic risk management (DRM) model. The IFRS Interpretations Committee (IFRIC) also discussed several issues relating to the application and interpretation of *IFRS 18* General Presentation and Disclosure, which is effective January 1, 2027. Companies in the middle of their IFRS 18 implementation efforts should be closely monitoring these discussions.

In the sustainability reporting space, the European Union (EU) agreed on changes to the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD), significantly reducing the number of companies required to report and progressed on its plans to simplify the European Sustainability Reporting Standards (ESRS).

Companies with a calendar year end will be required to apply the IFRS® Accounting Standards requirements effective from January 1, 2025 as outlined in section *Requirements effective in 2025*. Refer to our *illustrative disclosures* and *disclosure checklist* for our guides to financial statements that reflect Accounting Standards effective from January 1, 2025. Also refer to our *IFRS Accounting Toolkit* hub for resources to help you prepare your year end financial statements, including the *Areas of focus for 2025 year ends* podcast and *Three key considerations for 2025 year-end reporting* video.

Although not effective in 2025, companies should be aware of the new amendments to IFRS 9 and IFRS 7 – *Classification and Measurement of Financial Instruments* and *IFRS 9 – Power Purchase Agreements,* which are effective January 1, 2026. The latest information on the new amendments and standards are provided in the below sections, *Major projects and new Accounting Standards* and *Other developments*.

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Sustainability reporting update

In this section, we focus primarily on recent significant sustainability disclosure standard setting activities, sustainability-related regulatory updates and the potential impact of sustainability matters on financial statements. Note that this summary may not capture all of the sustainability-related reporting guidance and regulations to which a company may be subject.

Sustainability disclosure standards and regulatory update

ISSB developments

In July 2025, the ISSB issued *educational material* to help companies understand the role of the Sustainability Accounting Standards Board (SASB) Standards and the *Industry-based Guidance on Implementing IFRS S2* when applying the ISSB Standards. The educational material explains:

- the requirement in ISSB Standards that companies shall refer to and consider the applicability of' the ISSB industry-based guidance;
- considerations related to applying the ISSB industry-based guidance; and
- disclosure requirements about how a company has used the ISSB industry-based guidance.

In August 2025, the ISSB issued *educational material* which addresses disclosing information about anticipated financial effects when applying the ISSB Standards. The educational material includes:

- an overview of the requirements;
- relief mechanisms that help companies prepare the disclosures; and
- illustrations of disclosures.

The ISSB also issued *guidance* on transition plans in late June 2025. Read our *high-level guide* which addresses key elements of a transition plan and how companies can effectively communicate their transition story in the financial statements.

The recently released material follows guidance on materiality, released by the ISSB in November 2024. Refer to our practical *how-to guide* for a six-step process that will help companies provide the sustainability-related information that investors need, from understanding the population of effects and dependencies across the value chain to organizing and reviewing material information.

In July 2025, the ISSB published an *exposure draft* proposing amendments to the SASB Standards intended to improve global applicability and enhance alignment with the ISSB Standards. Public comments were due by November 30, 2025.

In December 2025, the ISSB issued amendments to greenhouse gas (GHG) emissions disclosure requirements in IFRS S2. The amendments aim to provide relief and support clarifications in applying IFRS S2.

The amendments:

- permit a company to limit the measurement and disclosure of Scope 3 Category 15 GHG emissions to financed emissions as defined in IFRS S2. This change is particularly relevant for companies with insurance or investment banking activities;
- allow a company to use the global warming potential (GWP) values required by its local regulator or stock exchange;
- clarify circumstances in which a company can use a method other than the GHG Protocol Corporate Standard to measure GHG emissions; and
- enable a company to select a commonly used industry-classification system as an alternative to the Global Industry Classification Standard (GICS) when disaggregating financed emissions by industry.

The amendments are effective for reporting periods beginning on or after January 1, 2027, with early application permitted.

For more information, read our web article *Amendments to clarify IFRS S2*.

US developments

California laws

On December 1, 2025, the California Air Resources Board (CARB) issued an Enforcement Advisory that officially clarified that it will not enforce the January 1, 2026 deadline for SB-261 (climate risks) reporting while a court appeal is pending.

On December 9, 2025, the CARB issued its formal proposals on the definitions and fee calculations that will underpin the scoping of the state's climate disclosure laws, SB-253 (GHG emissions) and SB-261 (climate risks), as well as the deadline for first reporting under SB-253.

Refer to our *California digital hub* and *hot topic* for more details.

For further details on sustainability developments in the US – refer to our *US Quarterly Outlook* publications.

European Union (EU) developments

On July 11, 2025, the European Commission ("EC") adopted *'quick-fix' amendments* to allow first-wave companies reporting under ESRS to continue applying phase-in reliefs until fiscal 2027. The amendments will apply for 2025 reporting periods. Refer to our web article *Quick fix amendments to ESRS* for more details.

In December 2025, the EU agreed on changes to the CSRD and CSDDD, including revised thresholds and reporting requirements. These changes significantly reduce the number of companies required to report. They are part of the Omnibus initiative to reduce sustainability reporting and due diligence requirements for preparers while maintaining the spirit of the EU Green Deal. The EU plans to publish the changes to the CSRD and the CSDDD in the Official Journal of the EU by March 2026. Member states will then have 12 months to transpose them into national law. Refer to our web article *EU agrees Omnibus changes* for additional details.

Also, as part of its Omnibus initiative, the EC tasked the European Financial Reporting Advisory Group (EFRAG) with simplifying the ESRS. In December 2025, EFRAG submitted its technical advice on the simplified ESRS to the EC. The EC will now proceed with its own due process to determine whether the standards should be revised further. Refer to our web article *Simplifying ESRS: A step closer* for further details.

Sustainability in the financial statements

There has been a shift in the focus on climate change in financial reporting. However, broader stakeholder scrutiny of financial reporting continues with regulators, investors and the public focusing on how companies report on climate-related matters including net-zero commitments, emissions and green schemes. Many stakeholders are continuing to demand clarity about climate to inform investment decisions. We have launched our *Clear on climate reporting hub* to provide insights and guidance to help companies and their stakeholders understand how to be clear on climate in financial reporting.

The hub includes:

- *high-level guidance* on the actions companies need to take;
- FAQs to help identify the potential financial statement impacts of various transactions and arrangements; and
- videos and podcasts that explore the issues further – including by sector.

Climate-related disclosures in the financial statements

As the impact of climate change intensifies, investors and regulators are increasingly seeking greater transparency of climate-related information in the financial statements.

Accounting Standards do not refer explicitly to climate-related risks or climate-related matters, but they implicitly require relevant disclosures in the financial statements when climate-related matters considered in preparing the financial statements are material. Therefore, companies are required to consider materiality carefully in deciding what information to provide about these matters. Information may be material even though there is no current-period financial impact.

In late November 2025, the IASB issued a set of six new illustrative examples to help companies target areas of known investor and regulator concern. Although they use climate-related scenarios, they aim to drive clarity on uncertainty in financial reporting more broadly. The illustrative examples do not have an effective date or transition requirements. However, the IASB expects that companies will be entitled to sufficient time to implement any changes to disclosures as a result of the illustrative examples – similar to agenda decisions published by the IFRS Interpretations Committee. Refer to our web article *Uncertainty – Reflecting its impacts in financial reporting* for more details.

The impact of climate-related matters on impairment testing of non-current assets

Climate-related matters can have a significant impact on the impairment testing of non-current assets. As such, investors and regulators are increasingly seeking more robust disclosures that explain whether and how they are reflected in the recoverable amount.

Companies should connect assumptions used in the impairment test and information provided outside the financial statements, such as other parts of the annual report. When there are inconsistencies between the information in the front part of the annual report and the assumptions used to calculate the recoverable amount, companies may need to be clear on the reason for the difference.

In addition, if there is a high level of estimation uncertainty, such as future carbon prices, then additional disclosures, such as sensitivity analyses, may be required.

For additional information on the impact of climate-related matters on impairment testing of non-current assets and how to drive clarity in the financial statements, refer to our web articles *The impact of climate-related matters on impairment testing of non-current assets* and *Climate change and impairment*.

Major projects and new Accounting Standards

Presentation and disclosure in financial statements

In April 2024, the IASB issued a new Accounting Standard, IFRS 18 *Presentation and Disclosure in Financial Statements*. IFRS 18 will replace IAS 1 *Presentation of Financial Statements*.

It is important to note that this new Accounting Standard does not add or change any recognition or measurement requirements - in other words, companies' net profit will not change. So what does this mean for companies' financial reporting? 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. In summary, there are three primary elements of IFRS 18 that will change the way companies present and disclose their financial performance:

- A more structured income statement:
  - It introduces two new formally defined and required subtotals on the face of the income statement – 'operating profit' and 'profit or loss before financing and income tax'. However, companies providing financing to customers as their *only* main business activity (e.g., banks) typically do not present the latter subtotal.
  - All companies are required to classify income and expenses into three new distinct categories based on a company's main business activities – operating, investing and financing. Categories for income tax expense and profit or loss from discontinued operations remain as separate categories.
  - Operating expenses are analyzed directly on the face of the income statement – classified either by nature, by function, or on a mixed basis. Any items presented by function require more detailed disclosures about their nature in the notes.
- Management-defined performance measures (or MPMs) are now disclosed and subject to audit:
  - MPMs are defined as a subtotal of income and expenses used in public communications outside of the financial statements to communicate management's view of an aspect of the company's financial performance as a whole. As such, while there may be some overlap with a company's previous non-GAAP measures, MPMs and non-GAAP measures are not the same thing. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under the Accounting Standards.
- New guidance regarding when additional disaggregation is needed for items presented on the face of the primary financial statements or in the notes:
  - IFRS 18 includes enhanced guidance on how companies group information in the financial statements. IFRS 18 also mandates meaningful descriptions for line items. Therefore, companies are discouraged from labelling items as 'other'.

IFRS 18 is effective from January 1, 2027 and applies retrospectively. Early application is permitted. Companies are encouraged to monitor the evolution of the Accounting Standard and stay informed of communications from regulatory bodies as the effective date approaches.

In late November 2025, the IASB issued a set of six new illustrative examples demonstrating how companies can apply IFRS Accounting Standards when reporting the effects of uncertainties in their financial statements – refer to discussion in the *Climate-related disclosures in the financial statements* section above.

Project updates in Q4 2025

At its September 2025 meeting, the IFRIC discussed how foreign exchange differences arising on intercompany loans should be classified in consolidated financial statements under

IFRS 18. Watch our *video* for a summary of key discussions covered at the meeting.

At its November 2025 meeting, the IFRIC devoted most of its meeting to IFRS 18 issues, including one topic that generated particular interest – presentation of taxes that are not income taxes under IAS 12 in the statement of profit or loss under IFRS 18. Watch our latest *video* for a summary of key discussions covered at the meeting. Companies should closely monitor the outcome of all discussions of IFRS 18 application and interpretation issues by the IFRIC as they prepare for their IFRS 18 implementation.

IFRS 18 disclosure requirements related to MPMs are also permeating other discussions by the IASB. Specifically, at its December 2025 meeting, the IASB met to discuss, as part of its *Statement of Cash Flows and Related Matters* project, issues related to extending the IFRS 18 disclosure requirements for MPMs to include cash flow measures. On that point, the IASB made the following tentative decisions to propose:

- including the requirement for MPMs that are cash flow measures in IFRS 18 and not in *IAS 7 Statement of Cash Flows*;
- expanding the definition of MPMs in IFRS 18 paragraph 117, which is currently 'a subtotal income and expenses', to 'a subtotal income and expenses *or* a subtotal of cash inflows and outflows';
- adding application guidance in IFRS 18 to clarify subtotals that combine income and expenses and cash flows qualify as MPMs;
- adding application guidance in IFRS 18 to require a company to disclose the impacts of income tax and non-controlling interest of reconciling items when reconciling an MPM that is a subtotal combining income and expenses and cash flows to a subtotal in the statement of profit or loss; and
- specifying that the following subtotals of cash inflows and outflows are not MPMs:
    - subtotal of the operating activities category;
    - subtotal of the investing activities category; and
    - subtotal of the financing activities category.

The above tentative decisions require amendments to IFRS 18. It is currently unclear as to when these amendments will be finalized, and specifically, whether they will be made before the effective date of IFRS 18, January 1, 2027. More information about these tentative decisions are available on the IASB's *Statement of Cash Flows and Related Matters* *project page*.

Canadian companies continue to consider aspects of IFRS 18, including the assessment of whether various non-GAAP measures disclosed outside the financial statements meet the definition of an MPM and the classification of income and expenses arising from various scenarios. Discussions of IFRS 18 implementation issues continued in the quarter at the Canadian IFRS Accounting Standards Discussion Group (IDG). Companies are encouraged to read the summaries of discussions held by the IDG for the meetings held in *May 2025*, *September 2025* and *December 2025*.

Canadian regulatory updates

For Canadian reporting issuers, financial measures presented outside of the financial statements have historically been subject to the requirements of National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (NI 52-112). On November 13, 2025, the Canadian Securities Administrators (CSA) published a *notice and request for comment* for the proposed amendments to NI 52-112, intended to address the disclosure requirements for MPMs in IFRS 18 and reduce duplicative disclosures. The proposed amendments will be open for public comment until February 11, 2026.

On December 9, 2025, the Ontario Securities Commission published its *Corporate Finance Division 2025 Annual* Report and highlighted some of its observations and expectations of Canadian reporting issuers regarding IFRS 18 implementation, including the following reminders:

- *Disclosure prior to adoption:* as the effective date of IFRS 18 approaches, companies are expected to provide increasingly more company-specific information on the impact of IFRS 18 in the financial statements, especially around the statement of profit or loss, as required under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- *Disclosure upon adoption:* starting from the first interim financial statements following the adoption of IFRS 18, companies will be required to provide a reconciliation explaining how line items in the statement of profit or loss have changed from the comparative period, as a result of adopting IFRS 18.
- *Disclosure of MPMs:* as the effective date of IFRS 18 approaches, companies should assess the nature, extent, and manner of non-GAAP measures currently disclosed in their public communications outside the financial statements; and
- *Misleading non-GAAP measures:* before a non-GAAP measure can be disclosed *inside* the financial statements,

a company must ensure that it has disclosed its non-GAAP measures *outside* the financial statements appropriately and in accordance with securities law; a company may not present or disclose a non-GAAP measure in a way that is misleading to users.

Read our *web article* and our *high-level guide* that provide an overview of the new Accounting Standard. Our *First Impressions* publication provides our detailed insights and comprehensive analysis, with illustrative examples. Lastly, listen to our latest *Areas of focus for 2025 year ends* podcast, which includes insights on getting ready for IFRS 18 implementation.

Reducing disclosures for subsidiaries

IFRS 19 *Subsidiaries without Public Accountability: Disclosures* was issued by the IASB in May 2024. It is a voluntary standard that applies to subsidiaries without public accountability, but whose parents prepare consolidated financial statements under the Accounting Standards.

For in-scope companies, IFRS 19 simplifies disclosures on various topics, including leases, exchange rates, income taxes, statement of cash flows, etc.

Although the effective date of IFRS 19 is January 1, 2027, the application of the Accounting Standard is optional, even if a company is in the scope. Early adoption is also permitted.

Companies should monitor updates and communications from regulatory bodies pertaining to the application of IFRS 19. On the application of IFRS 19 in filings with the SEC, companies that may meet the IFRS 19 eligibility requirements also need to be aware of additional disclosures that may be required for financial statements that are intended for use by investors in the US public capital markets. In Canada, the Ontario Securities Commission has commented in its *Corporate Finance Division 2024 Annual Report* that in certain situations, if the acceptability or application of IFRS 19 in a securities regulatory filing is unclear, companies and their advisors are encouraged to consult with staff in advance of filing financial statements that apply IFRS 19.

The IASB intends to update IFRS 19 on an ongoing basis as new or amended disclosure requirements in Accounting Standards are issued. Because of the timing of IFRS 19's publication, disclosure requirements in new or amended Accounting Standards issued between February 2021 and May 2024 were initially included in IFRS 19 without any reductions.

Therefore, in August 2025, the IASB issued amendments to IFRS 19, reducing the disclosure requirements for new and amended Accounting Standards issued between February 2021 and May 2024.

Read our *web article* which provides an overview of the new Accounting Standard including some FAQs.

Update on rate-regulated activities project

Some companies are subject to regulations that say how much and when they can charge their customers. Although some national accounting bodies provide specific guidance on accounting for the effects of rate regulation, Accounting Standards do not contain any equivalent comprehensive guidance. IFRS 14 *Regulatory Deferral Accounts* provides only temporary relief to first-time adopters of the Accounting Standards that are subject to rate regulation.

Companies use different accounting models to report the effects of this rate regulation. Some of these models reflect incomplete information about how rate regulation affects a company's underlying financial position, performance, and cash flows.

In January 2021, the IASB published its exposure draft *Regulatory Assets and Regulatory Liabilities*. The exposure draft proposes a new accounting model under which a company subject to rate regulation that meets the scope criteria would recognize regulatory assets and liabilities. This accounting model would align the total income recognized in a period under the Accounting Standards with the total allowed compensation the company is permitted to earn by the rate regulator, often reducing reported volatility in financial performance.

The key proposal in the exposure draft is that a company that is subject to rate regulation should report in its financial statements the total allowed compensation it is permitted to earn by the rate regulator for goods and services supplied in the period.

To achieve this, the exposure draft proposes an 'overlay' approach under which a company would, first, continue to apply the requirements of existing Accounting Standards – for example, to recognize and measure revenue from contracts with customers. Then, a company would recognize:

- a regulatory asset – when it has an enforceable present right to add an amount in determining the regulated rate to be charged to customers in future periods; and
- a regulatory liability – when it has an enforceable present obligation to deduct an amount in determining the regulated rate to be charged to customers in future periods.

Movements in regulatory assets and liabilities would give rise to regulatory income and expense. Broadly speaking, the total revenue recognized under existing Accounting Standards plus regulatory income minus regulatory expense under the proposed new Accounting Standard would align with the total allowed compensation determined by the rate regulator.

The company would present regulatory income minus regulatory expense separately in the statement of financial performance, immediately below revenue. Regulatory assets and liabilities would be presented separately from other assets and liabilities.

It is possible that some companies in the utility sector would not meet the scope criteria, whereas some outside the utility sector would be captured. A company will fall within the scope of the proposals if it meets the following conditions:

- the company is a party to a regulatory agreement;
- the regulatory agreement determines the regulated rate that the company can charge for goods or services supplied to its customers; and
- the regulated rate is determined in a such a way that some or all the total allowed compensation for goods or services supplied in one period is charged to customers in a different period.

The proposed standard provides some guidance for these conditions. If a company meets these criteria, then it would be required to apply the accounting model in the exposure draft. Unlike the approach in IFRS 14, the new accounting model would not be optional.

Companies covered by the proposals that did not apply IFRS 14 would recognize new assets and liabilities and new items of income and expense. The impact on financial performance will depend on the facts and circumstances of the company but common cases would include the following:

- If recognition of income under the Accounting Standards previously lagged total allowed compensation permitted by the regulator, then a company would see an increase in net assets on transition to the new standard.
- If a company previously experienced material short-term timing differences between recognition of income under the Accounting Standards and total allowed compensation permitted by the regulator, volatility in reported earnings would be reduced.

Companies that applied IFRS 14 would transition to the new requirements. There is no option to automatically carry forward existing IFRS 14 accounting.

The IASB tentatively decided that the standards will be effective from January 1, 2029, with earlier application permitted.

Project updates in Q4 2025

The IASB met in October 2025 to discuss sweep issues identified while drafting the prospective Accounting Standard and made the following tentative decisions:

Inflation adjustments to the regulatory capital base

The IASB tentatively decided that the proposed Accounting Standard would:

- require an inflation adjustment to be made to the regulatory capital base when the adjustment is included in regulatory depreciation;
- not specify the inflation adjustment as a timing or a measurement difference; and
- exclude specific disclosure requirements relating to the inflation adjustment.

Recognition conditions

The IASB tentatively decided that the proposed Accounting Standard would:

- specify that a direct relationship between a company’s regulatory capital base and an underlying item exists when the company is able to identify, by amount and by reporting period, how the amounts related to the underling item are compensated or charged for by regulatory depreciation;
- specify that indicators of such direct relationship between the regulatory capital base and depreciable or amortizable assets include:
    - items (or classes) in the regulatory capital base are sufficiently comparable to items (or asset classes) determined in accordance with the Accounting Standards, enabling the company to track differences between the items; and
    - when a regulator determines the amount of regulatory depreciation based on depreciation or amortization expense calculated in accordance with the Accounting Standards;
- allow a company to presume that no direct relationship exists if the above two indicators are not present;
- require a company to assess whether there is a direct relationship at the level at which it can track how amounts compensated or charged for by regulatory depreciation, capped at the asset class level determined in accordance with the Accounting Standards; and

- require a company to:
  - reassess the existence of a direct relationship when there is a change in circumstances or new information that may impact the relationship; and
  - disclose any change to or from such a direct relationship, along with the reason for the change.

The IASB expects to publish the Accounting Standard in Q2 2026. Information about project updates is available on the IASB's *Rate-regulated Activities* *project page*.

Read our *web article* and *New on the Horizon* publication which contain detailed analysis and insights.

Update on financial instruments projects

Financial instruments with characteristics of equity

IAS 32 *Financial Instruments: Presentation* sets out how an issuer distinguishes between a financial liability and equity. While IAS 32 works well for many, simpler financial instruments, classifying more complex financial instruments– e.g. those with characteristics of equity – can be more challenging, leading to diversity in practice.

In June 2019, the IASB released a discussion paper to respond to those challenges. After considering the feedback received on that discussion paper, the IASB has developed proposals meant to instead clarify and improve IAS 32's classification principles and requirements without undertaking an entire re-write of the Accounting Standard, and to add additional disclosure requirements to meet the requests of users.

The IASB issued its exposure draft in December 2023, which included proposals to address the following key areas:

- how to apply the 'fixed-for-fixed condition';
- when to reclassify instruments between equity and financial liabilities;
- how to reflect contingent settlement provisions in the classification of a financial instrument;
- how to account for obligations to purchase 'own equity' instruments;
- whether and when laws or regulations affect the presentation of a financial instrument;
- what factors to consider in determining whether a shareholder's right to decide can be treated as that of the issuing company.

Some companies could see changes in the classification of their financial instruments under the proposals. The proposals are retrospective, with restatement of the most recent comparative period. Additional transition provisions are also included in the exposure draft. For additional information, refer to our *web article*.

Project updates in Q4 2025

The IASB met in December 2025 to continue redeliberating the proposed requirements in the exposure draft. The IASB discussed feedback received on and potential changes to the proposed requirements related to the 'fixed-for-fixed condition'. No decisions were made on this topic.

The IASB will continue discussing the 'fixed-for-fixed condition' at future meetings.

Information about project updates are available on the IASB's *Financial Instruments with Characteristics of Equity* *project page*.

Risk mitigation accounting

Banks are subject to interest rate risk, specifically repricing risk, as their financial assets and financial liabilities in a portfolio reprice with changing market interest rates at different times or amounts. Many banks manage their exposure to repricing risk on a net basis by aggregating repricing risk exposures across multiple financial instruments portfolios, instead of managing the risk for each instrument on an individual basis.

Although IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* provide models for macro hedge accounting, current hedge accounting models are not designed for risk management strategies for dynamic portfolios of financial assets and financial liabilities. Without an accounting model that reflects the broader use of risk mitigation activities, banks have found it challenging to reflect how they dynamically manage repricing risk in their financial statements and how effective they are at doing so.

To address the challenges and limitations with the current hedge accounting models, the IASB developed the risk mitigation accounting (RMA) model (previously dynamic risk management (DRM) model). On December 3, 2025, the IASB published the exposure draft proposing the RMA model in IFRS 9.

Under the proposed RMA model, a company recognizes the effect of net repricing risk successfully mitigated through its risk management activities in a separate 'risk mitigation adjustment' line item in the balance sheet to provide investors with information on the extent to which the company is achieving its risk management objectives. The company is also required to provide new disclosures, including information on their risk management strategy and how that strategy is used to manage exposure to repricing risk.

While the application of the RMA model will be optional, companies would no longer be able to apply hedge accounting under IAS 39, because these requirements would be withdrawn once the proposals are finalized. Instead, companies could apply the RMA model and/or the general hedge accounting requirements under IFRS 9 or cease hedge accounting altogether.

The exposure draft is open for comment until July 31, 2026.

For more information, refer to our *web article* and IASB's *Risk Mitigation Accounting* *project page*.

Other developments

Uncertain times – The impact of tariffs on financial reporting

Ongoing developments in tariffs between the US and Canada continue to pose significant financial and operational challenges for Canadian businesses, including increased supply chain disruptions, rising costs and price volatility.

The uncertainty surrounding the applicability and duration of the tariffs may give rise to various accounting and financial reporting implications in areas, including:

- revenue from contracts with customers;
- net realizable value of inventory;
- impairment of non-current assets (including goodwill) and financial assets;
- fair value measurement;
- onerous contracts; and
- going concern.

As tariffs continue to evolve, companies should continue to monitor regulatory changes and assess how changes in circumstances may affect their financial reporting.

Refer to our *Import tariffs – what's the impact on your financial reporting?* webpage for key considerations and resources on the impact of tariffs and counter-tariffs across a broad range of financial reporting topics and our *Financial reporting in uncertain times* resource centre for guidance on the financial reporting impacts of operating in changing environments, including our new *Be clear in times of uncertainty* guide.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

The IASB has issued amendments to IFRS 9 and IFRS 7 in May 2024. These amendments related to classification of financial assets and accounting for cash transfers to respond to feedback received from a post-implementation review (PIR) of the classification and measurement requirements in IFRS 9.

Amendments to IFRS 9 - Classification of financial assets

Over the past years, questions have arisen regarding how to classify some financial assets, especially on the application of the solely payments of principal and interest (SPPI) test. The amendments to IFRS 9 address the classification of the following financial assets:

- financial assets with contingent features such as ESG linked features;
- financial assets with non-recourse features; and
- contractually linked instruments (CLIs).

The amendments introduced additional disclosure requirements for the following:

- investments in equity instruments that are measured at fair value through other comprehensive income; and
- financial instruments with contingent features.

Classifying financial assets with an ESG-linked feature

The amendments address a specific call for clarification on whether contractual cash flows of some financial assets with an ESG-linked feature – e.g. a feature that adjusts the interest rate on an asset by a specified number of basis points depending on whether the borrower achieves a pre-determined ESG or sustainability-related target(s) – represent SPPI. The new amendments introduce an additional SPPI test which applies to all contingent features, not just ESG-linked features.

Under the amendments, financial assets with contingent features that are not directly related to a change in basic lending risks or costs could meet the SPPI criteria, as long as the following conditions are met:

- The contractual cash flows, both before AND after the contingent event meet the SPPI criterion;
- The contractual cash flows are NOT significantly different from an identical financial asset without such a contingent feature.

Financial assets with non-recourse features

The amendments include clarifications on determining whether a financial asset is non-recourse such that it is primarily exposed to an underlying asset's performance risk rather than the debtor's credit risk. The amendments clarify the requirement to look through to the underlying assets or cashflows to determine whether the financial asset qualifies as SPPI by providing a list of factors to consider.

Classifying CLIs

To address questions on applying the SPPI requirements to CLIs, the amendments clarify their key characteristics and how they differ from financial assets with non-recourse features.

Disclosures on investments in equity instruments

The amendments require additional disclosures for equity instruments that are measured at fair value and whose gains or losses are presented in other comprehensive income. Companies would be required to disclose the change in the fair value separately related to (1) investments derecognized during the reporting period and (2) investments held at the end of the reporting period.

There is no change to the measurement or presentation requirements for such investments in equity instruments.

Disclosures on financial instruments with contingent features

The amendments require companies to provide additional disclosures for all financial assets and financial liabilities that:

- have contingent features that are not directly related to a change in basic lending risks or costs; and
- are not measured at fair value through profit or loss.

For such financial instruments, companies should disclose:

- a qualitative description of the nature of the contingent event;
- quantitative information about the possible changes to contractual cash flows; and
- the gross carrying amount of financial assets and the amortized cost of financial liabilities.

Amendments to IFRS 9 - Accounting for cash transfers

The question on when to recognize or derecognize a trade receivable or payable when it is settled using a payment system seems relatively simple on the surface. However, it has generated a significant amount of debate because there is diversity in practice for both the receivable and payable sides of the transaction.

Following the amendments to IFRS 9, companies that recognize or derecognize financial assets or financial liabilities on the payment initiation date could see a change to their accounting as a general requirement is added that reiterates the following requirements:

- financial instruments are recognized when a company becomes a party to a contract;
- a financial asset is derecognized when rights to the cash flows expire, or the asset is transferred; and
- a financial liability is derecognized when it is settled, which is the date on which the liability is extinguished.

However, the amendments allow an exception that would apply only for financial liabilities. The exception would allow a company to derecognize a financial liability before the settlement date, when it uses an electronic payment system and, after initiating the payment:

- it has no practical ability to withdraw, stop or cancel the payment instruction;
- it has no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

Note that the exception does not apply to payments by cheques. Companies can choose to apply the exception for electronic payments on a system-by-system basis. Given the widespread use of electronic payment systems and the variety of terms, determining whether the exception criteria are met for each one may require significant time and effort. If the derecognition exception criteria are not met, determining the settlement date may also present challenges and companies may be required to change their existing systems and processes.

The amendments will be effective from January 1, 2026. Companies can early adopt all these amendments or can separately early adopt only the SPPI assessment and its related disclosures.

For more information, refer to our web articles – *Classification of financial assets* and *Accounting for electronic payments*.

Amendments to IFRS 9 – Power purchase agreements

Nature-dependent electricity contracts, often referred to as Power Purchase Agreements ("PPA"), help companies secure electricity supply from renewable sources such as wind and solar power. Under these contracts, the amount of electricity produced can fluctuate due to unpredictable factors such as weather conditions. In light of the increased use of PPAs and common challenges faced by companies entering into such contracts, the IASB observed that existing accounting standards may not adequately capture the impact of these contracts on a company's financial performance and cash flows. The IASB also noted that application questions were also raised for purchases of renewable energy through virtual PPAs.

On December 18, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 which include the following:

- clarification on the application of the own-use exemption for purchasers of PPAs;
- the ability to apply hedge accounting using a PPA as a hedging instrument, subject to certain conditions; and
- new disclosure requirements aimed to help investors gain a better understanding of the effect of PPAs on a company's financial performance and cash flows.

Note that the amendments only apply to PPAs in which a company is exposed to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions.

Application of the own-use exemption for purchasers of PPAs

It is not always clear whether a company that purchases electricity through PPAs can apply the own-use exemption under IFRS 9. If the own-use exemption does not apply, PPAs would need to be accounted for as derivatives measured at fair value through profit or loss (FVTPL), which can potentially create significant volatility in the income statement.

To apply the own-use exemption to a physical PPA, the current IFRS 9 standards require companies to assess whether the contract is for receipt of electricity in line with the company's expected purchase or usage requirements. Due to the unique characteristics of electricity (including the difficulty to store it) and its market structure, a company may not be able to use the electricity within a short period and the electricity may have to be sold back to the market. While this occurs due to the market structure, it has been unclear as to whether a company can apply the own-use exemption under existing requirements.

The amendments allow a company to apply the own-use exemption to certain PPAs if the company has been, and expects to be, a net-purchaser of electricity for the contract period.

The amendments apply retrospectively using facts and circumstances at the beginning of the reporting period of initial application (without requiring prior periods to be restated).

Hedge accounting requirements for purchasers and sellers of PPAs

Virtual PPAs and PPAs that do not meet the own-use exemption are accounted for as derivatives and measured at FVTPL. Applying hedge accounting could help companies to reduce profit or loss volatility by reflecting how these PPAs hedge the price of future electricity purchases or sales.

Buyers and sellers of PPAs face challenges when applying cash flow hedge accounting because of a mismatch between the fair value of the hedging instrument (PPA) and the hedged transaction, combined with the 'highly probable' requirements, which could lead to the hedging relationship not qualifying for hedge accounting.

Subject to certain conditions, the amendments permit companies to designate a variable nominal volume of forecasted sales or purchases of renewable electricity as the hedged transaction, rather than a fixed volume based on highly probable estimates. This would facilitate more economic offset between the hedging instrument and the hedged transaction, enabling companies to apply hedge accounting.

The amendments apply prospectively to new hedging relationships on or after the date of initial application. They also allow companies to discontinue an existing hedging relationship if the same hedging instrument is designated in a new hedging relationship applying the amendments.

New disclosure requirements

The amendments also require disclosures of further information such as:

- contractual features exposing the company to variability in electricity volume and risk of oversupply;
- estimated future cash flows from unrecognized contractual commitments to buy electricity in appropriate time bands;
- qualitative information about how the company assessed whether a contract might become onerous; and

- qualitative and quantitative information about the costs and proceeds associated with purchases and sales of electricity, based on the information used to determine whether the company is a net-purchaser of electricity for the contract period.

The amendments will be effective from January 1, 2026, with earlier application permitted.

Refer to our *web article* and IASB's *Power Purchase Agreements project page* for more details.

Global minimum top-up tax under BEPS 2.0

Many countries have amended their local laws to introduce a global minimum top-up tax as part of the international tax reform – which incorporates both Pillar One and Pillar Two amendments.

For many jurisdictions Pillar Two amendments were effective commencing January 1, 2024, however, the development and implementation of these rules is complex and different countries are still at different stages of implementing the legislation. Therefore, companies will need to continuously monitor the status of Pillar Two implementation to determine how to reflect the current top-up tax and what information to disclose. Refer to our *web article*, *illustrative disclosures*, and *disclosure checklist* for information on key issues on the accounting, presentation and disclosure impacts of Pillar Two taxes.

Update on GloBE in Canada

In Canada the income inclusion rule and the domestic minimum top-up tax, which is intended to be a qualified domestic minimum top-up tax as defined in the GloBE Model Rules, applied to fiscal years of qualifying multinational groups beginning on or after December 31, 2023.

On August 12, 2024, draft legislation related to the new *Global Minimum Tax Act* including new provisions for the Undertaxed Profits Rule (UTPR) was released for public consultation. The legislative process is ongoing; however, based on the draft legislation it is intended that these rules will apply to fiscal years of qualifying multinational groups beginning on or after December 31, 2024. The consultation period ended on September 11, 2024.

On August 15, 2025, draft legislation for the Global Minium Tax Act was released with key updates including new and refined provisions for the allocation of covered taxes in respect of tax transparent entities, controlled foreign operations, and hybrid and flow-through entities. The legislative proposals do not include a framework for the undertaxed profit rules.

For additional information on the administrative and legislative developments in jurisdictions around the world related to the implementation of Pillar Two please refer to *BEPS 2.0: state of play*, our *web article*, and our *TaxNews*.

Applying the equity method

To address longstanding application questions on equity accounting under IAS 28 *Investments in Associates and Joint Ventures*, the IASB is proposing to amend the standard in its exposure draft published in September 2024.

The proposed changes to IAS 28 cover a number of different areas, including:

- initial measurement of cost when an existing investment becomes an equity-accounted investee;
- accounting for changes in an investor's interest when the investee continues to be accounted for under the equity method;
- accounting for the purchase of an additional interest in the investment when the investor has reduced its interest to zero due to losses;
- recognition of full gains or losses from all 'upstream' and 'downstream' transactions with equity-accounted investees;
- inclusion of deferred tax in the investment's carrying amount on initial recognition of the investment;
- measuring contingent consideration at fair value; and
- impairment of the investment would be assessed based on the fair value compared to the carrying amount of the investment.

The proposals also result in several new disclosure requirements, including:

- a reconciliation of the carrying amount of equity-accounted investments detailing the reconciling items;
- gains or losses from other ownership changes and downstream transactions; and
- information on any contingent consideration arrangements.

The proposals would apply prospectively, except for the recognition of gains and losses on transactions with equity-accounted investees, which would be applied retrospectively.

Project updates in Q4 2025

The comment period on the exposure draft closed on January 20, 2025 and the IASB continued to redeliberate the proposals in the exposure draft at its October and November 2025 meetings.

October 2025

Acquisition-related costs

The IASB tentatively decided to require acquisition-related costs incurred by an investor or joint venturer to obtain significant influence or joint control or to obtain an additional ownership interest in an associate or joint venture to be recognized as an expense in profit or loss in the period the costs are incurred. The IASB tentatively decided that this proposed change would apply prospectively from the transition date.

Transactions with associates or joint ventures

The IASB decided to carry out further work to understand concerns of respondents with respect to the proposal to recognize in fully any gains or losses arising from transactions with associates and joint ventures and consider whether requiring enhanced disclosures or additional guidance may resolve the concerns.

November 2025

Measurement of the cost of an associate or joint venture

The IASB tentatively decided to proceed with the following proposals to require an investor or joint venturer:

- when significant influence or joint control is obtained:
  - to measure the cost of an associate or joint venture using the fair value of the consideration transferred, including the fair value of any interest in the associate or joint venture that was previously held; and
  - to include contingent consideration, measured at fair value, as part of the consideration transferred.
- after significant influence or joint control is obtained:
  - to not remeasure contingent consideration classified as an equity instrument, but measure other contingent consideration at fair value at each reporting date; and
  - to recognize changes in fair value in profit or loss.

The IASB tentatively decided to define ‘contingent consideration’ using the definition in IFRS 3 *Business Combinations*.

Purchases of an additional ownership interest

The IASB tentatively decided to:

- proceed with its proposal to require an investor or joint venturer purchasing an additional ownership interest, on the date of purchase, to:
  - measure the additional ownership interest at the fair value of the consideration transferred, including contingent consideration; and
  - to include in the carrying amount of the investment the additional share of the fair value of the associate’s or joint venture’s identifiable assets and liabilities.
- explore whether investors or joint venturers should be provided with a relief from measuring the additional share of the associate’s or joint venture’s identifiable assets and liabilities at fair value.
- tentatively decided to extend the scope of the IFRS 3 measurement period guidance to when an investor i) obtains significant influence or joint control over an associate or joint venture or ii) obtains additional ownership interest in an existing associate or joint venture.

Disposal of a portion of an investment in an associate or joint venture

The IASB tentatively decided to proceed with its proposals to require an investor or joint venturer, when disposing of a portion of an investment in an associate or joint venture, to measure the disposed portion as a percentage of the investment’s carrying amount (calculated using the proportion of ownership interest disposed of relative to the total ownership interest) and recognize the difference between the proceeds and carrying amount of the disposed portion in profit or loss.

The IASB will continue redeliberating the proposals in the exposure draft at future meetings.

Refer to our *web article* and IASB’s *Equity Method project page* for more details.

Business combinations – Disclosures, goodwill, and impairment

In response to investors’ requests for improved information on business combinations (as defined in the Accounting Standards) and concerns over the impairment tests under IAS 36 *Impairment of Assets* being costly and complex, in March 2024, the IASB issued its exposure draft *Business Combinations – Disclosures, Goodwill and Impairment*.

The proposed changes to IFRS 3 would:

- result in companies providing information to investors about the performance of an acquisition by requiring both quantitative and qualitative information about expected synergies – e.g. total revenue synergies – as well as information on the benefits expected start date and their duration.
- allow investors to directly assess the performance of acquisitions, rather than using goodwill impairment as a proxy indicator.

The proposals would also result in increased disclosures for 'strategic' business combinations including disclosure of specific acquisition-date key objectives and related targets and progress to meeting those targets in the acquisition year and subsequent periods.

While the proposals do not reintroduce an amortization model for goodwill, the proposed changes to the IAS 36 value-in-use testing requirements aim to simplify and clarify the impairment test.

Project updates in Q4 2025

The exposure draft comment period closed in July 2024 and the IASB continued to redeliberate the proposals at its October and December 2025 meetings.

At its October and December 2025 meetings, the IASB discussed feedback on proposals related to the disclosure of proposed performance and expected synergy information and the auditability of this information. No decisions were made with relation to these topics in Q4 2025.

At its December 2025 meeting, the IASB discussed feedback on proposals related to targeted amendments to IAS 36 to improve how goodwill is allocated to cash-generating units and made the following tentative decisions:

- to retain the proposal to replace the phrase 'goodwill is monitored' to 'business associated with the goodwill is monitored' in IAS 36 paragraph 80(a), which outlines the required level at which each unit or group of units to which goodwill shall be allocated for impairment testing.
- to retain the proposal to clarify that IAS 36 paragraph 80(b) acts as a ceiling to the level a company allocates goodwill under paragraph 80(a); and
- to retain the proposal in IAS paragraph 80A(b) with minor wording changes to separate out the requirement relating to how financial information about synergies from the business combination is considered when determining the level at which goodwill is allocated.

The IASB will continue redeliberating the proposals in the exposure draft at future meetings.

For more information, refer to our web article, and also refer to IASB's *Business Combinations—Disclosures, Goodwill and Impairment* project page.

Amendments to IAS 37 – Provisions

To address the challenges companies are encountering when accounting for provisions, the IASB is proposing to clarify the related requirements in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and withdraw related interpretations, including IFRIC 21 *Levies*.

The IASB issued its exposure draft in November 2024, which included proposals to address the following three key areas:

- how to determine if a present obligation exists and when to recognize a provision;
- which costs to include in measuring a provision; and
- which discount rate to use in discounting a long-term provision.

When to recognize a provision

One of the challenges in applying IAS 37 is determining when to recognize a provision, specifically how to determine if a company has a present obligation and what constitutes a 'past event'. These questions have become more prominent with the rise of climate-related commitments and threshold-based obligations. In response, the proposals to amend IAS 37 include:

- three new tests to determine whether a present obligation exists, including:
  - *Obligation test*: does the company have an *obligation*?
  - *Transfer test:* is the obligation to *transfer* an economic resource?; and
  - *Past event test*: is it a present obligation as a result of a *past event*?
- specific guidance for threshold-based obligations; and
- new illustrative examples to replace IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* and IFRIC 21.

Under the proposals, companies may need to start recognizing some provisions sooner if they expect to exceed a specific threshold. This would require management to make new judgements.

Costs to include in measuring a provision

IAS 37 does not provide specific guidance on which costs to include in measuring a provision, leading to varying approaches across companies. Under the proposals, a company would include all direct costs when measuring any provision. These costs would include:

- incremental costs; and
- an allocation of other costs that relate directly to settling the obligation.

The proposals may cause some provisions that are currently measured using incremental costs to become larger. As such, companies may need new processes to identify all direct costs, as well as an allocation method.

Discount rate to be used when discounting a long-term provision

The approach to determining the discount rate for long-term provisions varies between companies due to the lack of detailed guidance under IAS 37. Consequently, some companies use a risk-free rate, while others adjust the rate for non-performance or their own credit risk.

The IASB proposes to use a risk-free discount rate in measuring a long-term provision and make no further adjustments made. Depending on the company's current accounting policy, some provisions may become larger.

The exposure draft also proposes to add disclosure of the discount rates used in measuring the provision.

Project updates in Q4 2025

The exposure draft comment period closed on March 12, 2025. At its October 2025 meeting, the IASB continued to redeliberate feedback received on the proposals and discussed ideas for potential application requirements for levies. No decisions were made on this topic.

At its December 2025 meeting, the IASB continued to redeliberate the proposals in the exposure draft, specifically regarding the aspects of the obligation condition relating to legal obligations and constructive obligations, as well as the proposed clarification of the costs to be included when estimating future costs required for a company to settle an obligation.

Recognition – legal obligations

The IASB tentatively decided to revise the criteria for determining when a company has no practical ability to avoid discharging a legal responsibility, such that the criteria would require that either:

- the counterparty has a right to ask a court to force the company to discharge the responsibility or remit a fine or compensation for failing to discharge; or
- the counterparty has a right to take an alternative form of action against the company for failing to discharge the responsibility, and the resulting economic consequences for the company are expected to be significantly worse than the costs of discharging the responsibility.

In reaching the above decisions, the IASB tentatively decided that the threshold for concluding that a company has no practical ability to avoid discharging a responsibility is high.

The IASB also tentatively decided to not add application guidance on assessing the economic consequences of failing to discharge a responsibility, and not make any changes to existing requirements in IAS 37 that apply to proposed new laws that have not been finalized.

Recognition – constructive obligations

The IASB tentatively decided:

- to retain the proposed criterion for concluding that a company has no practical ability to avoid discharging a constructive obligation, and not add a reference to the economic consequences of failing to discharge the responsibility; and
- to not add additional guidance on factors to consider when assessing whether a company's public statement of its climate-related commitments gives rise to a constructive obligation.

Measurement – costs to include

The IASB tentatively decided to retain the proposed requirement that the expenses required to settle an obligation include costs that directly relate to that obligation, comprising of both:

- the incremental costs required to settle the obligation; and
- an allocation of other costs that directly relate to settling obligations of that type.

The IASB also tentatively decided to limit the scope of this requirement to obligations arising from the provision of goods or services, and to clarify that the requirement applies to the measurement of the goods or services.

The IASB further tentatively decided to not add a requirement to disclose whether and how ancillary costs are included in measuring a provision, and to not add application guidance or illustrative examples on the types of expenses included in measuring a provision.

The IASB will continue redeliberating the proposals in the exposure draft at future meetings.

Project updates and the exposure draft are available on the IASB's *Provisions—Targeted Improvements* *project page.* Refer to our *web article* and *talkbook* to understand the potential changes and their impact on your company's provisions.

IFRS Interpretations Committee agenda decisions

Companies applying Accounting Standards are required to reflect the explanatory material included in final agenda decisions made by the Committee. Bookmark our IFRIC agenda decisions *web page* to keep up to date with the latest discussions.

March 2025 final agenda decisions

At the March 2025 meeting, the Committee voted to finalize on the following agenda decisions that were published in the March 2025 IFRIC Update:

- Guarantees issued on obligations of other entities;
- Recognition of revenue from tuition fees (IFRS 15); and
- Recognition of intangible assets from climate-related expenditure (IAS 38 *Intangible Assets*).

The IASB agreed to publish the agenda decisions at its April 2025 meeting.

A summary of the agenda decisions is available on the Committee's March 2025 IFRIC Update *web page*.

June 2025 final agenda decision

At the June 2025 meeting, the Committee considered feedback on the tentative agenda decision previously published in the November 2024 IFRIC Update (refer to *web page*) with regards to applying IAS 29 *Financial Reporting in Hyperinflationary Economies* to identify when an economy becomes hyperinflationary, and concluded on its discussions on the agenda decision.

The IASB agreed to publish the agenda decision at its July 2025 meeting.

A summary of the agenda decision is available on the Committee's June 2025 IFRIC Update *web page*.

November 2025 final agenda decisions

At the November 2025 meeting, the Committee voted to finalize on the following agenda decisions that were published in the November 2025 IFRIC Update:

- Embedded Prepayment Option (IFRS 9); and
- Determining and Accounting for Transaction Costs (IFRS 9).

Updates to Committee's agenda decisions for IFRS 18

The Committee considered feedback on its proposals published in the June 2025 IFRIC Update related to:

- updating nine agenda decisions to replace references to IAS 1 with references to the new or amended requirements in IFRS 18 that refer to presentation, materiality and aggregation of information requirements; and
- explaining how requirements in how a company applies IFRS 18 requirements to the fact pattern addressed by the agenda decision *Supply Chain Financing Arrangements—Reverse Factoring*.

The Committee finalized its discussions on the proposed updates to the agenda decisions and decided:

- to recommend the IASB to withdraw the two agenda decisions *Presentation of income and expenses arising on financial instruments with a negative yield* and *Supply Chain Financing Arrangements—Reverse Factoring*;
- to propose additional updates to two agenda decisions *Presentation of payments on non-income taxes* and *Classification of tonnage taxes*, which will be open for comment until February 6, 2026; and
- to proceed with finalizing the proposed updates for the remaining six agenda decisions.

The Committee's decisions will be considered by the IASB at a future meeting.

A summary of the agenda decisions is available on the Committee's November 2025 IFRIC Update *web page*.

Requirements effective in 2025

The below are amendments to Accounting Standards effective for annual reporting periods beginning on or after January 1, 2025.

Lack of exchangeability (Amendments to IAS 21)

Under IAS 21 *The Effects of Changes in Foreign Exchange Rates*, a company uses a spot exchange rate when translating a foreign currency transaction. However, in rare cases, one currency cannot be exchanged into another when a government imposes controls on capital imports and exports, and market participants are unable to buy and sell currency at the official exchange rate. This can have a significant accounting impact for companies in affected jurisdictions.

In 2023, the IASB amended IAS 21 to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

The amendments apply for annual reporting periods beginning on or after January 1, 2025, with early application permitted.

For more information about the amendments, refer to our *web article*.

Appendix 1: Accounting Standards effective in 2026 and beyond

A reminder of standards and amendments to published standards not yet effective, but available for early adoption are listed in this table.

Effective for periods beginning on or after	Standards and amendments	KPMG's guidance
Newly effective standards		
January 1, 2026	Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	*Financial assets with ESG-linked features* ***Web article*** *Settlement of financial liabilities by electronic payments* ***Web article***
	Power Purchase Agreements (Amendments to IFRS 9)	***Web article***
	Annual Improvements to IFRS Accounting Standards (includes Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7)	***Web article***
January 1, 2027	Presentation and Disclosure in Financial Statements (IFRS 18)	***Web article***
	Subsidiaries without Public Accountability: Disclosure (IFRS 19)	***Web article***
	Hyperinflationary presentation currency (Amendments to IAS 21)	***Web article***
NA*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	

** The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.*

Appendix 2: IASB work plan

These tables are intended to act as an outlook of current IASB projects that may impact your financial statements in the future. More information about the projects is available on the IASB's *work plan page*.

Standard-setting projects	Next milestone	Expected date	KPMG's guidance
Amortized Cost Measurement	Exposure Draft	H2 2026	
Business Combinations—Disclosures, Goodwill and Impairment	Decide Project Direction	H2 2026	*Web article*
Risk Mitigation Accounting	Exposure Draft Feedback	H2 2026	*Web article*
Financial Instruments with Characteristics of Equity	Final Amendments	H2 2026	*Web article*
Rate-regulated Activities	Accounting Standard	Q2 2026	*Web article*
Equity Method	Decide Project Direction	March 2026	*Web article*

Research projects	Next milestone	Expected date	KPMG's guidance
Intangible Assets	Decide Project Direction	H2 2026	
Post-implementation Review of IFRS 16 Leases	Request for Information Feedback	January 2026	
Statement of Cash Flows and Related Matters	Decide Project Direction	January 2026	
Post-implementation Review of IFRS 9—Hedge Accounting	Request for Information	H2 2026	

Maintenance projects	Next milestone	Expected date	KPMG's guidance
Amendments to the Fair Value Option (IAS 28)	Exposure Draft	February 2026	
Provisions—Targeted Improvements	Decide Project Direction	March 2026	*Web article*

Application questions	Next milestone	Expected date	KPMG's guidance
Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)	Tentative Agenda Decision Feedback	March 2026	*Web article*
Assessment of a Specified Main Business Activity for the purposes of the Separate Financial Statements of a Parent (IFRS 18)	Tentative Agenda Decision Feedback	March 2026	

Application questions	Next milestone	Expected date	KPMG's guidance
Classification of Gains and Losses on a Derivative Managing a Foreign Exchange Exposure (IFRS 18)	Tentative Agenda Decision Feedback	March 2026	
Determining and Accounting for Transaction Costs (IFRS 9)	Agenda Decision	March 2026	
Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16)	Tentative Agenda Decision Feedback	March 2026	
Embedded Prepayment Option (IFRS 9)	Agenda Decision	March 2026	
Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1)	Tentative Agenda Decision Feedback	March 2026	
Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 Income Taxes (IFRS 18)	Tentative Agenda Decision Feedback	March 2026	*Web article*
Scope of the Requirement to Disclose Expenses by Nature (IFRS 18)	Tentative Agenda Decision Feedback	March 2026	
Updates to Committee's agenda decisions for IFRS 18	Tentative Agenda Decision Feedback	March 2026	

Appendix 3: ISSB work plan

These tables are intended to act as an outlook of current ISSB projects that may impact your financial statements in the future. More information about the projects is available on the ISSB's *work plan page*.

IFRS Sustainability standard-setting projects	Next milestone	Expected date	KPMG's guidance
Enhancing the SASB Standards	Exposure Draft Feedback	Q2 2026	
Biodiversity, Ecosystems and Ecosystem Services	Exposure Draft	H2 2026	
Amendments to the IFRS S2 Industry-based Guidance	Exposure Draft Feedback	Q2 2026	

IFRS Sustainability research projects	Next milestone	Expected date	KPMG's guidance
Human Capital	Decide Project Direction	March 2026	

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