Accounting newsletter

For the period
Q4 2024

December 2024
KPMG Caucasus and Central Asia

Contents

Foreword

As we step into 2025, we are pleased to bring you the next quarterly Accounting newsletter.

This issue focuses on key developments in financial and sustainability reporting occurred in the last quarter of 2024, helping you stay informed and prepared for the challenges and opportunities ahead.

In this edition, we explore the latest updates to financial reporting requirements, including the recently issued amendments to IFRS 9 Financial Instruments concerning nature-dependent electricity contracts and proposed amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

In line with the increasing emphasis on sustainability, we also provide updates on sustainability reporting — a critical area that continues to evolve.

Finally, we are excited to introduce several new internally developed resources designed to streamline your financial reporting workflows and enhance the accuracy and efficiency of your financial statements.

Wishing you a successful and prosperous year ahead!

Mukhit Kossayev

Head of Audit
KPMG Caucasus and Central Asia

Guides on financial reporting

Areas of focus for 2024 year-ends | IFRS podcast

Our latest podcast offers clear and concise points for companies to consider in preparing their year-end financial statements.

Hosted by Brian O'Donovan (Global IFRS and Corporate Reporting Leader), this episode takes as its central theme the need to drive clarity in financial reporting. It delivers insights from KPMG specialists on a range of topics – including climate-related matters, valuation and impairment, changes to presentation and new disclosures, and finally the growing importance of connectivity between a company's financial statements and all other publicly available information.

Illustrative disclosures for insurers | Ready for year-end financial reporting?

Investors and regulators have been raising concerns about the clarity of financial reporting. Companies need to be clear on climate in their financial reporting.

Our updated guide will help, illustrating one possible format for financial statements for a fictitious multinational insurer. In this 2024 edition, the insurer has already transitioned to IFRS 17 *Insurance Contracts* and is preparing financial statements in the 'post transition' state.

Our 2024 guide reflects standards in issue at 31 August 2024 that are required to be applied by an insurer with an annual reporting period beginning on 1 January 2024.

Banks and investment funds | Your essential guides to disclosures

We've also released new guides to annual financial statements featuring illustrative disclosures for banks and investment funds. Each publication will help you prepare financial statements in accordance with IFRS Accounting Standards.The guide for banks illustrates one possible format for financial statements based on a fictitious banking group. The guide for investment funds illustrates one possible format for financial statements based on a fictitious tax-exempt open-ended single-fund investment company.

Both publications reflect standards in issue at 30 November 2024 that entities are required to apply for an annual period beginning on 1 January 2024. Both also include a reminder relating to the IFRS Interpretations Committee's June 2024 agenda decision, Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8).

Impairment: Impact of climate-related matters | Digital guide

Connectivity between the assumptions used in the impairment test and the information provided in the front part of the annual report is key.

Investors and regulators want clarity on climate-related matters in financial reporting, including the impact they have on the judgements and estimates a company makes in its impairment testing of non-current assets. Robust disclosures help them understand whether and how climate-related matters are reflected in the recoverable amount – e.g. in estimating future cash flows or the terminal value.

Our digital guide answers some of the key accounting questions, providing guidance on:

- indicators of impairment;
- cash flows and the discount rate;
- terminal value; and
- disclosures and connectivity.

Pillar Two top-up taxes | Updated guide

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

These Pillar Two top-up taxes become effective for the first time in 2024 in some jurisdictions. They are complex so it may be challenging to estimate their amounts and properly reflect their impact in the financial statements.

Our video highlights the key areas to focus on when preparing 31 December 2024 financial statements and our guide answers your key questions on a number of topics, including:

- disclosures; and
- impairment assessment.

For more detailed guidance, see our flagship publication *Insights into IFRS®*, available as an e-book on *ProView™*. To order your copy, click here.

IFRS compared to US GAAP | Handbook

Clarity of financial reporting continues to be an area of concern for stakeholders – and companies are striving to provide meaningful and relevant information. For those companies reporting under both IFRS Accounting Standards and US GAAP, our updated IFRS compared to US GAAP handbook highlights the key differences between the two frameworks based on 2024 calendar year ends.

Use our guide to help you identify and understand the key differences between the two frameworks, and deliver clarity in financial reporting.

Updates on financial reporting requirements

Amendments to IFRS 9 | Nature-dependent electricity contracts

Companies face challenges in applying IFRS 9 *Financial Instruments* to contracts referencing nature-dependent electricity – sometimes referred to as renewable power purchase agreements (PPAs). The International Accounting Standards Board (IASB) has now amended IFRS 9 to address these challenges. The amendments include guidance on:

- the 'own-use' exemption for purchasers of PPAs; and
- hedge accounting requirements for purchasers and sellers of PPAs.

The IASB has also added new disclosure requirements for certain PPAs to IFRS 7 *Financial Instruments: Disclosures* and IFRS 19 *Subsidiaries without Public Accountability: Disclosures.*

The amendments apply for reporting periods beginning on or after 1 January 2026. Early application is permitted.

Click here to read more.

Provisions | Proposals to amend IAS 37

As the business world evolves, companies may face additional challenges when accounting for more complex transactions and uncertainties. Accounting for provisions is one such area that has prompted the following long-standing questions:

- How do you determine if a present obligation exists and when do you recognise a provision?
- Which costs do you include in measuring a provision?
- Which discount rate do you use when discounting a long-term provision?

In response, 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 proposals may result in larger provisions at an earlier date.

Read our guide to help you understand the potential changes to IAS 37 and their impact on a company's provisions.

Identifying hyperinflationary economies | IFRIC discussion

At its November meeting, the IFRS Interpretations Committee (IFRIC) discussed how to identify when an economy becomes hyperinflationary. This is a key judgement that results in a fundamental and pervasive change in the basis of accounting for affected companies. Therefore, it is important there is a common understanding of how to make this judgement.

In the latest video in his series on IFRIC agenda decisions, Brian O'Donovan summarises the discussions.

The IFRS Foundation also publishes updates of the IFRIC's meetings.

Regulators' enforcement priorities for 2024

To promote the consistent application of financial reporting and the newly effective sustainability reporting requirements, the European securities regulator, ESMA, has issued its priorities for 2024 annual reports.

This year, as companies prepare their first set of sustainability reports under the newly effective European Sustainability Reporting Standards (ESRS), the focus is shifting. A number of financial reporting areas aimed at driving clarity on presentation and disclosures remain on the watch list; however, sustainability reporting is the main focus. Regulators around the world will be watching how companies report under ESRS, with many more jurisdictions having made arrangements or pledges to implement sustainability reporting requirements in the coming years. ESMA also highlights the need for consistency in the annual report and the importance of similar governance over both sustainability reporting and financial reporting.

Click here to read more.

Sustainability reporting

Making materiality judgements | ISSB issues guidance

Materiality judgements are fundamental to sustainability reporting – they determine the volume, type and precision of information to be reported. The International Sustainability Standards Board (ISSB) has issued guidance to help companies make these judgements.

The guidance explains how companies identify sustainability-related risks and opportunities that could reasonably be expected to affect their prospects, and how they determine whether information about them is material.

It includes a four-step process that companies can use for making materiality judgements. This may be particularly helpful for those companies that are new to sustainability reporting or currently report under frameworks that do not focus on investor needs.

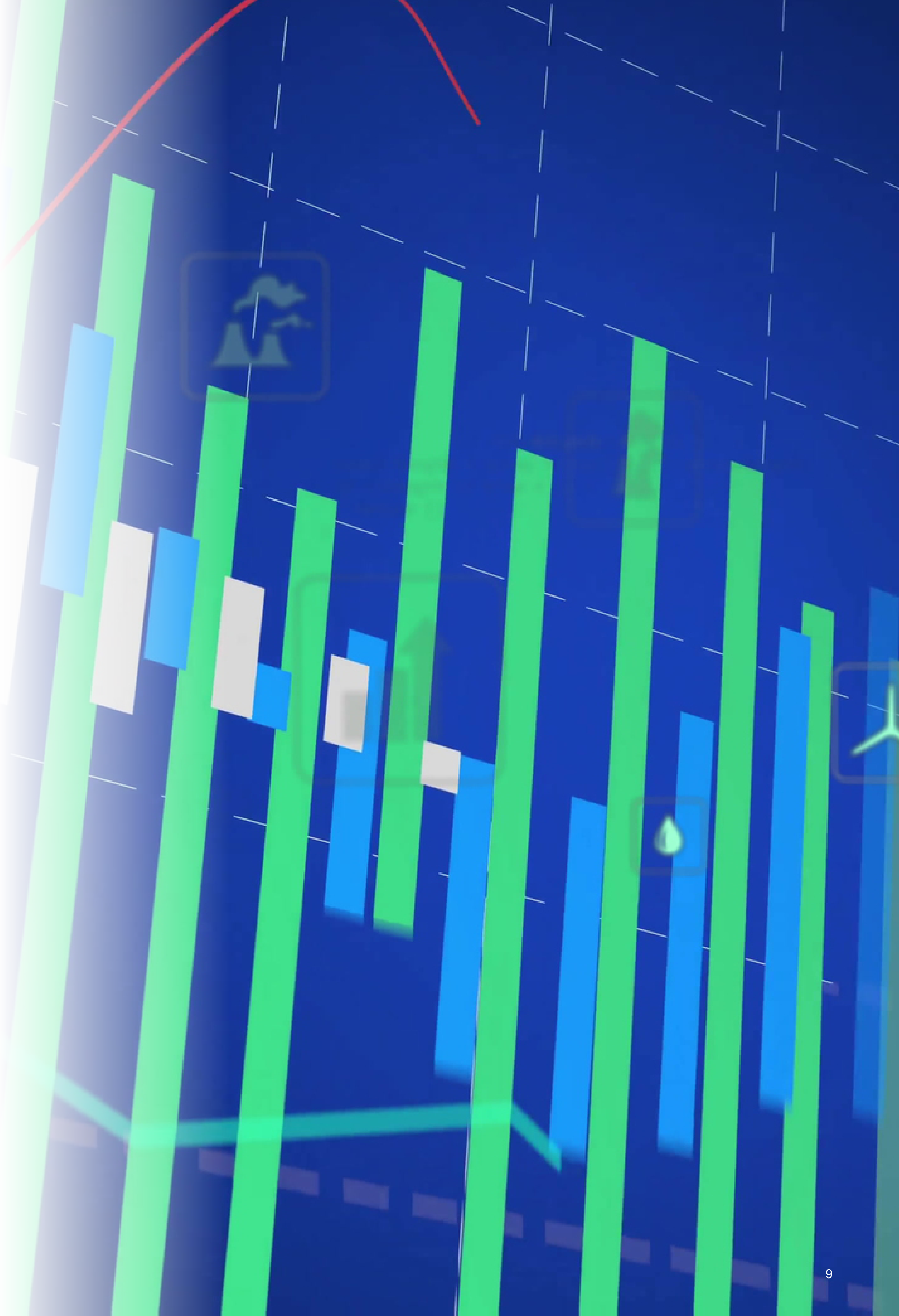
Click here to read more.

ESRS Foundations | Our latest insights and guidance

Many companies in the EU and beyond are currently preparing to report under ESRS. The first to report are the largest companies, but ultimately 50,000 companies, including non-EU companies, will be required to report specific information under these new standards.

ESRS Foundations explains the key concepts and helps companies understand how they might apply the standards. It navigates the complexity of ESRS, pulling the detailed requirements together in one place, and explaining them in plain English. It also includes insights and illustrative examples to help anticipate some of the key impacts.

Whether a company is well advanced on its implementation journey, or taking the first steps, we hope this publication will help meet the challenges – and realise the opportunities enhanced reporting can bring.



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