



# Webcast Actuality

## IFRS Update 2022



# Agenda

**IFRS Update  
2022 and beyond**

**Other 2022 key  
developments**





# IFRS Update 2022 and beyond



# 2022-2024 IFRSs

2022-2023

		IASB effective date			EU Endorsed?
		2022	2023	2024	
Narrow-scope amendments	Amendments to IAS 37: <i>Onerous Contracts</i>	✓			✓
	Amendments to IAS 16: <i>Proceeds before PPEs Intended Use</i>	✓			✓
	Amendments to IFRS 3: <i>Business Combinations</i>	✓			✓
	<i>Annual Improvements cycle 2018-2020</i>	✓			✓
	Amendments to IAS 8: <i>Definition of Accounting Estimates</i>		✓		✓
	Amendments to IAS 12: <i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>		✓		✓
	Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-current</i>			✓	
	Amendments to IFRS 16: <i>Lease Liability in a Sale and Leaseback</i>			✓	
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements</i>		✓		✓
New standard	<i>IFRS 17 Insurance Contracts including amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>		✓		✓



# Amendments to IAS 37 - Onerous Contracts

2022

new

**unavoidable costs**  
(= costs to fulfil a contract)



**incremental costs +  
allocated other direct costs**



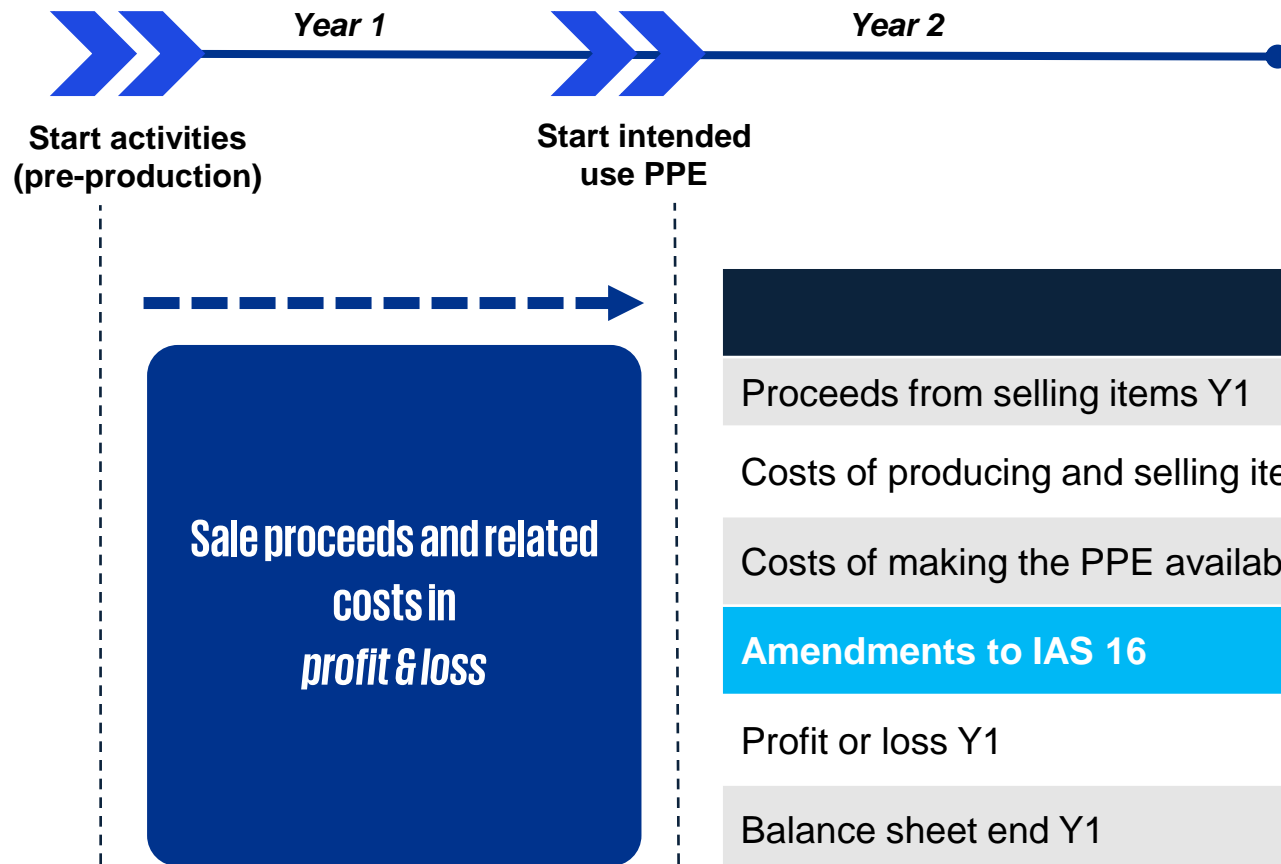
**full direct costs**



Amendment IAS 37	Before	After
<b>Benefits</b>	<b>80</b>	<b>80</b>
Direct contract wages	60	60
Direct contract materials & tools	40	40
Allocated direct supervisory staff costs	-	10
Allocated direct equipment & depreciation cost	-	30
<b>(Unavoidable) Costs to fulfil the contract</b>	<b>100</b>	<b>140</b>
<i>Provision Onerous Contracts</i>	<i>20</i>	<i>60</i>

# Amendments to IAS 16 - Proceeds before PPE's intended use

2022



Example		
Proceeds from selling items Y1		100
Costs of producing and selling items Y1		80
Costs of making the PPE available for its intended use		150
Amendments to IAS 16	Before	After
Profit or loss Y1	0	20
Balance sheet end Y1	130	150

# Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2023

Amendments to IAS 12 clarifies that the initial recognition exemption does not apply to a single transaction such as leases



## Example

- Lessee H leases a piece of PPE for 10 years, initially recognising a lease liability and ROU-asset of 100
- At the end of Y1, the carrying amount of ROU-asset is 90, and that of the lease liability 92
- For tax purposes (tax rate = 50%), the whole amount of the lease payment is deductible on a cash basis
- H concludes tax deductions it will receive for lease payments relate to the repayment of the lease liability.

## Initial recognition of the lease

- Initial recognition exemption should/is not applied (IAS 12A)
- Therefore, taxable temporary difference on the ROU-asset is (100) and deductible temporary difference on the lease liability is 100
- Net temporary difference presented is zero

## End Y1

- Deferred tax asset 1  
@ income tax income 1
- Net temporary deductible difference end Y1 is 2 (90-92)
  - @ tax rate of 50% =  $2 * 50\% = 1$

# Amendments to IAS 1 - Classification of liabilities as current or non-current

2024

Amendments could have a significant impact on classification of liabilities



Right to defer settlement

**'substance'**  
(before: 'unconditionally')

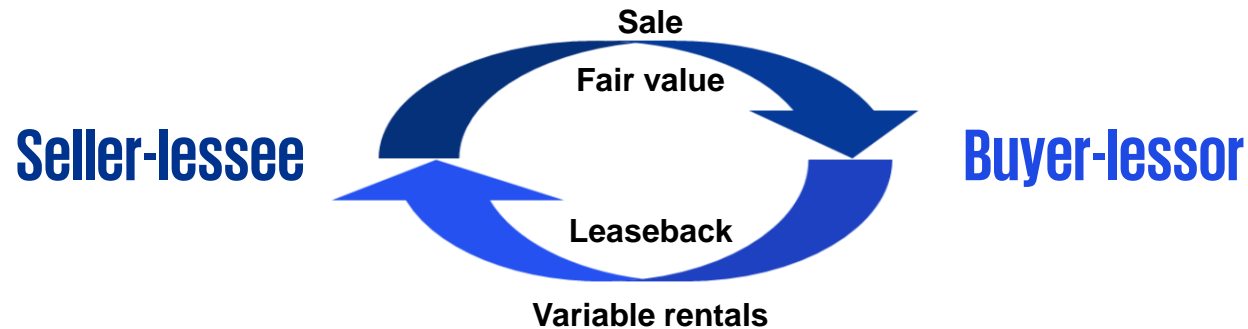
**exist at balance sheet date**

For convertible debt, (only) conversion options classified as equity do not affect current or non-current classification of the debt



# Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

2024



## Question



How should seller-lessee account this transaction?

## Solution



- **ROU-asset** = carrying value ('rights retained') proportional of PV of expected variable lease payments and FV of the PPE
- **Lease liability**
  - Initially = PV of expected variable lease payments
  - Subsequently = reduced by estimated amounts; difference actually paid in P&L
- **Gain or loss** in P&L on 'rights transferred' only

## Example

Sales price (fair value) PPE	180
Carrying amount PPE	100
Present value <u>estimated</u> variable lease payments	45

Initial recognition	Dt	Cr
Cash	180	
ROU-asset $100 * 25\% (=45/180)$	25	
PPE		100
Lease liability		45
Gain on rights transferred $(180-100) * 75\%$		60



# 2022 IFRIC Agenda Decisions (AD)

IFRIC

Economic Benefits from Use of  
a Windfarm  
(IFRS 16)

Targeted Long-Term Refinance  
Operations III (TLTRO-III)  
(IFRS 9 and IAS 20)

Transfer of Insurance  
Coverage under a Group of  
Annuity Contracts  
(IFRS 17)

Principal versus Agent:  
Software Reseller  
(IFRS 15)

Negative Low Emission  
Vehicle Credits  
(IAS 37)

Special Acquisition Company's  
(SPACs): Classification of  
Public Shares as Financial  
Liabilities or Equity (IAS 32 )

Multi-currency Groups of  
Insurance Contracts  
(IFRS 17 / IAS 21)

Lessor Forgiveness of Lease  
Payments  
(IFRS 9 and IFRS 16)

Special Acquisition Company's  
(SPACs): Accounting for  
Warrants at Acquisition  
(IFRS 2 and IAS 32)

Demand Deposits with  
Restrictions on Use  
(IAS 7)



• **Insights into IFRS 2.3.10  
(i.e. examples)**

Cash Received via  
Electronic Transfer  
(IFRS 9)

- Changes from ADs generally to be accounted for as a change in accounting policy (IAS 8)
- Our expectation is generally the change is implemented in the 2022 financial statements

# Regulators enforcement priorities 2022

Climate related matters  
and impact macro  
economic conditions

Impact Russian invasion  
of Ukraine and macro  
economic conditions



Connectivity non-  
financial information and  
financial statements

Coherent and complete  
information in the non-  
financial statement

Clear and transparent  
presentation of alternative  
performance measures



Taxonomy related  
disclosures

Reporting scope and data  
quality of non-financial  
information

# Other 2022 key developments

- 01 Sustainability reporting update (i.e. CSRD)
- 02 Inflation and hyperinflation (i.e. Türkiye)
- 03 Uncertain times (i.e. Ukraine)
- 04 Draft Act Future Pensions & IAS 19



# Future legislation (1/2)



## CSRD

- EU Corporate Sustainability Reporting Directive (CSRD) ⇒ finalized in November 2022 by EP for ESG (Environmental Social and Governance) reporting
- Scope: large PIEs with 500+ employees as from FY 2024, other large listed and non-listed companies as from FY 2025, medium-sized and small listed companies as from FY 2026
- Objectives:
  - Reduce systematic risk to financial system from sustainability issues (e.g. climate-change)
  - Make capital flow to companies that address the sustainability crisis more easily
  - Make companies more accountable for their impacts on people and the environment
- Double materiality concept: impact on the company + impact by the company
- Value chain concept: own operations, products and services + business relationships + supply chain
- Reporting on wide range of topics (climate, workload, work-life balance, human rights compliance, anti-corruption, anti-bribery) in management report
- Limited assurance by auditor or independent assurance provider, possibly to be upgraded to reasonable assurance in the future (2027?)



# Future legislation (2/2)

## ESRS

- European Sustainability Reporting Standards (ESRS), prepared by EFRAG
- First set of 12 draft standards submitted to the EC on 22 November 2022, final ESRS expected to be approved by EU in first half 2023
- Second set of EDs (primarily sector-specific and SME) to be published in 2023
- ESRS address sustainability matters as per Article 19b of CSRD, i.e. provide further requirements on sustainability information to be disclosed in order to comply with CSRD objectives and high-level requirements
- Combination of narrative, semi-quantitative and quantitative information
- Challenging points: coherence with EU policy objectives (content and timing) + compatibility with international initiatives (ISSB, SEC)



# Future ISSB-rules (3/3)

International Sustainability  
Standards Board (ISSB)

*ED/2022/S1 General Requirements for Disclosure of Sustainability-related Financial Information*

*ED/2022/S2 Climate-related Disclosures*

## Climate change

*Financial reporting resource centre*

Climate change financial reporting resource  
centre - KPMG Global ([home.kpmg](https://home.kpmg))



# Accounting for inflation under IFRS - consider accounting impact i.e.



## IAS 19

I.e. increase in DB  
measurements DBO and  
service costs

## IAS 37

i.e. measurements of provision  
at present value

## IAS 36

I.e. VIU and FVLCS

## IFRS 16

I.e. initial measurement and  
inflation indexed variable  
payments

## IFRS 2

I.e. FV and liability  
measurement SBP

## IFRS 15

i.e. fixed priced contracts  
become onerous

## IFRS 13

Impact on FV measurements

## IFRS 5

I.e. FVLCS measurement

## IAS 12

i.e. PV measurements,  
recoverability DTA

## IFRS 9

i.e. measurement FV, ECL  
impairments, hedge  
effectiveness

## IAS 40

i.e. FV investment property

**Going concern**

# Accounting for *hyper*inflation under IFRS – i.e. Türkiye



- **Türkiye** has experienced rapidly rising inflation rate during 2022.
- Cumulative inflation over the past three years has risen to just above 100% in the first quarter of 2022.
- **Türkiye to be considered a hyperinflationary economy for reporting periods ending on or after 30 April 2022.**

Entities with **foreign operations**  
**(i.e. subsidiaries, associates, joint arrangements or branches)** whose functional currency is Turkish Lira should apply IAS 29 for reporting periods ending on or after **30 April 2022.**



***Entities with foreign operations in Türkiye***

**Insight into IFRS 2.10 & IAS 29: RESTATE (in a 4 step approach)**

# Why is restatement required? - example



On 1 Jan. 2022, a Turkish car dealer receives capital contribution CU500,000 (cash).

- No transactions in 2022, but money loses purchasing power:

	1 Jan. 22	31 Dec. 22
CPI	100	200
Vehicle price	CU2,500	CU5,000

- Without restatement, balance sheet does not change:

	1 Jan. 22	31 Dec. 22
Cash	500,000	500,000
Equity	500,000	500,000

- However the company is not in the same financial position:

	1 Jan. 22	31 Dec. 22
# of vehicles company can purchase	200	100

**Restatement** is required to make the financial information more meaningful and useful to the users of financial statements.



# Restate hyperinflation step-by-step



**Step 01**

Restate opening SFP (i.e. 31/12/2021)



**Step 02**

Restate closing SFP (i.e. 31/12/2022)



**Step 03**

Restate statement of P&L and OCI (i.e. 2022)



**Step 04**

Calculate and separately disclose the gain or loss on the net monetary position



See  
Insights 2.10.110 for a  
worked example

# Uncertain times- Financial reporting resource centre

Uncertain times  
Financial reporting resource centre

Impact Ukraine conflict on 2022 fs depends on exposure

Entities with Direct  
Exposure to Ukraine

Entities with Direct  
Exposure to  
Russia/Belarus

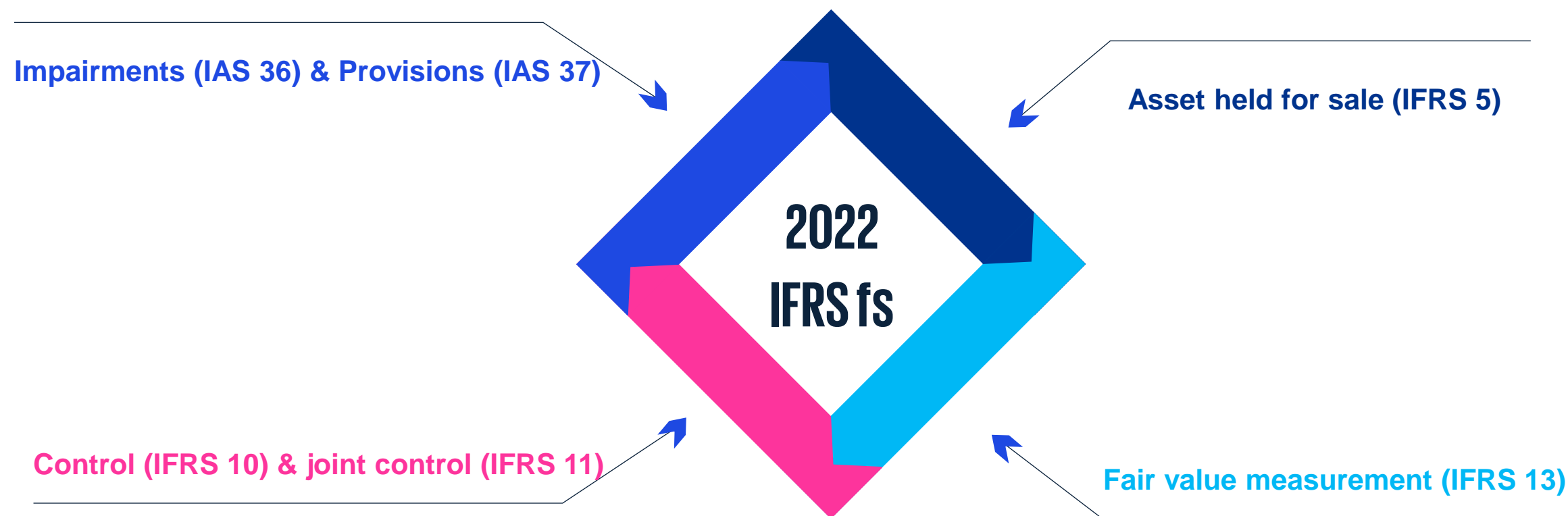
All other entities

Uncertain times - Financial reporting  
research centre

# Ukraine conflict – consider accounting impact, i.e.

Uncertain times

Financial reporting resource centre



# NL *Draft*Act Future Pensions & IAS 19



**Pension Act**

**Benefit Agreement**

or

**Capital Agreement**

or

**Contribution Agreement**



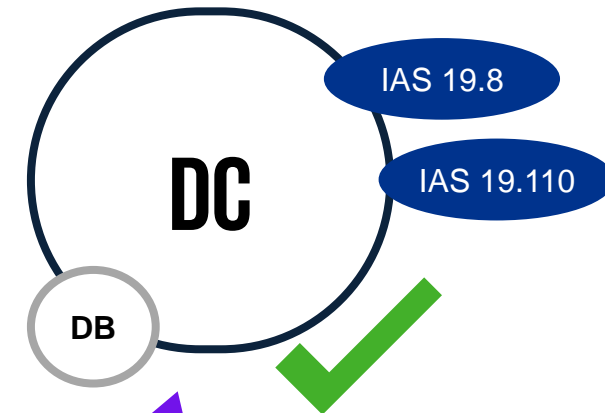
**Draft Act Future Pensions**

**Solidarity Contribution Scheme**

or

**Flexibility Contribution Scheme**

**IAS 19**



*Possible impact  
(voluntary) added benefits  
by employer*

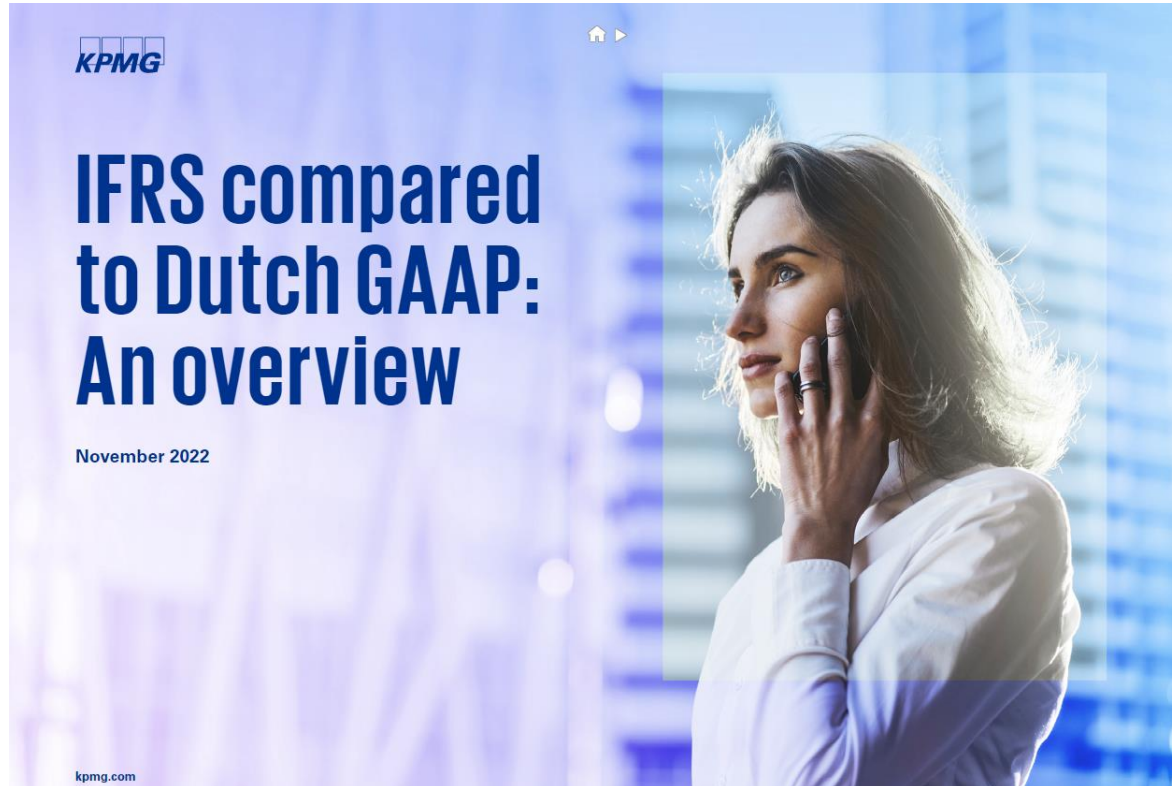
# Key points to remember

- **Limited changes in IFRS in 2022**
- **Sustainability reporting** will result in a significant extension of reporting requirements for large listed and non-listed entities, applicable from financial year 2024 (large PIEs with 500+ employees), 2025 (other large entities) and 2026 (small and medium-sized listed entities)
- The **conflict in Ukraine**, together with other external events – such as COVID-19 pandemic and **high inflation** – are creating global economic uncertainty. Companies to assess the **potential accounting and disclosure implications** for the 2022 financial statements.





# Recent KPMG publications



[IFRS compared to Dutch Gaap - an overview 2022.pdf \(kpmg.com\)](#)



[Application of consolidation exemption for intermediate holding companies \(art. 408\) in the Netherlands.pdf](#)

**Thank you**





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