KPMG

Accounting and sustainability reporting newsletter

Navigating Through the Evolving Landscape of Accounting

For the period

October - December 2024

January 2025

Foreword

This edition of our quarterly newsletter provides essential updates and practical insight across accounting and sustainability reporting matters. It covers significant topics including amendments to address common accounting challenges, updates to pillar two top-up tax guide, digital guide concerning impact of climate related matters on impairment, handbook on comparison of IFRS to US GAAP, IFRIC discussions on identifying hyper-inflationary economies, IFRS podcast on areas of focus for 2024 year-ends, essential guides to disclosures for banks, insurers and Investment funds and proposals to amend IAS 37. On the sustainability front, ISSB has issued guidance on making materiality judgements, update on implementation of IFRS sustainability disclosure standards and there are latest insights and guidance by ESRS Foundations.

We trust this newsletter will equip you with valuable knowledge to navigate current challenges and opportunities in the accounting and reporting landscape. To find out more about how KPMG can help your organization with your accounting needs, please feel free to get in touch with any of the contacts listed in this publication.

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Accounting matters

Amendments to address common accounting challenges

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.

Pillar Two top-up taxes | Updated guide

Your questions answered

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.

Click here to read more

Impairment: Impact of climate related matters | Digital guide

Are you clear on climate reporting?

Investors and regulators demand 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-financial assets. They expect companies to provide robust disclosures to 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.

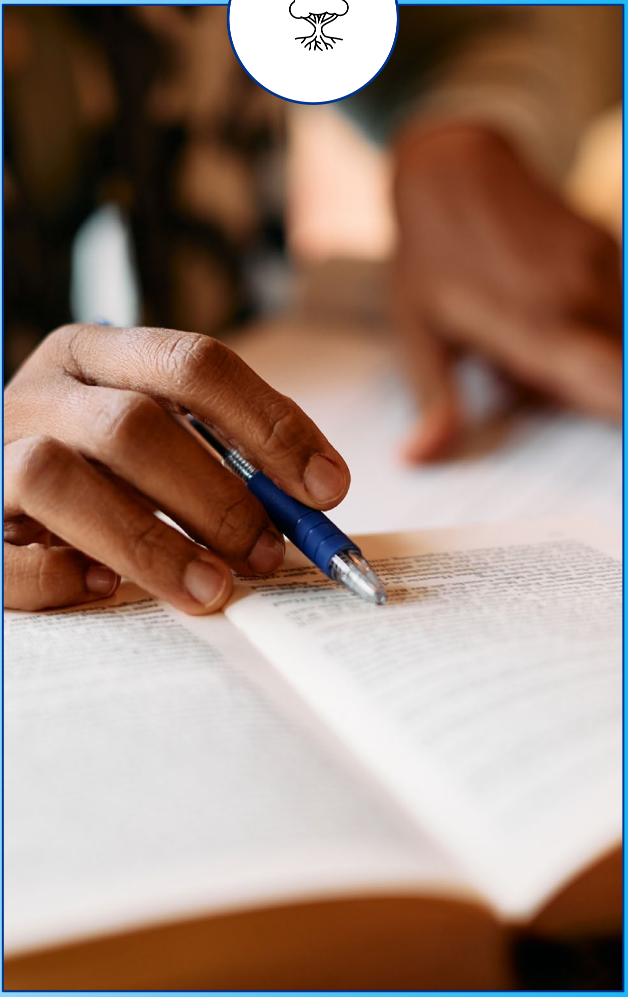
Connectivity between the assumptions used in the impairment test and the information provided in the front part of the annual report is key.

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.

Click here to read more.

IFRS compared to US GAAP | Handbook



Driving clarity in financial reporting

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 your financial reporting.

Click here for further details

Identifying hyper-inflationary economies | IFRIC Discussion

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

In our latest video, Brian O'Donovan summarizes the discussions.

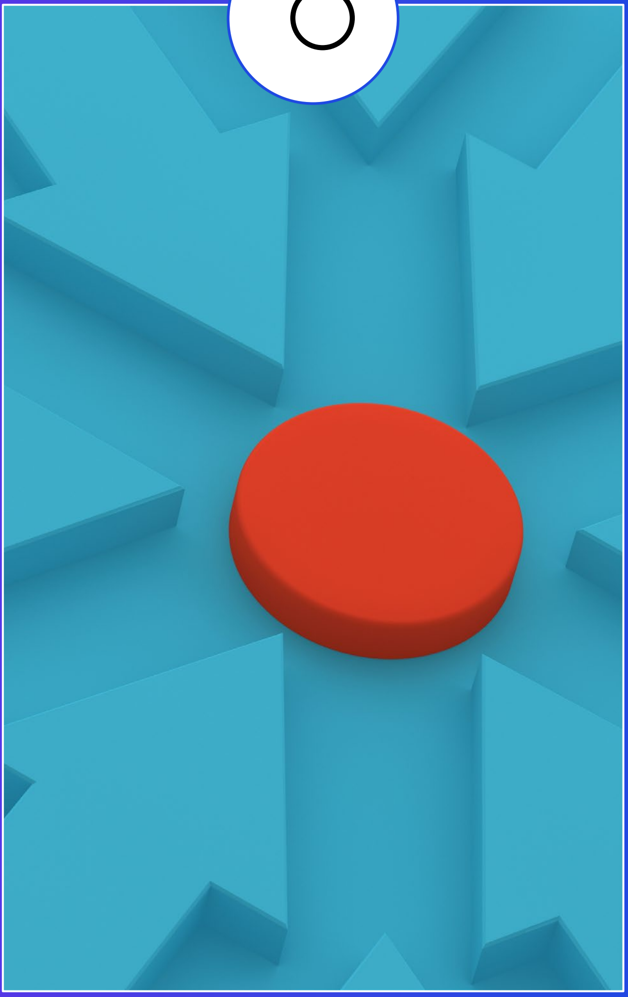
Click here to read more.

Areas of focus for 2024 year-ends | IFRS podcast

Driving clarity in financial reporting

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

Hosted by Brian O’Donovan, 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, valuations and impairments, 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.



Click here to read more.

Banks, Investment funds and Insurers | essential guides to disclosures

We've released new guides to annual financial statements featuring illustrative disclosures for banks, investment funds and insurers to help you prepare financial statements in accordance with IFRS Accounting Standards.

Bank and investment fund 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).

Insurer's 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. In this 2024 edition, the insurer has already transitioned to IFRS 17 Insurance Contracts and is preparing financial statements in the 'post transition' state.

Click on below links to read more:
Bank
Investment fund
Insurer

Note: In jurisdictions where local regulator(s) have issued templates which are applicable instead of the above, templates issued by the regulator are to considered accordingly.

Proposals to amend IAS 37

Changes to provisions on the horizon

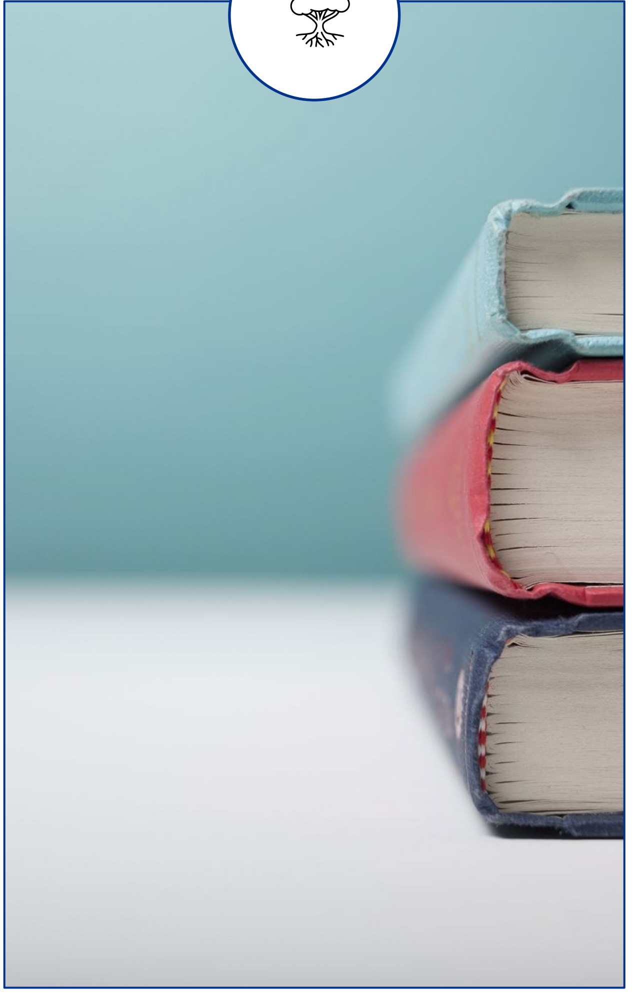
As the business world evolves, companies may face additional challenges when accounting for more complex transactions and uncertainties. Accounting for provisions is one such area that has prompted the following long-standing questions.

- How do you determine if a present obligation exists and when do you recognize 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, IASB is proposing to clarify the related requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets and withdraw 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 your company's provisions.

Get involved and submit your comments to the IASB by 12 March 2025.



Click here for further details

Sustainability matters

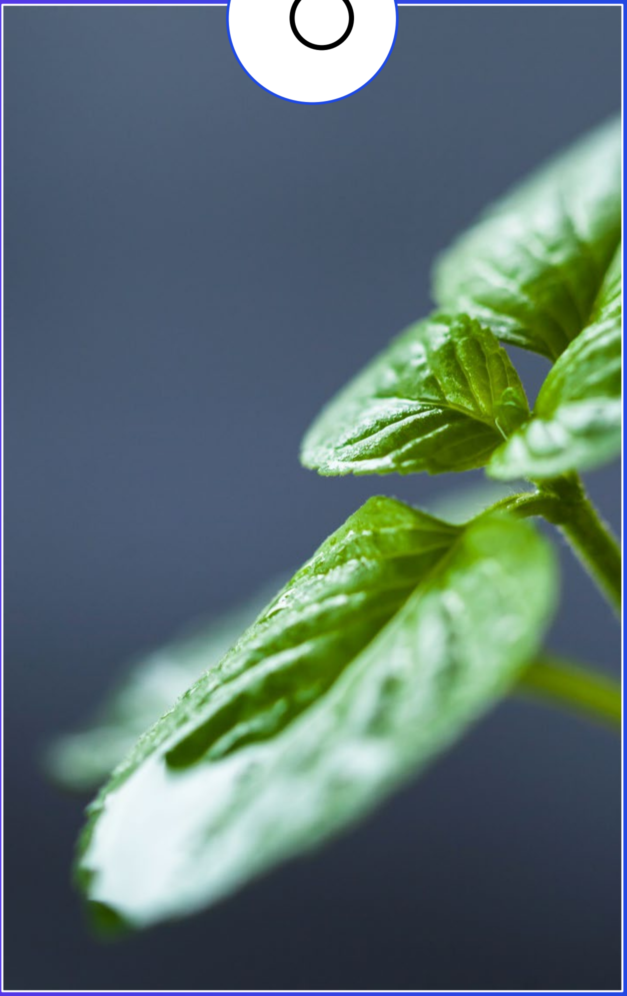
Making materiality judgements | ISSB issues guidance

Helping companies to decide what's material for sustainability reporting

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.

Sustainability reporting updates

Qatar: The Qatar Financial Centre Regulatory Authority has proposed to implement the Corporate Sustainability Reporting framework through the adoption of a phased and proportionate approach to reflect the varying levels of firms' readiness and capacity to implement the ISSB Standards.

Pakistan: The Securities and Exchange Commission of Pakistan through its order dated 31 December 2024 has notified the adoption of IFRS Sustainability Disclosure Standards in a phase-wise manner in Pakistan from annual reporting periods beginning on or after 1 July 2025.

Sri Lanka: CA Sri Lanka actively collaborated with the ISSB to incorporate the sustainability disclosure standards within the Sri Lankan context and issued localized versions of these standards, designated as SLFRS S1 and SLFRS S2, which will be effective from 1 January 2025.

Click on below links to read more:
Qatar
Pakistan
Sri Lanka

ESRS Foundations | latest insights and guidance

Ready for sustainability reporting?

Many companies in the EU and beyond are currently preparing to report under European Sustainability Reporting Standards (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 you are well advanced on your implementation journey, or taking the first steps, we hope this publication will help you to meet the challenges – and realize the opportunities enhanced reporting can bring.

Click here to read more.

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