

Accounting and sustainability reporting newsletter

**Navigating the Evolving
Landscape of Accounting**



For the period
Oct 2025 – Dec 2025

KPMG in Pakistan

Foreword

This edition of our quarterly newsletter provides essential updates and practical insight across accounting and sustainability reporting matters. It covers significant topics including IASB illustrative examples, fair value measurement: updated handbook, IFRS® compared to US GAAP: updated handbook, financial reporting in uncertain times: updated digital hub, IFRIC agenda decisions | IFRS 18 – Presentation of non-income taxes, hyperinflationary presentation currency | IAS 21 final amendments, be clear on climate in impairment | your how-to guide, SECP's notification with regards to IFRS-18 & IFRS-19, and a podcast on the 'Areas of focus for 2025-year ends'. On the sustainability front, it covers Illustrative disclosures | tell your strategic story, amendments to IFRS S2 climate-related disclosures, GHG Protocol: updating Scope 2 emissions guidance, and GHG emissions reporting handbook.

We trust this newsletter will equip you with valuable knowledge to navigate current challenges and opportunities in the accounting and reporting landscape.



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Accounting matters



Uncertainty in financial reporting | IASB finalizes illustrative examples

IASB finalizes illustrative examples

Investors and regulators are demanding clarity on uncertainty in financial reporting, so companies should expect increased scrutiny. As part of its response, the International Accounting Standards Board has released the final version of six new illustrative examples to help companies target areas of known investor and regulator concern. These examples illustrate the application of existing requirements in IFRS® Accounting Standards and do not have an effective date or transition requirements. Although they use climate-related scenarios, they aim to drive clarity on uncertainty in financial reporting more broadly.

[Click here](#) to find out more.



Fair value measurement | Updated handbook

Updated handbook

Companies are navigating a multitude of challenges, including the rise of artificial intelligence, the transition to a greener economy, uncertainties around tariffs and international trade policies, and the implementation of new global taxes. These shifts present significant challenges to determining fair value. Therefore, it is important that a company's financial statements tell a clear story, particularly about key assumptions, judgements and measurement uncertainties.

[**Click here**](#) to access the handbook. It includes our latest insight and practical guidance.



IFRS® compared to US GAAP | Updated handbook

Updated handbook

In times of uncertainty, investors, regulators and other users look for clarity in the annual report. They want to know how a company is affected and how it addresses the challenges, and what judgements, estimates and assumptions management makes. 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 2025 calendar year ends. It also includes a new chapter highlighting the key differences between the forthcoming requirements of IFRS 18 *Presentation and Disclosure in Financial Statements* and US GAAP.

Use our guide to help you identify and understand the key differences and drive clarity in your financial reporting.

Read our [IFRS compared to US GAAP](#) handbook to find out more.



Financial reporting in uncertain times

| Updated digital hub

Be clear in uncertain times

In times of heightened uncertainty, investors and regulators look for clarity in your annual report. They want to know how your company is affected, how you address the challenges, what judgements, estimates and assumptions you make, and how you have reflected it all in the financial statements. So you should expect more scrutiny.

To be clear in your financial reports, use our **Uncertain times digital hub**. It has been fully updated and provides helpful insights on a broad range of topics under IFRS® Accounting Standards.



IFRIC agenda decisions | IFRS 18 - Presentation of non-income taxes

IFRS 18 – Presentation of non-income taxes

In November, the IFRS® Interpretations Committee devoted most of its meeting to IFRS 18 *Presentation and Disclosure in Financial Statements*, which is effective for 2027. For many companies, the first comparative period under IFRS 18 starts in just a few weeks, so these discussions were very timely.

[Click here](#) to access the latest video part of a [series](#) on key discussions by the Committee, Brian O'Donovan summarises one topic that generated a lot of interest – presentation of taxes that are not income taxes.



Hyperinflationary presentation currency | IAS 21 final amendments

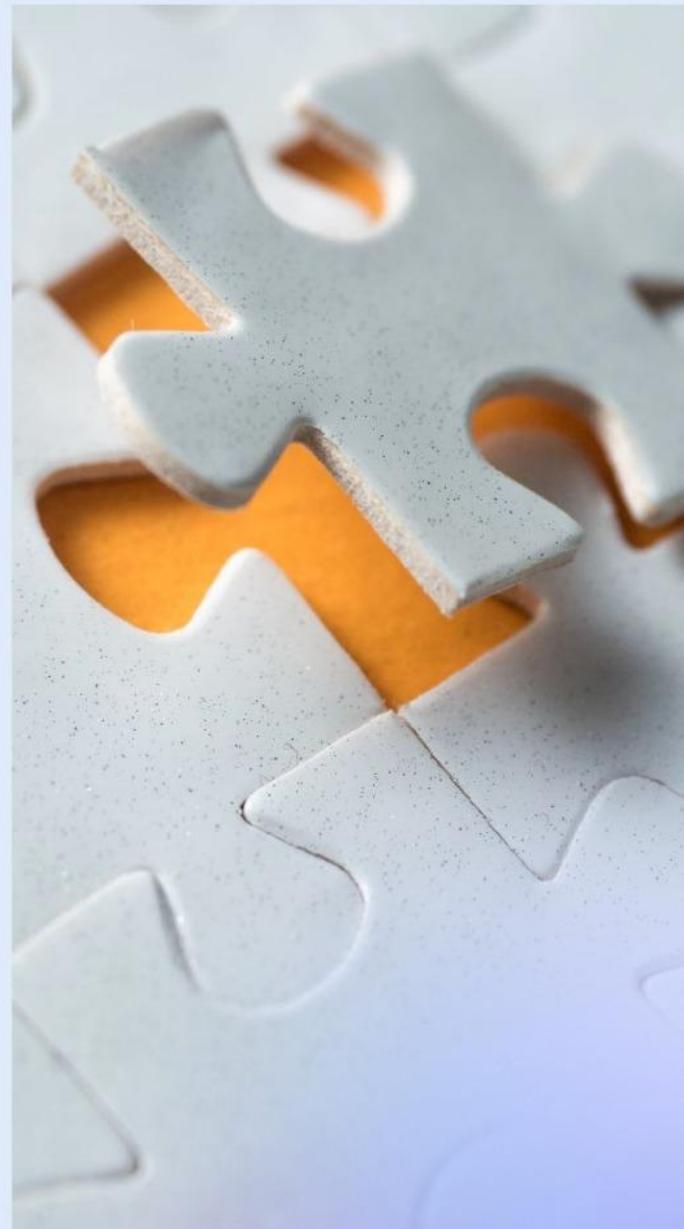
IAS 21 final amendments

To reduce diversity in practice and improve the usefulness of information for investors, the International Accounting Standards Board (IASB) has amended IAS 21 The Effects of Changes in Foreign Exchange Rates to clarify that:

- a company with a non-hyperinflationary functional currency uses the closing rate at the latest reporting date when translating all the financial statement amounts (including comparatives) into its presentation currency; and
- a company uses the closing rate at the latest reporting date when translating all amounts (excluding comparatives) of a foreign operation with a non-hyperinflationary functional currency and applies the general price index to restate the comparatives.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

Read our [article](#) to find out more



Be clear on climate in impairment | Your how-to guide

Your how-to guide

Climate change is not just an environmental issue – it is also a strategic and financial one.

Your company's response to climate-related risks and opportunities may impact your cash flows and the value of your assets. Users need relevant information to make informed decisions – including whether and how climate-related risks and opportunities have been considered in impairment testing.

Our new [how-to guide](#) – with practical insights and examples – and our updated [digital guide](#) will help companies consider the impact of climate change on impairment testing under IAS 36 Impairment of Assets.

Read our [article](#), which provides insight on climate-related risks and opportunities and their impact on a company's reporting.



SECP notifies IFRS-18 & IFRS-19

The Securities and Exchange Commission of Pakistan (SECP), vide **S.R.O. 2444(I)/2025 dated December 12, 2025**, in exercise of powers conferred under Section 510 read with sub-section (1) of Section 225 of the Companies Act, 2017, (XIX of 2017) (the “Act”), and in partial modification of its earlier notification S.R.O. No. 633(I)/2014 dated July 10, 2014, has notified that “IAS-1, Presentation of Financial Statements”, as referred to in the said S.R.O. No. 633(I)/2014, shall be replaced with **“IFRS-18, Presentation and Disclosure in Financial Statements”** and **“IFRS-19, Subsidiaries without Public Accountability: Disclosures”**, and shall be followed for the preparation of financial statements for annual reporting periods beginning on or after January 01, 2027:

Provided that only unlisted subsidiaries without public accountability (i.e. unlisted companies other than those mentioned in clauses 1(b)(ii), 1(b)(iia) and 1(b)(iii) of the Third Schedule to the Act) may follow “IFRS-19, “Subsidiaries without Public Accountability: Disclosures” in preparation of their financial statements.



Areas of focus for 2025-year ends | Podcast

Achieving clarity in financial reporting | 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, this episode takes as its central theme the need to achieve clarity in financial reporting amid significant uncertainty. It delivers insights from KPMG specialists on a range of topics – including getting ready for IFRS 18 *Presentation and Disclosure in Financial Statements* and embracing the challenge of sustainability reporting.



Sustainability matters



Illustrative disclosures | Tell your strategic story

Find your way... and tell your story

IFRS Sustainability Disclosure Standards allow flexibility in presenting material information about sustainability-related risks and opportunities. You can tailor disclosures to your circumstances and jurisdictional requirements, to tell your strategic story.

At the same time, many companies are asking what information they should include – where and in what format.

Our Illustrative disclosures can help. This collection of over 40 illustrative examples is a practical resource to guide and inspire your reporting across the core content areas of the standards. It illustrates a range of options to catalyze your thinking and to demonstrate the flexibility, scalability and connectivity embedded in the standards.

Click [here](#) to download the illustrative disclosures.



Amendments to IFRS S2 Climate-related Disclosures

Practical changes to the climate standard

Targeted amendments to IFRS S2 *Climate-related Disclosures* will change how some companies disclose their emissions, particularly in the following areas.

- Scope 3 Category 15 greenhouse gas (GHG) emissions.
- Global warming potential values.
- Industry-classification systems.
- Jurisdictional relief.

The changes provide reliefs and clarifications to support companies in applying IFRS S2 while minimizing disruption to jurisdictions that are in the process of adopting IFRS® Sustainability Disclosure Standards.

Read our [article](#) to find out more.



KPMG | GHG Protocol | Updating Scope 2 emissions guidance

GHG Protocol proposals would change how companies measure market-based emissions

Companies would need to change the way they calculate and report Scope 2 emissions under new proposals from the Greenhouse Gas Protocol (GHGP). The changes proposed are far-reaching and important and affect both location- and market-based emissions.

The proposals for GHGP's Scope 2 guidance mark the start of a series of consultations to update the GHGP's corporate standards and guidance. Consider how the proposed changes would affect your company. They could require you to change the types of instruments you are able to use, as well as how you measure emissions.

Read our [article](#) and have your say on the proposals.



GHG emissions reporting handbook

Latest guidance on measuring and disclosing greenhouse gas emissions

Disclosing greenhouse gas (GHG) emissions is a fundamental part of sustainability reporting for many companies.

In addition to new Q&As and examples on application of the GHG Protocol Standards, the KPMG GHG emissions reporting handbook has been enhanced with in-depth guidance on measuring and disclosing GHG emissions under IFRS® Sustainability Disclosure Standards. These updates include information about the latest amendments to IFRS S2 *Climate-related Disclosures* and practical implications for companies.

This handbook explains GHG emissions reporting for finance professionals who are more familiar with financial reporting and generally accepted accounting principles. As such, we explain concepts in a way that we think will be the most understandable for this audience.

® Sustainability Disclosure Standards.

[**Click here**](#) to read the handbook on GHG emissions reporting





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