KPMG

Accounting newsletter

Navigating Through the Evolving Landscape of Accounting.

For the period

June - September 2023

December 2023

KPMG in Qatar

Foreword

In this edition of the accounting newsletter, we bring to you the key updates for the period June-September 2023. A major milestone event occurred during this period - the publication of the first two IFRS Sustainability Disclosure Standards. In addition, as companies gear themselves for 2023 reporting do not miss out on referring to the latest version of KPMG Illustrative financial statements and KPMG Insights into IFRS which have now been released.

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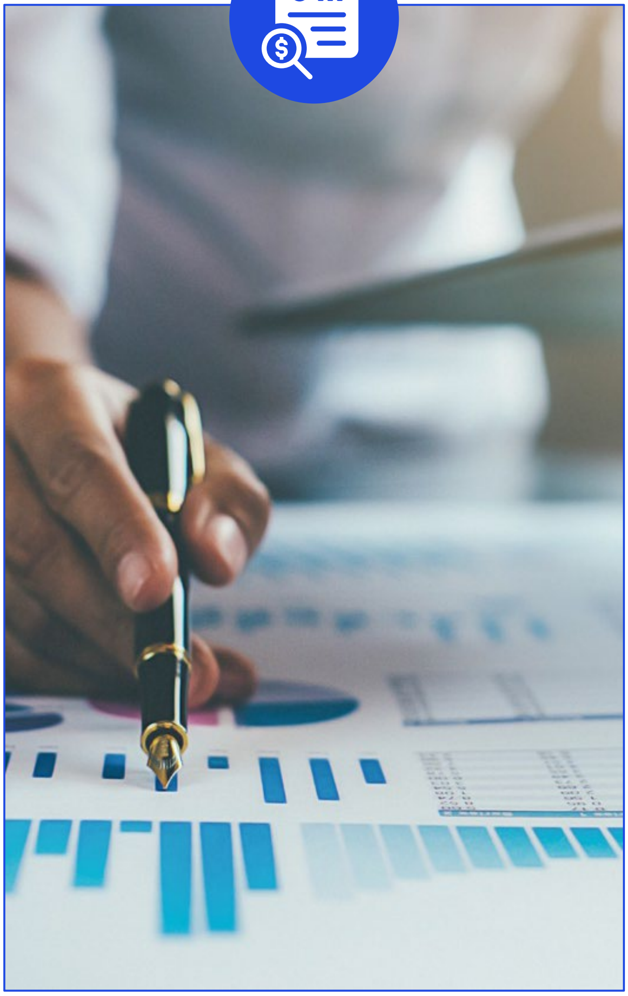
Financial reporting

Disclosure of supplier finance arrangements

In response to investors' calls for more transparency of supplier finance arrangements' impacts on the financial statements, the International Accounting Standards Board (IASB) has **amended** IAS **7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures**.

The amendments introduce additional disclosure requirements for companies that enter into these arrangements. However, they do not address the classification and presentation of the related liabilities and cash flows.

The amendments are effective for periods beginning on or after 1 January 2024, with earlier application permitted. However, some relief from providing certain information in the year of initial application is available.



Click here to read more.

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.

In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency. This can have a significant accounting impact for those companies affected.

In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify:

- When a currency is exchangeable into another currency; and
- How a company determines an estimated spot rate when a currency lacks exchangeability.

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

Click here to read more.

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KPMG IFRS publication - Insights into IFRS®

The world around us is rapidly changing. In recent years, that has meant responding to major changes such as inflation, natural disasters, a global pandemic, geopolitical events and of course climate-related matters.

Companies are adapting their businesses to our changing world and their stakeholders are keen to hear each company's connected story.

The story of how these changes impact a company's affairs is told in the annual report – the primary tool for communicating with stakeholders. Insights into IFRS is here to help.

Now in its 20th edition, it continues to provide helpful, up-to-date guidance on the key aspects of financial reporting, including all of the most recent developments.

Click here to read more.

KPMG IFRS publication - Your essential year-end guide

Our 2023 guides to annual financial statements are now available. They comprise Illustrative disclosures and a disclosure checklist.

These updated guides reflect standards in issue by 31 August 2023 that are required to be applied by a company with an annual reporting period beginning on 1 January 2023.

In particular, they illustrate amendments to:

- IAS 12 Income Taxes relating to the initial recognition exemption and Pillar Two top-up taxes; and
- IAS 1 Presentation of Financial Statements relating to disclosure of material rather than significant accounting policies. Please also refer to our **high-level visual guide** for further guidance.

Click here to read more.

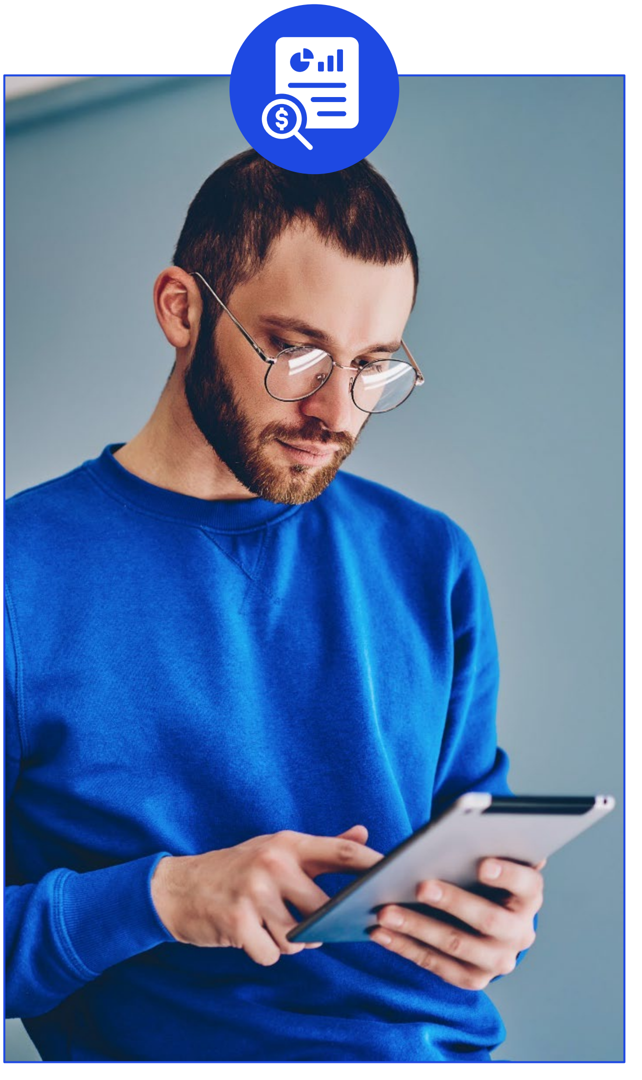
Sustainability matters

New IFRS Sustainability Disclosure Standards

The **publication** of the first two IFRS® Sustainability Disclosure Standards - IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, is a key milestone in the International Sustainability Standards Board (ISSB)'s vision – to create a global baseline of investor-focused sustainability reporting that local jurisdictions can build on.

Adopting these standards will signify an important change in status, as they will increase the prominence and connectivity of sustainability reporting within the main financial filings. It is important to engage now to understand what this new global baseline will look like and to assess how your company needs to adapt.

Read our **web article** to get introduced to the standards and our **First Impressions** publication for detailed insight on the key impacts of the standards, using illustrative examples and includes how companies might apply them.



For more information, please visit our **sustainability reporting** page including our **high-level overview**, which discusses Key questions to help you with your preparations.

Net-zero commitments

Many companies have made ‘net- zero’ commitments and questions are emerging on how they impact financial reporting under IFRS® Accounting Standards – in particular on when they trigger a liability.

With no specific accounting standard to apply, assessing its plan to meet these commitments and using a three-step approach will help a company determine the accounting impacts and whether it needs to recognise a liability.

Given users of the financial statements, regulators and the general public are paying more attention to companies’ net- zero commitments, companies need to:

- Understand the financial reporting impacts of net-zero commitments, often dependent on the detail in the supporting action plan.
- Tell a connected story and explain which planned actions do and do not trigger a liability at the reporting date.
- Monitor standard-setting developments.

Click here to read more.

Accounting for carbon credits

Companies around the world are acting to reduce their carbon emissions. Some are subject to mandatory government schemes (e.g. 'cap and trade' schemes). However, many are now purchasing carbon credits or offsets voluntarily.

Terminology can vary, but these carbon credits typically represent a reduction in removal of emissions (e.g. CO_2 or greenhouse gas). This might be achieved, for example, through a certified offsetting project such as the planting of trees. Credits are often registered with a registry authority and a company may be able to trade or sell them to a third party before they are retired.

There is currently no specific guidance in IFRS® Accounting Standards on accounting for the purchase of carbon credits. Therefore, companies need to carefully consider the specific facts and circumstances when determining the appropriate accounting.

The nature of the arrangement and the business purpose for purchasing the credits often drives the accounting, including which IFRS accounting standard applies.

Click here to read more.

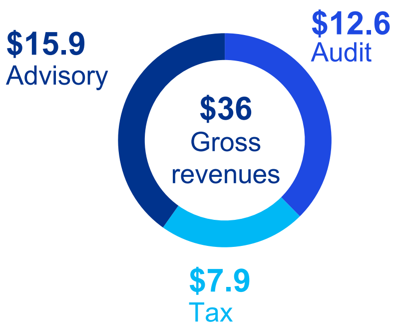
KPMG International at a glance

Financials

$36 bn
Annual revenues in FY2023

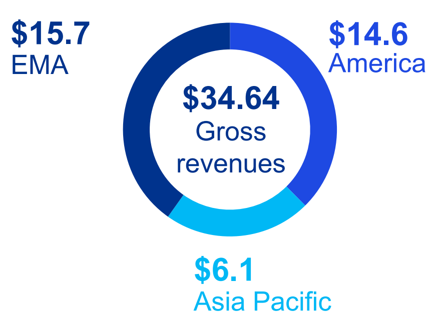
8%
Revenue growth compared to FY2022

Global revenue* by function



*Revenue in $ billions

Global revenue* by region



Inspiring talent

273,424
Partners and employees globally. This includes:

13,221
partners.

29,000+
net new roles created

*Revenue in $ billions

Innovation

$5 bn multi-year investment on technology, people and innovation

56 Innovation locations globally

26+ Global strategic alliances with market leaders (Alibaba, Google Cloud, IBM, Microsoft, Infosys etc.)

Select accolades

- A leader in ALM Pacesetter: Cybersecurity 2022-2023
- A leader in IDC MarketScape: WW Microsoft Implementation; Digital Strategy Consulting (2022)
- A leader in The Forrester WaveTM: Global AI Consultancies, Q4 2021

KPMG in Qatar at a glance

KPMG Qatar was established over 47 years ago and has grown to over 350+ staff led by 13 Partners and Associate partners of which 45% are audit professionals. This includes 7 Partners and Associate Partners in external audit.

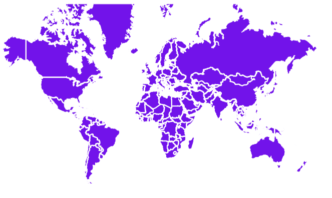
We work with some of Qatar's largest public and private sector organizations across most of the core industries. We bring local knowledge, international experience and industry expertise to ensure that all engagements are delivered using global best practice, tailored to the local operating environment.

350+ Professional staff based in Qatar

13 Partners & Associate Partners

40+ Years working with some of Qatar's most prestigious businesses and organizations

Connectivity to **143** KPMG practices worldwide



18.3%

Aggregate revenue of KPMG member firms in the Middle East, South Asia, and Caspian (MESAC) region grew by 18.3% for FY22, more than doubling FY21 growth rate. In a new milestone, the talent pool in the MESAC region exceeded 10,000 people for the first time. Worldwide, KPMG's headcount increased by 12.4% in FY22, bolstered by more than 29,000 net new roles created.

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