CURRENT DEVELOPMENTS

Spotlight on IFRS

Q1 2026

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Quarterly update

KPMG Spotlight on IFRS: The Accounting and Financial Reporting milestones in the quarter ended on March 31, 2026.

It seems the only constant is change. New and evolving global, political, and macroeconomic uncertainties have continued in the first quarter of 2026 with the conflict in the Middle East and the resulting impacts on commodity prices such as oil and gas. These uncertainties continue to challenge companies in various aspects of financial reporting such as developing and preparing estimates assumptions and financial plans, as well as potential implications for their operations and supply chains.

In addition to other uncertainties, the tariff story continues to evolve with the US Supreme Court decision on February 20, 2026 to overturn the tariffs imposed under the International Emergency Economic Powers Act (IEEPA). However, the decision did not address refunds for previously paid tariffs. The US Court of International Trade (CIT) subsequently ordered refunds to be processed on March 4, 2026, however, logistical and legal hurdles remain, and the order by the CIT is subject to appeal. In addition, after the US Supreme Court decision, the US Administration imposed new tariffs on global imports. Despite these movements, it is important to note that the US Supreme Court decision did not affect a number of industry specific tariffs that remain in place and are financially significant for a number of Canadian companies. Refer to our web article *Tariff refunds – Assessing the impact* for considerations on the accounting and financial reporting impact of tariff refunds.

Refer to our *Financial reporting in uncertain times* resource centre which features a range of articles, blog posts and podcasts to explore the financial reporting impacts of operating in an uncertain environment, including our new *Be clear in times of uncertainty* guide. In addition, our *Import tariffs – what's the impact on your financial reporting?* webpage provides key considerations and resources on the accounting and financial reporting impact of tariffs.

There have not been many developments in IFRS Accounting Standards, however at its March 2026 meeting, the IFRS Interpretations Committee (the Committee) voted to finalize five new agenda decisions addressing IFRS 18 *General Presentation and Disclosure*, which is effective January 1, 2027. These decisions are likely to impact some IFRS 18 implementation plans and so companies will need to keep a close eye on the outcomes as they prepare financial statements under the new Accounting Standard.

Sustainability reporting continued to progress incrementally, with the first wave of Australian companies reporting mandated climate-related disclosures. In addition, there were key regulatory developments emerging in California and New York, and the European Union (EU), while the ISSB continued its work on nature-related disclosures and updated greenhouse gas (GHG) Protocol guidance.

Companies with a calendar year end will be required to apply the IFRS® Accounting Standards requirements effective from January 1, 2026, including amendments to IFRS 9 and IFRS 7 – *Classification and Measurement of Financial Instruments* and *IFRS 9 – Power Purchase Agreements,* as outlined in section *Requirements effective in 2026*. Refer to our *illustrative disclosures* and *disclosure checklist* for our guides to condensed interim financial statements that reflect Accounting Standards effective from January 1, 2026.

In November 2025, the IASB issued *six illustrative examples* that demonstrate how a company applies the existing requirements in the Accounting Standards to report the effects of uncertainties in the financial statements. While the illustrative examples do not have an effective date, the IASB expects that companies will be entitled to 'sufficient time' to implement any changes to disclosures. 'Sufficient time' is a company-specific judgement. Companies are encouraged to consider these illustrative examples in preparing their condensed interim financial statements. Read to our web article *Uncertainty – Reflecting its impacts in financial reporting* for insights and guidance on enhancing connectivity between the financial statements, MD&A, and sustainability-related financial disclosures.

Table of contents

04 Sustainability reporting update

04 Sustainability disclosure standards and regulatory update
05 Sustainability in the financial statements

07 Major projects and new Accounting Standards

07 IFRS 18: Presentation and disclosure in financial statements
09 Reducing disclosures for subsidiaries
09 Update on rate-regulated activities project
10 Update on financial instruments projects

13 Other developments

13 Financial reporting in uncertain times
13 Global minimum top-up tax under BEPS 2.0
13 Applying the equity method
15 Business combinations – Disclosures, goodwill, and impairment
15 Amendments to IAS 37 – Provisions
17 Amendments to the fair value option for associates and joint ventures
17 IFRS interpretations Committee agenda decisions

19 Requirements effective in 2026

19 Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments
20 Amendments to IFRS 9 – Power purchase agreements
21 Annual improvements to IFRS Accounting Standards (IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)

23 Appendix 1: Accounting Standards effective in 2027 and beyond

24 Appendix 2: IASB work plan

26 Appendix 3: ISSB work plan

Sustainability reporting update

In this section, we focus primarily on recent significant sustainability disclosure standard setting activities, sustainability-related regulatory updates and the potential impact of sustainability matters on financial statements. Note that this summary may not capture all of the sustainability-related reporting guidance and regulations to which a company may be subject.

Sustainability disclosure standards and regulatory update

ISSB developments

Amendments to simplify IFRS S2

In December 2025, the ISSB issued amendments to GHG emissions disclosure requirements in IFRS S2. The amendments aim to provide relief and support clarifications in applying IFRS S2.

The amendments:

- permit a company to limit the measurement and disclosure of Scope 3 Category 15 GHG emissions to financed emissions as defined in IFRS S2. This change is particularly relevant for companies with insurance or investment banking activities;
- allow a company to use the global warming potential (GWP) values required by its local regulator or stock exchange;
- clarify circumstances in which a company can use a method other than the GHG Protocol Corporate Standard to measure GHG emissions; and
- enable a company to select a commonly used industry-classification system as an alternative to the Global Industry Classification Standard (GICS) when disaggregating financed emissions by industry.

The amendments are effective for reporting periods beginning on or after January 1, 2027, with early application permitted. For more information, read our web article *Amendments to clarify IFRS S2.*

Proposed amendments to SASB Standards

In March 2026, the ISSB published an exposure draft proposing amendments to the remaining three prioritized SASB Standards and consequential amendments to the Industry-based Guidance on Implementing IFRS S2. The exposure drafts will be open for comment until July 24, 2026.

These amendments are intended to improve the global applicability and relevance of the SASB Standards and enhance their alignment with the ISSB Standards.

Nature-related reporting

The ISSB has begun work on proposals for nature-specific requirements and guidance that build on the Taskforce for Nature-related Financial Disclosures (TNFD) framework. It is not yet known what form the new disclosure requirements would take (whether introduced as application guidance to IFRS S1, as a new standard or through another mechanism). The ISSB plans to publish an exposure draft in October 2026. For more information, read our web article *Reporting on nature.*

Australia's climate-related disclosures

As companies have begun reporting under the ISSB Standards, the December 31, 2025 reporting cycle represented the first wave of mandatory climate-related disclosures reporting in Australia. Refer to our *First impressions* publication for early observations from the February and early March 2026 reports.

GHG Protocol Standards

In January 2026, the GHG Protocol issued its *Land Sector and Removals Standard*, introducing new guidance for land-based activities such as agricultural production and the purchase, consumption or sale of agricultural products. The standard introduces amendments to the *Corporate Standard* and *Corporate Value Chain (Scope 3) Standard*, and has an effective date of January 1, 2027.

US developments

California laws

In February 2026, the California Air Resources Board (CARB) approved the initial regulation to implement California's climate laws. The regulation establishes key definitions and fee calculation that underpin the scoping of SB-253 (GHG emissions) and SB-261 (climate-related risks). The first reporting deadline for SB-253 has been set for August 10, 2026. The final step will be the submission of the final rulemaking package to the Office of Administrative Law for review and approval.

Refer to our *California digital hub* and *hot topic* for more details.

New York laws

In December 2025, the New York State Department of Environmental Conservation established a mandatory GHG reporting program requiring certain entities to annually report specified GHG emissions and related data. Reporting for 2026 is due by June 1, 2027. Additionally, a bill proposing additional GHG reporting requirements (similar to California's SB-253) has been reintroduced in New York's state legislature.

Refer to our *New York digital hub* for more details.

For further details on sustainability developments in the US, refer to our *US Quarterly Outlook* publications.

EU developments

In February 2026, the EU finalized the amendments to the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD), including updated thresholds and reporting obligations. These amendments significantly reduce the number of companies required to report. The changes to the CSRD and CSDDD entered into force on March 18, 2026, and member states have 12 months to transpose them into national law. Refer to our web article *EU agrees Omnibus changes* for additional details.

In March 2026, the European Commission (EC) published *proposed amendments* to EU Taxonomy's Climate and Environmental Delegated Acts, which include changes to activity descriptions and the Technical Screening Criteria used to determine whether economic activities are environmentally sustainable. Companies in scope of the CSRD may need to apply these amendments to the EU Taxonomy from 2026 reporting periods. The proposed amendments will be open for public comment until April 14, 2026, and the EC will aim to adopt the amendments by mid-2026. Refer to our web article *New amendments proposed to EU Taxonomy* for additional details.

For further details on sustainability developments in the EU, refer to our *Sustainability reporting in the EU* digital hub.

Sustainability in the financial statements

There has been a shift in the focus on climate change in financial reporting. However, broader stakeholder scrutiny of financial reporting continues with regulators, investors and the public focusing on how companies report on climate-related matters including net-zero commitments, emissions and green schemes. Many stakeholders are continuing to demand clarity about climate to inform investment decisions. We have launched our *Clear on climate reporting hub* to provide insights and guidance to help companies and their stakeholders understand how to be clear on climate in financial reporting.

The hub includes:

- *high-level guidance* on the actions companies need to take;
- FAQs to help identify the potential financial statement impacts of various transactions and arrangements; and
- videos and podcasts that explore the issues further – including by sector.

Climate-related disclosures in the financial statements

As the impact of climate change intensifies, investors and regulators are increasingly seeking greater transparency of climate-related information in the financial statements.

Accounting Standards do not refer explicitly to climate-related risks or climate-related matters, but they implicitly require relevant disclosures in the financial statements when climate-related matters considered in preparing the financial statements are material. Therefore, companies are required to consider materiality carefully in deciding what information to provide about these matters. Information may be material even though there is no current-period financial impact.

In late November 2025, the IASB issued a set of six new illustrative examples to help companies target areas of known investor and regulator concern. Although they use climate-related scenarios, they aim to drive clarity on uncertainty in financial reporting more broadly. The illustrative examples do not have an effective date or transition requirements. However, the IASB expects that companies will be entitled to sufficient time to implement any changes to disclosures as a result of the illustrative examples – similar to agenda decisions published by the Committee. Refer to our web article *Uncertainty –*

Reflecting its impacts in financial reporting for more details.

The impact of climate-related matters on impairment testing of non-current assets

Climate-related matters can have a significant impact on the impairment testing of non-current assets. As such, investors and regulators are increasingly seeking more robust disclosures that explain whether and how they are reflected in the recoverable amount.

Companies should connect assumptions used in the impairment test and information provided outside the financial statements, such as other parts of the annual report. When there are inconsistencies between the information in the front part of the annual report and the assumptions used to calculate the recoverable amount, companies may need to be clear on the reason for the difference.

In addition, if there is a high level of estimation uncertainty, such as future carbon prices, then additional disclosures, such as sensitivity analyses, may be required.

For additional information on the impact of climate-related matters on impairment testing of non-current assets and how to drive clarity in the financial statements, refer to our web articles *The impact of climate-related matters on impairment testing of non-current assets* and *Climate change and impairment*.

Major projects and new Accounting Standards

IFRS 18: Presentation and disclosure in financial statements

As the effective date nears, companies are advancing their implementation efforts of IFRS 18 *Presentation and Disclosure in Financial Statements* (“IFRS 18”, issued in April 2024). IFRS 18 will replace IAS 1 *Presentation of Financial Statements*.

The new Accounting Standard does not add or change any recognition or measurement requirements - in other words, companies’ net profit will not change. However, the implementation of IFRS 18 has led to a number of application issues from stakeholders (see “Project updates in Q1 2026” below). As a reminder, IFRS 18 will result in changes in how companies present their results on the face of the income statement and disclose information in the notes to the financial statements.

There are three primary elements of IFRS 18 that will change the way companies present and disclose their financial performance:

- A more structured income statement:
  - It introduces two new formally defined and required subtotals on the face of the income statement – ‘operating profit’ and ‘profit or loss before financing and income tax’. However, companies providing financing to customers as their *only* main business activity (e.g., banks) typically do not present the latter subtotal.
  - All companies are required to classify income and expenses into three new distinct categories based on a company’s main business activities – operating, investing and financing. Categories for income tax expense and profit or loss from discontinued operations remain as separate categories.
  - Operating expenses are analyzed directly on the face of the income statement – classified either by nature, by function, or on a mixed basis. Any items presented by function require more detailed disclosures about their nature in the notes.
- Management-defined performance measures (or MPMs) are now disclosed and subject to audit:
  - MPMs are defined as a subtotal of income and expenses used in public communications outside of the financial statements to communicate management’s view of an aspect of the company’s financial performance as a whole. As such, while there may be some overlap with a company’s previous non-GAAP measures, MPMs and non-GAAP measures are not the same thing. For each MPM presented, companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under the Accounting Standards.
- New guidance regarding when additional disaggregation is needed for items presented on the face of the primary financial statements or in the notes:
  - IFRS 18 includes enhanced guidance on how companies group information in the financial statements. IFRS 18 also mandates meaningful descriptions for line items. Therefore, companies are discouraged from labelling items as ‘other’.

IFRS 18 is effective from January 1, 2027 and applies retrospectively. Early application is permitted. Companies are encouraged to monitor the evolution of the Accounting Standard and stay informed of communications from regulatory bodies as the effective date approaches.

Project updates in Q1 2026

At its March 2026 meeting, the Committee voted to finalize the first five agenda decisions related to IFRS 18. The Committee’s decisions will be considered by the IASB at a future meeting – likely in April. Given there were significant changes to the agenda decisions since they were originally published in draft form, companies should review the final wording of the agenda decisions after the IASB's discussion.

Disclosure classification of a foreign exchange difference from an intragroup monetary liability (or asset)

The Committee discussed a request about the presentation of foreign-exchange differences that remain in the consolidated financial statements after the elimination of intra-group loans.

The Committee concluded that a company can make an accounting policy choice, either to:

a) classify all of the foreign exchange differences as operating; or
b) classify each foreign exchange difference separately in the same category in which the related income or expense was classified prior to elimination upon consolidation.

Presentation of taxes or other charges that are not tax expense or tax income applying IAS 12 Income Taxes

The Committee discussed a request as to whether a company is permitted to present taxes that are not income taxes applying IAS 12, such as tonnage taxes:

a) in the 'income tax expense or income' line item in the statement of profit or loss; or
b) in the income taxes category of the statement or profit or loss.

The Committee concluded that a company is not permitted to present non-IAS 12 tax expenses or tax income in the 'income tax expense or income' line item in the statement of profit or loss, or in the income taxes category of the statement or profit or loss.

Scope of the requirement to disclose expenses by nature

The Committee discussed a request about the requirements of paragraph 83 of IFRS 18, which requires a company to present line items in the statement of profit or loss, including:

a) operating expenses (paragraph 75(a)(ii)); and
b) amounts required by IFRS 9 and amounts required by IFRS 17 *Insurance Contracts* (paragraphs 75(b)-(c)).

Classification of gains and losses on a derivative managing a foreign currency exposure

The Committee discussed a request about how a company classifies a gain or loss on a derivative financial instrument in the statement of profit or loss.

Assessment of a specified main business activity for the purposes of the separate financial statements of a parent

The Committee also discussed a request about how a parent that holds investments in unconsolidated subsidiaries that are accounted for at cost in accordance with IAS 27 *Separate Financial Statements* assesses its main business activities in those separate financial statements.

We expect this fact pattern to not be as relevant to Canadian companies.

A summary of the above noted agenda decisions is available on the Committee's March 2026 IFRIC Update *web page*. Also refer to our *video* and *transcript* for a summary of decisions made at the meeting.

In addition to the above, the following submissions related to IFRS 18 will be discussed by the Committee at a future meeting:

- Performance measures with income and expenses that are hypothetical ;
- Labels of subtotals and matters relating to the presentation of expenses; and
- Scope of 'public communications' in the context of confidential investor materials.

Additional details on the submissions can be found *here*. Companies should closely monitor the outcome of all discussions of IFRS 18 issues by the Committee as the effective date approaches.

Canadian IFRS Accounting Standards Discussion Group

Canadian companies continue to consider aspects of IFRS 18, including the assessment of whether various non-GAAP measures disclosed outside the financial statements meet the definition of an MPM and the classification of income and expenses arising from various scenarios. In 2025, there were three discussions of IFRS 18 implementation issues at the Canadian IFRS Accounting Standards Discussion Group (IDG). Companies are encouraged to read the summaries of discussions held by the IDG for the meetings held in *May 2025*, *September 2025* and *December 2025*.

Canadian regulatory updates

For Canadian reporting issuers, financial measures presented outside of the financial statements have historically been subject to the requirements of National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (NI 52-112). On November 13, 2025, the Canadian Securities Administrators (CSA) published a *notice and request for comment* for the proposed amendments to NI 52-112, intended to address the disclosure requirements for MPMs in IFRS 18 and reduce duplicative disclosures. The proposed amendments were open for public comment until February 11, 2026.

On December 9, 2025, the Ontario Securities Commission published its *Corporate Finance Division 2025 Annual* Report and highlighted some of its observations and expectations of Canadian reporting issuers regarding IFRS 18 implementation, including the following reminders:

- *Disclosure prior to adoption:* as the effective date of IFRS 18 approaches, companies are expected to provide increasingly more company-specific information on the impact of IFRS 18 in the financial statements, especially around the statement of profit or loss, as required under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- *Disclosure upon adoption:* starting from the first interim financial statements following the adoption of IFRS 18, companies will be required to provide a reconciliation explaining how line items in the statement of profit or loss have changed from the comparative period, as a result of adopting IFRS 18.
- *Disclosure of MPMs:* as the effective date of IFRS 18 approaches, companies should assess the nature, extent, and manner of non-GAAP measures currently disclosed in their public communications outside the financial statements; and
- *Misleading non-GAAP measures:* before a non-GAAP measure can be disclosed *inside* the financial statements, a company must ensure that it has disclosed its non-GAAP measures *outside* the financial statements appropriately and in accordance with securities law; a company may not present or disclose a non-GAAP measure in a way that is misleading to users.

Read our *web article* and our *high-level guide* that provide an overview of IFRS 18. Our *First Impressions* publication provides our detailed insights and comprehensive analysis, with illustrative examples.

Reducing disclosures for subsidiaries

IFRS 19 *Subsidiaries without Public Accountability: Disclosures* was issued by the IASB in May 2024. It is a voluntary standard that applies to subsidiaries without public accountability, but whose parents prepare consolidated financial statements under the Accounting Standards.

For in-scope companies, IFRS 19 simplifies disclosures on various topics, including leases, exchange rates, income taxes, statement of cash flows, etc.

Although the effective date of IFRS 19 is January 1, 2027, the application of the Accounting Standard is optional, even if a company is in the scope. Early adoption is also permitted.

Companies should monitor updates and communications from regulatory bodies pertaining to the application of IFRS 19. On the application of IFRS 19 in filings with the SEC, companies that meet the IFRS 19 eligibility requirements also need to be aware of additional disclosures that may be required for financial statements that are intended for use by investors in the US public capital markets. In Canada, the Ontario Securities Commission has commented in its *Corporate Finance Division 2024 Annual Report* that in certain situations, if the acceptability or application of IFRS 19 in a securities regulatory filing is unclear, companies and their advisors are encouraged to consult with staff in advance of filing financial statements that apply IFRS 19.

The IASB intends to update IFRS 19 on an ongoing basis as new or amended disclosure requirements in Accounting Standards are issued. Because of the timing of IFRS 19's publication, disclosure requirements in new or amended Accounting Standards issued between February 2021 and May 2024 were initially included in IFRS 19 without any reductions.

Therefore, in August 2025, the IASB issued amendments to IFRS 19, reducing the disclosure requirements for new and amended Accounting Standards issued between February 2021 and May 2024.

Read our *web article* which provides an overview of the new Accounting Standard including some FAQs.

Update on rate-regulated activities project

Some companies are subject to regulations that say how much and when they can charge their customers. Although some national accounting bodies provide specific guidance on accounting for the effects of rate regulation, Accounting Standards do not contain any equivalent comprehensive guidance. IFRS 14 *Regulatory Deferral Accounts* provides only temporary relief to first-time adopters of the Accounting Standards that are subject to rate regulation.

Companies use different accounting models to report the effects of this rate regulation. Some of these models reflect incomplete information about how rate regulation affects a company's underlying financial position, performance, and cash flows.

In January 2021, the IASB published its exposure draft *Regulatory Assets and Regulatory Liabilities*. The exposure draft proposes a new accounting model under which a company subject to rate regulation that meets the scope criteria would recognize regulatory assets and liabilities. This accounting model would align the total income recognized in a period under the Accounting Standards with the total allowed compensation the company is permitted to earn by the rate regulator, often reducing reported volatility in financial performance.

The key proposal in the exposure draft is that a company that is subject to rate regulation should report in its financial statements the total allowed compensation it is permitted to earn by the rate regulator for goods and services supplied in the period.

To achieve this, the exposure draft proposes an ‘overlay’ approach under which a company would, first, continue to apply the requirements of existing Accounting Standards – for example, to recognize and measure revenue from contracts with customers. Then, a company would recognize:

- a regulatory asset – when it has an enforceable present right to add an amount in determining the regulated rate to be charged to customers in future periods; and
- a regulatory liability – when it has an enforceable present obligation to deduct an amount in determining the regulated rate to be charged to customers in future periods.

Movements in regulatory assets and liabilities would give rise to regulatory income and expense. Broadly speaking, the total revenue recognized under existing Accounting Standards plus regulatory income minus regulatory expense under the proposed new Accounting Standard would align with the total allowed compensation determined by the rate regulator.

The company would present regulatory income minus regulatory expense separately in the statement of financial performance, immediately below revenue. Regulatory assets and liabilities would be presented separately from other assets and liabilities.

It is possible that some companies in the utility sector would not meet the scope criteria, whereas some outside the utility sector would be captured. A company will fall within the scope of the proposals if it meets the following conditions:

- the company is a party to a regulatory agreement;
- the regulatory agreement determines the regulated rate that the company can charge for goods or services supplied to its customers; and
- the regulated rate is determined in a such a way that some or all the total allowed compensation for goods or services supplied in one period is charged to customers in a different period.

The proposed standard provides some guidance for these conditions. If a company meets these criteria, then it would be required to apply the accounting model in the exposure draft. Unlike the approach in IFRS 14, the new accounting model would not be optional.

Companies covered by the proposals that did not apply IFRS 14 would recognize new assets and liabilities and new items of income and expense. The impact on financial performance will depend on the facts and circumstances of the company but common cases would include the following:

- If recognition of income under the Accounting Standards previously lagged total allowed compensation permitted by the regulator, then a company would see an increase in net assets on transition to the new standard.
- If a company previously experienced material short-term timing differences between recognition of income under the Accounting Standards and total allowed compensation permitted by the regulator, volatility in reported earnings would be reduced.

Companies that applied IFRS 14 would transition to the new requirements. There is no option to automatically carry forward existing IFRS 14 accounting.

The IASB tentatively decided that the standards will be effective from January 1, 2029, with earlier application permitted.

The IASB expects to publish the Accounting Standard in Q2 2026. Information about project updates is available on the IASB’s *Rate-regulated Activities project page*.

Read our *web article* and *New on the Horizon* publication which contain detailed analysis and insights.

Update on financial instruments projects

Financial instruments with characteristics of equity

IAS 32 *Financial Instruments: Presentation* sets out how an issuer distinguishes between a financial liability and equity. While IAS 32 works well for many, simpler financial instruments, classifying more complex financial instruments– e.g. those with characteristics of equity – can be more challenging, leading to diversity in practice.

In June 2019, the IASB released a discussion paper to respond to those challenges. After considering the feedback received on that discussion paper, the IASB has developed proposals meant to instead clarify and improve IAS 32’s classification principles and requirements without undertaking an entire re-write of the Accounting Standard, and to add additional disclosure requirements to meet the requests of users.

The IASB issued its exposure draft in December 2023, which included proposals to address the following key areas:

- how to apply the 'fixed-for-fixed condition';
- when to reclassify instruments between equity and financial liabilities;
- how to reflect contingent settlement provisions in the classification of a financial instrument;
- how to account for obligations to purchase 'own equity' instruments;
- whether and when laws or regulations affect the presentation of a financial instrument;
- what factors to consider in determining whether a shareholder's right to decide can be treated as that of the issuing company.

Some companies could see changes in the classification of their financial instruments under the proposals. The proposals are retrospective, with restatement of the most recent comparative period. Additional transition provisions are also included in the exposure draft. For additional information, refer to our *web article.*

Project updates in Q1 2026

The IASB met in February 2026 to continue redeliberating the proposed requirements in the exposure draft related to the application of the IAS 32 'fixed-for-fixed condition'. The IASB tentatively decided to proceed with the proposed requirements with the following targeted refinements:

a) clarify that a derivative meets the 'fixed-for-fixed condition' when the consideration is a fixed amount and either the number of owned equity instruments or exchange ratio is fixed;

b) clarify that, in a group context, a derivative issued on another group entity's shares can meet the 'fixed-for-fixed condition' in the consolidated financial statements if the consideration is denominated in the functional currency of either i) the group entity issuing the derivative or ii) the group entity whose shares are being delivered;

c) regarding the adjustment to the consideration amount, the number of own equity instruments or both - replace the term 'preservation adjustments' with 'adjustments that compensate the future holders of the equity instruments' and clarify that such adjustments are consistent with the 'fixed-for-fixed condition' only if they:
   - aim to put future holders in a comparable economic position to that of current holders, following a specified trigger event; and
   - do not introduce additional risks to the entity beyond those associated with issuing the underlying equity instruments.

d) also regarding the adjustment to the consideration amount, the number of own equity shares or both - replace the term 'passage-of-time adjustments' with 'adjustments that are solely a function of time' and clarify that such adjustments, are consistent with the 'fixed-for-fixed condition' only if they are predetermined, vary solely with the passage of time between potential exercise or conversion dates, and do not introduce any other risks or variability (i.e. the adjustments do not relate to the time value of money);

e) withdraw the proposed criterion related to 'passage-of-time adjustments' which related to fixing, at initial recognition, the present value of the consideration exchanged for each of an entity's own equity instrument;

f) clarify that for an adjustment to be 'predetermined' as noted in d), at the inception of the derivative, the consideration amount and number of own equity instruments to be exchanged are required to be i) specified in the contract; or ii) computable based on a formula stated in the contract, with time being the only variable;

g) clarify that if a contract includes multiple adjustments that could affect the consideration amount or the number of own equity instruments, or both, each adjustment must individually meet the 'fixed-for-fixed condition'. If any adjustment does not meet the fixed-for-fixed condition, the entire derivative is classified as a financial asset or financial liability; and

h) clarify that the adjustments noted above in c) and d) also apply to share-for-share exchanges.

The IASB will continue discussing classification topics in the exposure draft at future meetings.

Information about project updates are available on the IASB's *Financial Instruments with Characteristics of Equity project page*.

Risk mitigation accounting

Banks are subject to interest rate risk, specifically repricing risk, as their financial assets and financial liabilities in a portfolio reprice with changing market interest rates at different times or amounts. Many banks manage their exposure to repricing risk on a net basis by aggregating repricing risk exposures across multiple financial instruments portfolios, instead of managing the risk for each instrument on an individual basis.

Although IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* provide models for macro hedge accounting, current hedge accounting models are not designed for risk management strategies for dynamic portfolios of financial assets and financial liabilities. Without an accounting model that reflects the broader use of risk mitigation activities, banks have found it challenging to reflect how they dynamically manage repricing risk in their financial statements and how effective they are at doing so.

To address the challenges and limitations with the current hedge accounting models, the IASB developed the risk mitigation accounting (RMA) model (previously dynamic risk management (DRM) model). On December 3, 2025, the IASB published the exposure draft proposing the RMA model in IFRS 9.

Under the proposed RMA model, a company recognizes the effect of net repricing risk successfully mitigated through its risk management activities in a separate ‘risk mitigation adjustment’ line item in the balance sheet to provide investors with information on the extent to which the company is achieving its risk management objectives. The company is also required to provide new disclosures, including information on their risk management strategy and how that strategy is used to manage exposure to repricing risk.

While the application of the RMA model will be optional, companies would no longer be able to apply hedge accounting under IAS 39, because these requirements would be withdrawn once the proposals are finalized. Instead, companies could apply the RMA model and/or the general hedge accounting requirements under IFRS 9 or cease hedge accounting altogether.

The exposure draft is open for comment until July 31, 2026.

For more information, refer to our *web article* and IASB’s *Risk Mitigation Accounting project page*.

Other developments

Financial reporting in uncertain times

There continue to be a number of global events all contributing to rising uncertainties for Canadian businesses. For example, ongoing geopolitical developments in the Middle East, rising energy prices, the US Supreme Court's decision to overturn the IEEPA tariffs yet provide no clarity on refunds, as well as new and continuing tariffs on Canadian goods.

Companies should continue to closely monitor these evolving developments and assess the potential impact of these uncertainties in the financial statements for various accounting and financial reporting areas including:

- revenue from contracts with customers;
- net realizable value of inventory;
- impairment of non-current assets (including goodwill) and financial assets;
- contingent assets in the form of potential tariff refunds;
- fair value measurement;
- income taxes;
- onerous contracts; and
- going concern.

Periods of heighted uncertainty lead to increased regulatory scrutiny and higher expectations from regulators and investors for companies to provide clear, entity-specific disclosures in the financial statements.

Refer to our web article *Tariff refunds – Assessing the impact* for considerations on the accounting and financial reporting impact of tariff refunds, and our *Financial reporting in uncertain times* resource centre for guidance on the financial reporting impacts of operating in changing environments, including our new *Be clear in times of uncertainty* guide. Also refer to our *Import tariffs – what's the impact on your financial reporting?* webpage for key considerations and resources on the impact of tariffs and counter-tariffs across a broad range of financial reporting topics.

Global minimum top-up tax under BEPS 2.0

Many jurisdictions have implemented a global minimum top-up tax under the OECD's BEPS 2.0 initiative (Pillar Two), with related reforms under Pillar One. For many jurisdictions, Pillar Two amendments were effective as at January 1, 2024. However, because enactment dates and the specific rules and implementation details vary by country, companies need to monitor where they operate to determine the potential impact on current and deferred tax accounting and related disclosures.

For practical guidance on accounting, presentation and disclosures related to Pillar Two taxes, refer to our *web article*, *illustrative disclosures* and *disclosure checklist*.

Canada — status update on Pillar Two (GloBE)

Effective for fiscal years beginning on/after December 31, 2023: Canada's Income Inclusion Rule (IIR) and Qualified Domestic Minimum Top-up Tax (QDMTT) apply to qualifying multinational groups.

August 12, 2024: Draft legislation for the proposed *Global Minimum Tax Act*, including Undertaxed Profits Rule (UTPR) provisions, was released for public consultation. Based on the draft, the UTPR was intended to apply to fiscal years beginning on/after December 31, 2024; the consultation period ended September 11, 2024.

August 15, 2025: Further draft legislation for the *Global Minimum Tax Act* was released, including updates on allocating covered taxes for tax-transparent entities, controlled foreign operations, and hybrid and flow-through entities. The proposals did not include a framework for the UTPR.

For global administrative and legislative developments, see *BEPS 2.0: state of play*, our *web article* and *TaxNews*.

Applying the equity method

In September 2024, the IASB issued an exposure draft with targeted amendments to IAS 28 *Investments in Associates and Joint Ventures* to address application issues in the equity method.

The proposed amendments to IAS 28 include:

- initial measurement of cost when an existing investment becomes an equity-accounted investee;

- accounting for changes in an investor's interest when the investee continues to be accounted for under the equity method;
- accounting for the purchase of an additional interest in the investment when the investor has reduced its interest to zero due to losses;
- recognition of full gains or losses from all 'upstream' and 'downstream' transactions with equity-accounted investees;
- inclusion of deferred tax in the investment's carrying amount on initial recognition of the investment;
- measurement of contingent consideration at fair value; and
- impairment assessment based on fair value compared with the investment's carrying amount.

The proposals also introduce new disclosure requirements, including:

- a reconciliation of the carrying amount of equity-accounted investments detailing the reconciling items;
- gains or losses from other ownership changes and downstream transactions; and
- information on contingent consideration arrangements.

The proposals would generally apply prospectively; except for the requirements for the recognition of gains and losses on transactions with equity-accounted investees, which would apply retrospectively.

The comment period closed on January 20, 2025 and the IASB continues to redeliberate the proposals in the exposure draft.

Project updates in Q1 2026

February 2026

Impairment of an investment – impairment indicators

The IASB tentatively decided to retain existing guidance in IAS 28 to:

- explain that a single event, on its own, may not by itself indicate impairment; instead, impairment may arise from the combined effect of several events; and
- emphasize that observable information must be considered when assessing impairment of a net investment in an associate.

The IASB also tentatively decided to:

- revise paragraph 41C of IAS 28, which discusses objective evidence of impairment, by replacing 'decline in the fair value of an investment … below its cost' with 'decline in the fair value … to less than its carrying amount';
- remove the reference to a 'significant or prolonged' decline in fair value;
- clarify that observable price information (e.g. quoted market prices, price paid to acquire additional interests in the associate, or price received on partial disposals) is considered when assessing impairment; and
- clarify that for publicly traded associates, the quoted market price at the reporting date should be considered.

Impairment of an investment – other matters

The IASB tentatively decided to:

- not move impairment requirements in IAS 28 to IAS 36; and
- not consider two application issues related to the reversal of impairment losses.

Transactions with associates – feedback from further work

The IASB discussed feedback received related to gains or losses from transactions with associates, and did not make any decisions.

March 2026

Other changes in ownership interest

When an investor maintains significant influence of an associate after a change in its ownership interest, the IASB tentatively decided to retain the proposals as follows:

- for an increase in ownership interest, apply the requirements for purchases of additional ownership interests in the exposure draft; and
- for a decrease in ownership interest, apply the requirements for disposals of ownership interests in the exposure draft.

The IASB also tentatively decided not to:

- include illustrative examples to demonstrate how the requirements for changes in ownership interests (purchases and disposals) in the exposure draft should be applied;
- add a requirement for an investor, during the vesting period for an equity-settled share-based payment award, to recognize its share of expenses with a corresponding

adjustment to the carrying amount of the investment;

- provide an exemption from applying the requirements for changes in ownership interests in the exposure draft for transactions in which the investor is not party to, including those that have occurred outside of the immediate associate;
- introduce requirements for hybrid instruments (e.g. hybrid instruments affecting dividend distributions but not voting rights); and
- introduce requirements that address when transactions can be combined by an investor.

Purchase of an additional ownership interest – Relief

The IASB tentatively decided to:

- provide an investor with an optional relief from measuring the additional share of an associate's identifiable assets and liabilities at fair value when purchasing additional interests while retaining significant influence;
- allow the relief if the investor reasonably expects that applying an alternative measure would not lead to a material difference in the current or future periods' financial statements (eligibility criterion);
- outline factors to consider when assessing the eligibility criterion; and
- not specify alternative measurement bases to fair value when using this relief.

The IASB will continue redeliberating the proposals in the exposure draft at future meetings.

Refer to our *web article* and IASB's *Equity Method project page* for more details.

Business combinations – Disclosures, goodwill, and impairment

In response to investors' requests for improved information on business combinations (as defined in the Accounting Standards) and concerns over the impairment tests under IAS 36 *Impairment of Assets* being costly and complex, in March 2024, the IASB issued its exposure draft *Business Combinations – Disclosures, Goodwill and Impairment*.

The proposed changes to IFRS 3 would:

- result in companies providing information to investors about the performance of an acquisition by requiring both quantitative and qualitative information about expected synergies – e.g. total revenue synergies – as well as information on the benefits expected start date and their duration.
- allow investors to directly assess the performance of acquisitions, rather than using goodwill impairment as a proxy indicator.

The proposals would also result in increased disclosures for 'strategic' business combinations including disclosure of specific acquisition-date key objectives and related targets and progress to meeting those targets in the acquisition year and subsequent periods.

While the proposals do not reintroduce an amortization model for goodwill, the proposed changes to the IAS 36 value-in-use testing requirements aim to simplify and clarify the impairment test.

The exposure draft comment period closed in July 2024. The IASB redeliberated some parts of the proposals in 2025, however has not had any redeliberations yet in 2026. Further updates will be provided as the IASB continues its redeliberations of the proposals at future meetings.

For more information, refer to our *web article*, and also refer to IASB's *Business Combinations—Disclosures, Goodwill and Impairment project page.*

Amendments to IAS 37 – Provisions

To address the challenges companies are encountering when accounting for provisions, 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 IASB issued its exposure draft in November 2024, which included proposals to address the following three key areas:

- how to determine if a present obligation exists and when to recognize a provision;
- which costs to include in measuring a provision; and
- which discount rate to use in discounting a long-term provision.

When to recognize a provision

One of the challenges in applying IAS 37 is determining when to recognize a provision, specifically how to determine if a company has a present obligation and what constitutes a 'past event'. These questions have become more prominent with the rise of climate-related commitments and threshold-based obligations. In response, the proposals to amend IAS 37 include:

- three new tests to determine whether a present obligation exists, including:
  - *Obligation test*: does the company have an *obligation*?
  - *Transfer test:* is the obligation to *transfer* an economic resource? and
  - *Past event test*: is it a present obligation as a result of a *past event*?
- specific guidance for threshold-based obligations; and
- new illustrative examples to replace IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* and IFRIC 21.

Under the proposals, companies may need to start recognizing some provisions sooner if they expect to exceed a specific threshold. This would require management to make new judgements.

Costs to include in measuring a provision

IAS 37 does not provide specific guidance on which costs to include in measuring a provision, leading to varying approaches across companies. Under the proposals, a company would include all direct costs when measuring any provision. These costs would include:

- incremental costs; and
- an allocation of other costs that relate directly to settling the obligation.

The proposals may cause some provisions that are currently measured using incremental costs to become larger. As such, companies may need new processes to identify all direct costs, as well as an allocation method.

Discount rate to be used when discounting a long-term provision

The approach to determining the discount rate for long-term provisions varies between companies due to the lack of detailed guidance under IAS 37. Consequently, some companies use a risk-free rate, while others adjust the rate for non-performance or their own credit risk.

The IASB proposes to use a risk-free discount rate in measuring a long-term provision and make no further adjustments made. Depending on the company's current accounting policy, some provisions may become larger.

The exposure draft also proposes to add disclosure of the discount rates used in measuring the provision.

Project updates in Q1 2026

The exposure draft comment period closed on March 12, 2025. At its February 2026 meeting, the IASB continued to redeliberate the proposals in the exposure draft. Specifically, the IASB discussed two conditions proposed to be included within the present obligation criterion:

- the 'past-event' condition, and specifically, proposed requirements for when the condition is applied to levies; and
- the 'transfer' condition, which will require that 'the nature of the company's obligation is to transfer an economic resource'.

Levies – Application requirements

The IASB tentatively decided to add application requirements for levies to supplement the proposed past-event condition in the exposure draft, which would:

- specify a principle that the economic activity or benefit that the government seeks to levy is the economic benefit or action that meets the past-event condition; and
- supplement this principle with a constraining presumption that the economic benefit or activity sought by the government to levy will be required by legislation in order for the levy to be payable.

Levies – Rebuttable or non-rebuttable presumption

The IASB considered whether this presumption should be rebuttable in certain cases, but no decisions were made.

Recognition – Transfer condition

The IASB tentatively decided to:

- retain the proposal to explicitly add a transfer condition to the present obligation recognition criterion in IAS 37;
- further clarify the distinction between an obligation to 'transfer' versus 'exchange' economic resources by explaining that:
  - an obligation to 'exchange' economic resources involves both an obligation to transfer a resource and a right to receive another resource in return from the counterparty;
  - the resource received may be recognized as an asset (e.g. goods) or an expense (e.g. services); and
  - a company has an obligation to exchange economic

resources only when the transfer of an economic resource gives rise to a right to receive another economic resource from the counterparty; a transfer of an economic resource that gives rise to other forms of economic benefit for the company is not sufficient.

- expand implementation guidance to clarify i) why obligations for decommissioning and environmental restoration meet the transfer condition and ii) how the transfer condition relates to IAS 37 measurement requirements; and
- clarify how the transfer condition applies to levies by defining 'levy' to only include non-reciprocal charges and stating in the application requirements that a levy obligation meets the transfer condition, by definition.

The IASB will continue redeliberating the proposals in the exposure draft at future meetings.

Project updates and the exposure draft are available on the IASB's *Provisions—Targeted Improvements* *project page.* Refer to our *web article* and *talkbook* to understand the potential changes and their impact on your company's provisions.

Amendments to the fair value option for associates and joint ventures

Under IAS 28, investments in associates and joint ventures are required to be accounted for using the equity method, unless a company qualifies for the exemption which allows for the company to elect to measure certain investments at fair value through profit or loss (the fair value option). Under IAS 28, the fair value option is available when an investment is held by "an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds."

The IASB was made aware that there is diversity in how companies, particularly those in the insurance industry, assess whether a company meets this description, as some stakeholders interpreted the fair value option narrowly, while others interpreted it more broadly. This diversity in the interpretation of the scope may result in presentation mismatches in the statement of profit or loss under IFRS 18, as investments accounted for under the equity method under IAS 28 would be classified in the investing category, whereas investments measured at fair value through profit or loss would be classified in the operating category, if the company has a main business activity of investing in them.

Accordingly, the IASB has proposed narrow-scope amendments to IAS 28 to clarify which companies qualify for the fair value option. Specifically, the IASB has proposed to:

- state that "similar entities" include companies that have a main business activity of investing in particular types of assets (consistent with the concept of specified main business activities under IFRS 18); and
- remove the current example of an investment-linked insurance fund in IAS 28.

These proposed amendments would result in the fair value option being available to more companies upon transition to IFRS 18. Eligible companies would classify income and expenses from investments they elect to measure at fair value, and invest in as a main business activity, in the operating category.

The exposure draft was published on February 19, 2026 with an accelerated 60-day comment period, aiming for finalization ahead of the IFRS 18 effective date. The exposure draft is open for comment until April 20, 2026.

For more information, refer to our *web article* and IASB's *Amendments to the Fair Value Option* *project page*.

IFRS Interpretations Committee agenda decisions

Companies applying Accounting Standards are required to reflect the explanatory material included in final agenda decisions made by the Committee. Bookmark our IFRIC agenda decisions *web page* to keep up to date with the latest discussions.

March 2026 final agenda decisions

At the March 2026 meeting, the Committee voted to finalize five agenda decisions related to IFRS 18 which were published in the March 2026 IFRIC Update – refer to *IFRS 18: Presentation and disclosure in financial statements* section above. The Committee also decided to finalize its proposals to update two previous tentative agenda decisions in light of its discussions on presentation of taxes that are not IAS 12 income taxes, based on feedback received:

- Presentation of payments on non-income taxes (IAS 1 and IAS 12); and
- Classification of tonnage taxes (IAS 12).

In addition, the Committee voted to finalize on the following agenda decisions:

Economic benefits from use of a battery under an offtake arrangement (IFRS 16);

The Committee discussed requests on the application of paragraph B9(a) of IFRS 16 *Leases*, specifically how a company determines whether a customer obtains substantially all of the economic benefits from the use of an identified asset.

Fair presentation and compliance with IFRS Accounting Standards (IAS 1)

The Committee discussed a request about how the fair presentation requirements in IAS 1 (paragraphs 15–24) apply when an entity departs from an Accounting Standard. In the fact pattern, the company relies on IAS 1 paragraph 19 to justify departing from a specific Accounting Standard requirement.

The Committee's decisions will be considered by the IASB at a future meeting.

A summary of the agenda decisions is available on the Committee's March 2026 IFRIC Update *web page*.

Requirements effective in 2026

The below are amendments to Accounting Standards effective for annual reporting periods beginning on or after January 1, 2026.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

Amendments to IFRS 9 - Classification of financial assets

Over the past years, questions have arisen regarding how to classify some financial assets, especially on the application of the solely payments of principal and interest (SPPI) test. The amendments to IFRS 9 address the classification of the following financial assets:

- financial assets with contingent features such as ESG linked features;
- financial assets with non-recourse features; and
- contractually linked instruments (CLIs).

The amendments introduce additional disclosure requirements for the following:

- investments in equity instruments that are measured at fair value through other comprehensive income; and
- financial instruments with contingent features.

Classifying financial assets with an ESG-linked feature

The amendments address a specific call for clarification on whether contractual cash flows of some financial assets with an ESG-linked feature – e.g. a feature that adjusts the interest rate on an asset by a specified number of basis points depending on whether the borrower achieves a pre-determined ESG or sustainability-related target(s) – represent SPPI. The new amendments introduce an additional SPPI test which applies to all contingent features, not just ESG-linked features.

Under the amendments, financial assets with contingent features that are not directly related to a change in basic lending risks or costs could meet the SPPI criteria, as long as the following conditions are met:

- The contractual cash flows, both before AND after the contingent event meet the SPPI criterion;
- The contractual cash flows are NOT significantly different from an identical financial asset without such a contingent feature.

Financial assets with non-recourse features

The amendments include clarifications on determining whether a financial asset is non-recourse such that it is primarily exposed to an underlying asset's performance risk rather than the debtor's credit risk. The amendments clarify the requirement to look through to the underlying assets or cashflows to determine whether the financial asset qualifies as SPPI by providing a list of factors to consider.

Classifying CLIs

To address questions on applying the SPPI requirements to CLIs, the amendments clarify their key characteristics and how they differ from financial assets with non-recourse features.

Disclosures on investments in equity instruments

The amendments require additional disclosures for equity instruments that are measured at fair value and whose gains or losses are presented in other comprehensive income. Companies would be required to disclose the change in the fair value separately related to (1) investments derecognized during the reporting period and (2) investments held at the end of the reporting period.

There is no change to the measurement or presentation requirements for such investments in equity instruments.

Disclosures on financial instruments with contingent features

The amendments require companies to provide additional disclosures for all financial assets and financial liabilities that:

- have contingent features that are not directly related to a change in basic lending risks or costs; and
- are not measured at fair value through profit or loss.

For such financial instruments, companies should disclose:

- a qualitative description of the nature of the contingent event;
- quantitative information about the possible changes to contractual cash flows; and
- the gross carrying amount of financial assets and the amortized cost of financial liabilities.

Amendments to IFRS 9 - Accounting for cash transfers

The question on when to recognize or derecognize a trade receivable or payable when it is settled using a payment system seems relatively simple on the surface. However, it has generated a significant amount of debate because there is diversity in practice for both the receivable and payable sides of the transaction.

Following the amendments to IFRS 9, companies that recognize or derecognize financial assets or financial liabilities on the payment initiation date could see a change to their accounting as a general requirement is added that reiterates the following requirements:

- financial instruments are recognized when a company becomes a party to a contract;
- a financial asset is derecognized when rights to the cash flows expire, or the asset is transferred; and
- a financial liability is derecognized when it is settled, which is the date on which the liability is extinguished.

However, the amendments allow an exception that would apply only for financial liabilities. The exception would allow a company to derecognize a financial liability before the settlement date, when it uses an electronic payment system and, after initiating the payment:

- it has no practical ability to withdraw, stop or cancel the payment instruction;
- it has no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system is insignificant.

Note that the exception does not apply to payments by cheques. Companies can choose to apply the exception for electronic payments on a system-by-system basis. Given the widespread use of electronic payment systems and the variety of terms, determining whether the exception criteria are met for each one may require significant time and effort. If the derecognition exception criteria are not met, determining the settlement date may also present challenges and companies may be required to change their existing systems and processes.

For more information, refer to our web articles – *Classification of financial assets* and *Accounting for electronic payments*.

Amendments to IFRS 9 – Power purchase agreements

Nature-dependent electricity contracts, often referred to as Power Purchase Agreements (“PPA”), help companies secure electricity supply from renewable sources such as wind and solar power. Under these contracts, the amount of electricity produced can fluctuate due to unpredictable factors such as weather conditions. In light of the increased use of PPAs and common challenges faced by companies entering into such contracts, the IASB observed that existing accounting standards may not adequately capture the impact of these contracts on a company’s financial performance and cash flows. The IASB also noted that application questions were also raised for purchases of renewable energy through virtual PPAs.

On December 18, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 which include the following:

- clarification on the application of the own-use exemption for purchasers of PPAs;
- the ability to apply hedge accounting using a PPA as a hedging instrument, subject to certain conditions; and
- new disclosure requirements aimed to help investors gain a better understanding of the effect of PPAs on a company’s financial performance and cash flows.

Note that the amendments only apply to PPAs in which a company is exposed to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions.

Application of the own-use exemption for purchasers of PPAs

It is not always clear whether a company that purchases electricity through PPAs can apply the own-use exemption under IFRS 9. If the own-use exemption does not apply, PPAs would need to be accounted for as derivatives measured at fair value through profit or loss (FVTPL), which can potentially create significant volatility in the income statement.

To apply the own-use exemption to a physical PPA, the current IFRS 9 standards require companies to assess whether the contract is for receipt of electricity in line with the company's expected purchase or usage requirements. Due to the unique characteristics of electricity (including the difficulty to store it) and its market structure, a company may not be able to use the electricity within a short period and the electricity may have to be sold back to the market. While this occurs due to the market structure, it has been unclear as to whether a company can apply the own-use exemption under existing requirements.

The amendments allow a company to apply the own-use exemption to certain PPAs if the company has been, and expects to be, a net-purchaser of electricity for the contract period.

The amendments apply retrospectively using facts and circumstances at the beginning of the reporting period of initial application (without requiring prior periods to be restated).

Hedge accounting requirements for purchasers and sellers of PPAs

Virtual PPAs and PPAs that do not meet the own-use exemption are accounted for as derivatives and measured at FVTPL. Applying hedge accounting could help companies to reduce profit or loss volatility by reflecting how these PPAs hedge the price of future electricity purchases or sales.

Buyers and sellers of PPAs face challenges when applying cash flow hedge accounting because of a mismatch between the fair value of the hedging instrument (PPA) and the hedged transaction, combined with the 'highly probable' requirements, which could lead to the hedging relationship not qualifying for hedge accounting.

Subject to certain conditions, the amendments permit companies to designate a variable nominal volume of forecasted sales or purchases of renewable electricity as the hedged transaction, rather than a fixed volume based on highly probable estimates. This would facilitate more economic offset between the hedging instrument and the hedged transaction, enabling companies to apply hedge accounting.

The amendments apply prospectively to new hedging relationships on or after the date of initial application. They also allow companies to discontinue an existing hedging relationship if the same hedging instrument is designated in a new hedging relationship applying the amendments.

New disclosure requirements

The amendments also require disclosures of further information such as:

- contractual features exposing the company to variability in electricity volume and risk of oversupply;
- estimated future cash flows from unrecognized contractual commitments to buy electricity in appropriate time bands;
- qualitative information about how the company assessed whether a contract might become onerous; and
- qualitative and quantitative information about the costs and proceeds associated with purchases and sales of electricity, based on the information used to determine whether the company is a net-purchaser of electricity for the contract period.

Refer to our *web article* and IASB's *Power Purchase Agreements project page* for more details.

Annual Improvements to IFRS Accounting Standards (includes Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7)

The IASB's annual improvements process aims to improve the clarity and internal consistency of the Accounting Standards. In July 2024, the IASB issued amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 7, IFRS 1, IAS 7, and IFRS 9, which are effective for annual reporting periods beginning on or after January 1, 2026.

The amendments to IFRS 9 address:

- a conflict between IFRS 9 and IFRS 15 *Revenue from Contracts with Customers* over the initial measurement of trade receivables; and
- how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.

Recognition of trade receivables

The amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured. Under IFRS 15, a trade receivable can be recognized at an amount that differs from the transaction price, for instance, when the transaction price is variable.

Conversely, IFRS 9 requires companies to initially measure trade receivables without a significant financing component at the transaction price. The amendments to IFRS 9 require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15.

Derecognition of lease liabilities

When a lease liability is derecognized, the derecognition is accounted for under IFRS 9. However, when a lease liability is modified, the modification is accounted for under IFRS 16 *Leases*. Under the amendment, when lease liabilities are derecognized under IFRS 9, the difference between the carrying amount and the consideration paid is recognized in profit or loss.

Refer to our *web article* for more details on the amendments.

Appendix 1: Accounting Standards effective in 2027 and beyond

A reminder of standards and amendments to published standards not yet effective, but available for early adoption are listed in this table.

Effective for periods beginning on or after	Standards and amendments	KPMG's guidance
January 1, 2027	Presentation and Disclosure in Financial Statements (IFRS 18)	***Web article***
	Subsidiaries without Public Accountability: Disclosure (IFRS 19)	***Web article***
	Hyperinflationary presentation currency (Amendments to IAS 21)	***Web article***
NA*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	

** The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.*

Appendix 2: IASB work plan

These tables are intended to act as an outlook of current IASB projects that may impact your financial statements in the future. More information about the projects is available on the IASB's *work plan page*.

Standard-setting projects	Next milestone	Expected date	KPMG's guidance
Amortized Cost Measurement	Exposure Draft	H2 2026	
Business Combinations—Disclosures, Goodwill and Impairment	Decide Project Direction	H2 2026	*Web article*
Risk Mitigation Accounting	Exposure Draft Feedback	H2 2026	*Web article*
Financial Instruments with Characteristics of Equity	Final Amendments	2027	*Web article*
Rate-regulated Activities	Accounting Standard	May 2026	*Web article*
Statement of Cash Flows and Related Matters	Exposure Draft	2027	
Equity Method	Decide Project Direction	June 2026	*Web article*

Research projects	Next milestone	Expected date	KPMG's guidance
Intangible Assets	Decide Project Direction	H2 2026	
Post-implementation Review of IFRS 16 Leases	Project Summary and Feedback Statement	H2 2026	
Post-implementation Review of IFRS 9—Hedge Accounting	Request for Information	Q3 2026	

Maintenance projects	Next milestone	Expected date	KPMG's guidance
Amendments to the Fair Value Option (IAS 28)	Exposure Draft Feedback	May 2026	
Provisions—Targeted Improvements	Decide Project Direction	June 2026	*Web article*

Application questions	Next milestone	Expected date	KPMG's guidance
Classification of a Foreign Exchange Difference from an Intragroup Monetary Liability (or Asset) (IFRS 18)	Agenda Decision	April 2026	*Web article*
Assessment of a Specified Main Business Activity for the purposes of the Separate Financial Statements of a Parent (IFRS 18)	Agenda Decision	April 2026	

Application questions	Next milestone	Expected date	KPMG's guidance
Classification of Gains and Losses on a Derivative Managing a Foreign Exchange Exposure (IFRS 18)	Agenda Decision	April 2026	
Economic Benefits from Use of a Battery under an Offtake Arrangement (IFRS 16)	Agenda Decision	April 2026	
Fair Presentation and Compliance with IFRS Accounting Standards (IAS 1)	Agenda Decision	April 2026	
Presentation of Taxes or Other Charges that are Not Income Taxes within the Scope of IAS 12 Income Taxes (IFRS 18)	Agenda Decision	May 2026	*Web article*
Scope of the Requirement to Disclose Expenses by Nature (IFRS 18)	Agenda Decision	April 2026	
Updates to Committee's agenda decisions for IFRS 18	Agenda Decision	May 2026	
Control Assessment for a Single-investor Fund (IFRS 10)	Decide Project Direction	Q2 2026	
Reassessment of Control (IFRS 10)	Tentative Agenda Decision Feedback	Q3 2026	

Appendix 3: ISSB work plan

These tables are intended to act as an outlook of current ISSB projects that may impact your financial statements in the future. More information about the projects is available on the ISSB's *work plan page*.

IFRS Sustainability standard-setting projects	Next milestone	Expected date	KPMG's guidance
Enhancing the SASB Standards – Phase 1	Exposure Draft Feedback	June 2026	
Enhancing the SASB Standards – Phase 1 – Continued	Exposure Draft Feedback	H2 2026	
Nature-related Disclosures	Exposure Draft	H2 2026	
Amendments to the IFRS S2 Industry-based Guidance – Phase 1	Exposure Draft Feedback	June 2026	

IFRS Sustainability research projects	Next milestone	Expected date	KPMG's guidance
Human Capital	Decide Project Direction	June 2026	

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