



IFRS Today

Our latest insights and guidance

November 2024



VIDEO TRANSCRIPT

Major changes to provisions accounting are on the horizon

Irina Ipatova
Associate Partner,
KPMG International Standards Group

“Have your say in shaping the proposals!”

The International Accounting Standards Board has now released its proposals to amend the provisions standard in three areas. For some companies, these proposals may result in larger provisions at an earlier date!

- First – how do you determine whether a present obligation exists and when to recognise a provision? The proposals introduce revised guidance. Some provisions could be recognised progressively and at an earlier date. For example, if you are subject to a mandatory threshold for emitting pollutants, at present you don't recognise an expense for a provision until you exceed the threshold. Under the proposals, you would start accruing your provision as soon as you emit pollutants if you expect to exceed your threshold.
- Second – which costs do you include in measuring a provision? Under the proposals, all direct costs regardless of the type of a provision. Some provisions may become larger as a result. For example, at present you may recognise a provision for a legal claim based on your incremental costs only, such as the expected payout and external lawyers. Under the proposals, you would need to include all of your direct costs, such as an allocation of your internal legal team payroll and other related costs.
- And last but not least – when measuring long-term provisions, which discount rate do you use? Under the proposals, risk-free rate. Depending on your current accounting policy, some provisions may become larger. For example, if at present you consider non-performance or credit risk in determining a discount rate to measure your provisions, then under the proposals you would need to exclude them and use a risk-free rate only. This would make a discount rate smaller and your provisions larger.

If, like many companies, you have provisions on your books, then look at the proposals, assess their impact and provide your feedback to the IASB. To help you assess the impact, read our [article](#) and use our [talkbook](#).

Publication date: November 2024

© 2024 KPMG IFRG Limited, a UK company, limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Standards Group is part of KPMG IFRG Limited.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit <https://home.kpmg/xx/en/home/misc/governance.html>

The information contained herein is of a general nature and is not intended to address the circumstances of any particular entity. It cannot be used as the basis for, nor documentation to support, an entity's financial reporting processes, systems and controls. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

This publication contains copyright © material of the IFRS® Foundation. All rights reserved. Reproduced by KPMG IFRG Limited with the permission of the IFRS Foundation. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit www.ifrs.org.

Disclaimer: *To the extent permitted by applicable law, the IASB, the ISSB and the IFRS Foundation expressly disclaims all liability howsoever arising from this publication or any translation thereof whether in contract, tort or otherwise (including, but not limited to, liability for any negligent act or omission) to any person in respect of any claims or losses of any nature including direct, indirect, incidental or consequential loss, punitive damages, penalties or costs.*

Information contained in this publication does not constitute advice and should not be substituted for the services of an appropriately qualified professional.

'ISSB™' is a Trade Mark and 'IFRS®', 'IASB®', 'IFRIC®', 'IFRS for SMEs®', 'IAS®' and 'SIC®' are registered Trade Marks of the IFRS Foundation and are used by KPMG IFRG Limited under licence subject to the terms and conditions contained therein. Please contact the IFRS Foundation for details of countries where its Trade Marks are in use and/or have been registered.