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IFRS News

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Lease liability in a sale-and-leaseback
Introducing a new model for variable lease payments

Amendments to IFRS 16 *Leases* introduce a new accounting model that will impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction.

Under this new accounting model for variable payments, a seller-lessee will:

- include estimated variable lease payments when it initially measures a lease liability arising from a sale-and-leaseback transaction; and
- after initial recognition, apply the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Therefore, seller-lessees will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.

Read our web article.

Consistency in disclosure of expected credit losses
Recommendations for large banks to enhance ECL disclosures

The UK Taskforce on Disclosures about Expected Credit Losses (DECL Taskforce) has issued its third report, which amends its recommendations for a complete set of high quality ECL disclosures.

Building on previous reports, the DECL Taskforce makes no new recommendations but:

- amends the existing recommendations in two key areas to improve the granularity and comparability of certain ECL disclosures; and
- provides examples of what it considers to be good practice to help banks improve their disclosures.

The DECL Taskforce's recommendations are aimed at large UK banks but are expected to have global influence.

Read our web article.

Accounting for electronic payments

IASB to consider as part of its post-implementation review of IFRS 9

The IFRS® Interpretations Committee (the Committee) discussed the submission *Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)*, which addressed when a payee derecognises a trade receivable and recognises cash when using an electronic transfer system for settlement.

Following feedback from respondents on the Committee's tentative agenda decision, the International Accounting Standards Board (IASB) has decided to explore narrow-scope standard setting on electronic payments as part of its post-implementation review of IFRS 9 *Financial Instruments*.

Read our web article and continue to monitor IASB developments.

Insurers

Acquiring insurance contracts - Transfers of insurance contracts and business combinations

IFRS 17 *Insurance Contracts* will introduce new requirements for insurance contracts that are acquired, whether that be via a transfer or via a business combination under IFRS 3 *Business Combinations*.

How an acquired contract is classified and measured under the standard will differ from one that is issued. Further, the accounting for these contracts under IFRS 17 and IFRS 3 may differ depending on when they are acquired – i.e., before transition, in the comparative period or after initial application of IFRS 17.

Our *Acquiring insurance contracts* guide will help you understand how to account for acquired contracts under IFRS 17 and IFRS 3.

IFRS 17 and IFRS 9 pre-transition disclosures

Users of financial statements and regulators are increasingly focused on understanding the possible impacts that adopting IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* will have on insurers' financial statements.

Our new illustrative disclosures supplement illustrates what the pre-transition disclosures may look like in the 2022 financial statements of an insurer that will apply IFRS 17 and IFRS 9 from 1 January 2023.

Find out more in our web article.

Testing leased office space for impairment

Is your leased office space impaired? | Updated guidance

The COVID-19 pandemic has changed working practices, driving an increase in home- and hybrid-working models. Some tenants are looking to either exit or renegotiate their real estate leases.
Changes in the expected use of office space could have significant accounting consequences. Companies need to assess the potential impacts for their financial reporting now, because a decision to vacate or sub-let property is a potential indicator of impairment.

We have updated our Testing leased office space for impairment guide, which addresses ten key questions that can help with this assessment.

Classifying liabilities as current or non-current

Amendments to IAS 1

Under the amendments to IAS 1 *Presentation of Financial Statements*, the classification of certain liabilities as current or non-current may change (e.g., convertible debt). In addition, companies may need to provide new disclosures for liabilities subject to covenants.

The amendments will apply from 1 January 2024. However, companies need to consider whether their upcoming annual financial statements will need to include disclosures under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* of the possible future impacts.

Find out more in our web article.

Revenue – IFRS 15 handbook

In step with the fast-changing world

When IFRS 15 *Revenue from Contracts with Customers* came into effect in 2018, the global economy looked very different. Since then, we have seen an extraordinary expansion in digital and intangible goods and services, the rapid growth of subscription services and the creation of new online platforms with innovative incentives.

Our Revenue – IFRS 15 handbook has been fully updated. It provides detailed guidance, illustrative examples and extensive discussion of the areas that companies have found most complex, and on new issues – e.g., dealing with online platforms and using intermediaries.

Our handbook will help you interpret and apply IFRS 15 to your revenue-related transactions in this fast-changing world.

Proposed updates to IFRS for SMEs

Maintaining alignment with IFRS Accounting Standards

The International Accounting Standards Board (IASB) is proposing updates to the International Financial Reporting Standard for Small and Medium-sized Entities *(IFRS for SMEs)* to reflect some recent standards that have become effective – e.g., IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* – and other changes made to IFRS Accounting Standards since the last update in 2015.

The proposed updates would mean that the standard largely aligns with IFRS Accounting Standards but some areas of divergence would remain – notably the IASB is proposing to defer alignment on IFRS 16 *Leases*.

Read our web article to find out more.

Global minimum top-up tax – potential exception to deferred tax accounting

Proposed amendments to IAS 12 expected in January 2023

As jurisdictions are busy preparing to amend their local tax laws to introduce the global minimum top-up tax ('GloBE'), stakeholders are questioning how they will account for those changes under IFRS® Accounting Standards.

In particular, they are questioning whether top-up tax is in the scope of IAS 12 *Income Taxes* and, if so, how to account for its deferred tax impacts.
The International Accounting Standards Board discussed these concerns in its November 2022 meeting and agreed to undertake urgent narrow-scope standard-setting.

In January 2023, it plans to issue proposed amendments, which would:

- provide a temporary exception from deferred tax accounting for top-up tax; and
- require companies to provide new disclosures to compensate for the potential loss of information resulting from the temporary exception.

Read our web article to find out more.

Annual financial statements

Illustrative disclosures and disclosure checklist

Our 2022 guides to annual financial statements are now available. They comprise Illustrative disclosures and a Disclosure checklist.

These updated guides reflect standards in issue at 31 August 2022 that are required to be applied by a company with an annual reporting period beginning on 1 January 2022. The illustrative disclosures also include an illustration related to a demand deposit that is subject to restrictions on use and one possible way to explain the potential impact of a new global minimum tax.

Find out more in our web article.

Environmental, Social and Governance (ESG)

Visit our KPMG Insights page for the latest news and developments in ESG.