ประเด็นที่น่าสนใจเกี่ยวกับ IFRS Exposure Drafts

- Business Combinations - Disclosures, Goodwill and Impairment
- Contracts for Renewable Electricity
- Climate-related and Other Uncertainties in the Financial Statements

วันพุธที่ 9 ตุลาคม 2567

เวลา 10.00 - 11.30 น.

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IFRS Exposure Drafts

Business Combinations – Disclosures, Goodwill and Impairment

(Proposed amendments to IFRS 3 and IAS 36)

Proposed amendments to IFRS 3

Proposed amendments to IFRS 3

Why	• Stakeholders raised concerns about receiving insufficient information about the performance of acquisitions.
Key proposals in the Exposure Draft	• Add new disclosure requirements about the performance of business combinations. • Additional disclosure requirements for strategic acquisitions (both at acquisition date and after acquisition date). • Provide exemption from disclosing some information in specific circumstances (e.g. commercially sensitive)
Who would be affected by the proposals?	• Any entity that enters into a business combinations. • Some of the proposals would apply only to a subset of an entity's business combination (i.e. strategic business combinations).
Transition	• Apply the amendment to business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after [date].

Proposed amendments to IFRS 3

Strategic acquisitions

The IASB proposes that acquisitions that meet any one of these thresholds would be strategic acquisitions:

Qualitative thresholds	The acquisition results in a company entering a new major line of business or geographical location.
Quantitative thresholds	• In the most recent annual reporting period before acquisition date – The acquiree's revenue is 10 % or more of the acquirer's consolidated revenue; or – The absolute amount of the acquiree's operating profit or loss is 10% or more of the absolute amount of the acquirer's consolidated operating profit or loss • As at the acquirer's most recent reporting period date before the acquisition date, the amount recognised as of the acquisition date for all asset acquired (include goodwill) is 10% or more of the carrying amount of the total assets recognised in the acquirer's consolidated statement of financial position.

Proposed amendments to IFRS 3

Summary of key disclosure proposals

Disclosures for material acquisitions

At acquisition date

Expected synergies

- Disclose a description of each expected synergies.
- Expected amounts or range of amounts of expected synergies, including estimated costs to achieve these synergies.
- The time from which benefits from the synergies are expected to start and for how long.

Strategic rationale

An entity's reason(s) for entering into a business combination that is aligned with the entity's overall business strategy

Additional disclosures for strategic acquisitions

Key objectives and targets

- An objective for a business combination that is critical to the success of the business combination.
- A target describes the level of performance that will demonstrate whether a key objective of business combination has been met.

After acquisition date

Performance - actual

Performance - statement

- Until objectives/targets are met as long as the management review such information.
- If no longer review, disclose the fact.

Exemption not available

Exemption can be apply if requirements are met

Proposed amendments to IFRS 3

The proposed exemption

- The acquirer need not disclose some information if doing so can be expected to prejudice seriously the achievement of any of the acquirer's acquisition-date key objectives for the business combination.
- Factors to consider
  - The effect of disclosing the item of information: an entity must be able to describe a specific reason for not disclosing an item of information that identifies the seriously prejudicial effect the entity expects to result from disclosing the information.
  - A general risk of a potential weakening of competitiveness due to disclosing information is not sufficient reason to apply the exemption.
  - The public availability of information.

Before applying the exemption, the acquirer shall first consider whether it is possible to disclose information in a different way (e.g. at a sufficiently aggregated level).

Proposed amendments to IAS 36

Proposed amendments to IAS 36

Why	• Stakeholders raised concerns that: ○ Impairment losses on goodwill are sometimes not recognised on a timely basis; and ○ The impairment test can be costly and complex.
Key proposals in the Exposure Draft	• Clarifying how a company allocates goodwill to cash-generating units. • Proposed additional disclosure about a cash-generating unit containing goodwill. • Proposed changing how a company calculates the value in use of an asset.
Who would be affected by the proposals?	• Any entity that has cash-generating units containing goodwill. • The amendment to how value in use is calculated would also affect the impairment test of all assets to which IAS 36 applies.
Transition	• Apply the amendments to impairment tests performed on or after [date].

Proposed amendments to IAS 36

1) Impairment losses on goodwill are sometimes not recognised on a timely basis

The IASB identified two broad reasons for concerns about possible delays in recognising impairment losses on goodwill:

- **Shielding** – headroom in an existing business can shield goodwill from impairment (e.g. allocation of goodwill to cash-generating units).
- **Management over-optimism.**

	Operating segment			
	CGU 1	CGU 2	Goodwill	Total
Carrying amount (MB)	120	130	50	300
Recoverable amount (MB)	300	100		400

For the purpose of impairment testing, goodwill shall be allocated to each of CGU or group of CGUs that represent the lowest level which monitors for internal management purpose and not be larger than an operating segment.

Shielding might occurred if the goodwill inappropriately allocated to CGU or group of CGUs (e.g. allocated to operating segment instead of each CGU).

Proposed amendments to IAS 36

1) Impairment losses on goodwill are sometimes not recognised on a timely basis

IASB proposed amendments

Shielding

- Amend to clarify that the entity needs to determine the lowest level at which the business associated with the goodwill is monitored for internal management purpose.
- Specified that the highest level to which an entity can allocate goodwill (an operating segment) is **not a default**.

Management over-optimism

- Proposed additional disclosure that require an entity to disclose in which reportable segment a cash-generating unit contain goodwill is included.

This disclosure would help investors compare their own assumption about the value of goodwill with those that management uses in performing the impairment test and would enable investors to better assess the reasonableness of management's assumptions.

Proposed amendments to IAS 36

2) The impairment test can be costly and complex.

IASB proposed amendments

- Removing the restriction on including cash flows from uncommitted future restructuring or asset enhancement *; and
- Removing the requirement to calculate value in use on a pre-tax basis.

Removing these restrictions would bring inputs used in the impairment teat closer to the information used by management, which should result in investors receiving more relevant information.

** If the asset has the current potential to be restructured, improved or enhanced, and the cash flows projections associated with these matters meet the requirements in paragraph 33 of IAS 36, estimates of future cash flows for the asset shall include estimated future cash inflows and outflows that are expected to arise from that restructuring, improvement or enhancement.*

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IFRS Exposure Draft

Contracts for Renewable Electricity

Proposed amendments to IFRS 9 and IFRS 7

Renewable power purchase agreements – IFRS 16 or IFRS9?

Is there an identified asset in the PPA?

Does the customer have the right to obtain substantially all of the economic benefits?

Does the customer has the right to direct the use of the identified asset?

Yes to all of the above → Lease accounting

No to any of the above → Does the PPA meet the own-use exemption? → Executory contract / Derivative financial instrument

IFRS 16 scope

IFRS 9 scope

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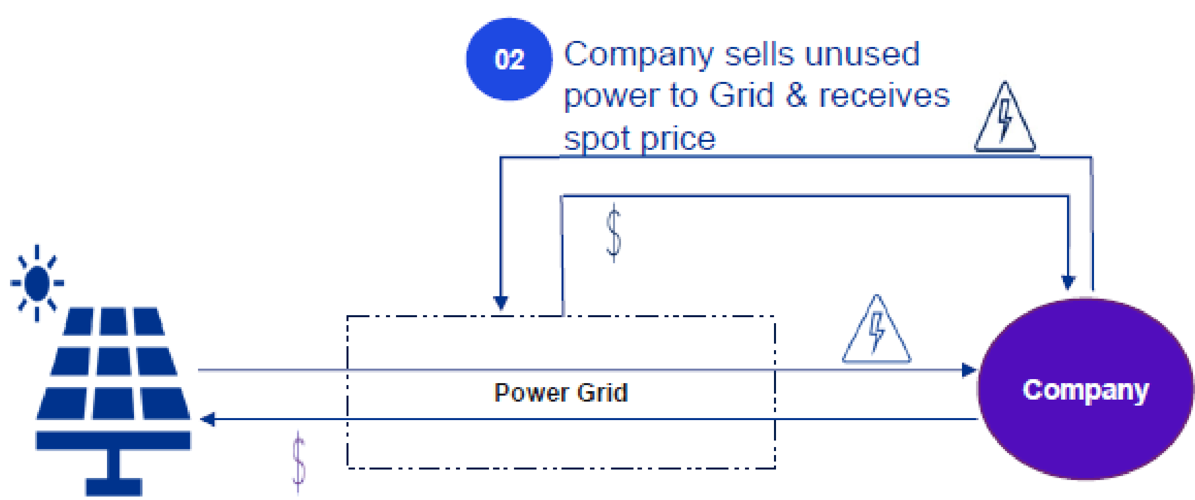
Power purchase Agreements (PPA): physical PPAs



01 Producer **delivers** volume of electricity to the company by crediting their account with the grid and receives fixed price

Structure of the electricity market

1. Bilateral contract and physically deliverable via the grid (net pool market)
2. Imbalances between the energy purchased and consumed are transacted at spot prices
3. Contractually, there is always physical delivery

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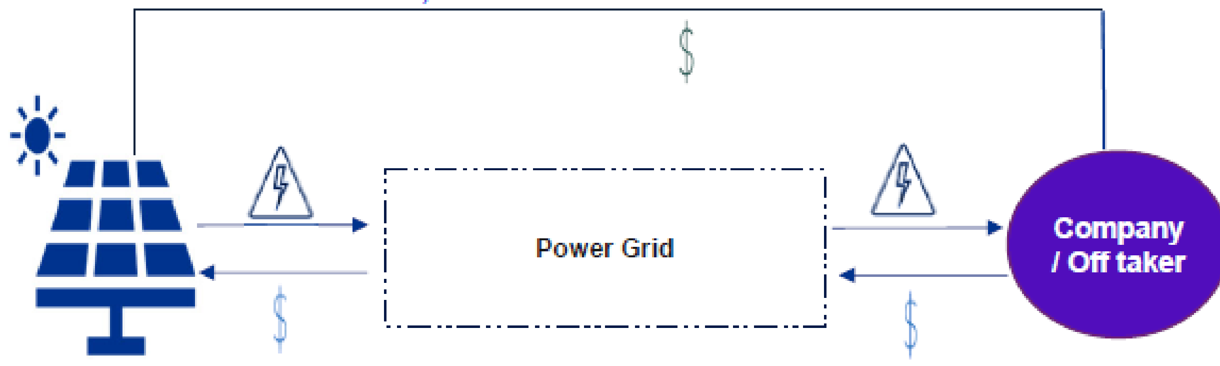
Power purchase Agreements (PPA): virtual PPAs

Virtual PPAs

03 Off taker agrees to pay fixed and receive variable for the electricity produced by **identified** plant (solar , wind etc.) and the volume is not fixed.



01 Producer delivers power to Grid and receives spot price.

02 Company buys power from Grid and pays spot price

Structure of the electricity market

1. All sales and purchases transacted via the market operator (gross pool market)
2. Separate bilateral contracts between producers and off takers
3. No physical delivery of electricity. Contracts are accounted for as derivatives

Consider: No price risk or volume risk for producer as plant is built with fixed profit margin locked in.

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What's the issue?

IFRS 9 does not apply to contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements

Own use exemption requires interpreting terms such as 'delivery', 'net settlement' and 'expected usage requirements' in the context of the facts and circumstances. Such interpretations are particularly challenging under the following scenarios:

Unused non-financial item cannot be stored and is sold within a short period as per market structure.

Design of the market

Mismatch between the demand profile of the company and the supply profile of the supplier (e.g. company is unable to consume the energy when it is delivered)

No feasible options to store the energy. Unused amount is sold via a service provider for a fixed or formula-based fee and is designed to be on autopilot that acts without the intention of trading to realize profits.

No ability to store

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Scope of proposed amendments

Entities should follow guidelines for contracts that have two characteristics:

- The electricity source is **nature-dependent** (e.g., wind, sun, water), meaning supply isn't guaranteed at specific times or volumes.
- The contract exposes the purchaser to volume risk through **"pay-as-produced"** features, meaning electricity production might not match the purchaser's demand.

These guidelines apply only to contracts with these characteristics and provide exceptions to certain IFRS 9 requirements.

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‘Own-used’ requirement

When applying ‘own-used’ requirement for the purchase and delivery of renewable electricity, an entity must consider the following at the contract's inception and at each reporting date:

Contract Purpose and Structure: The entity must assess the contract's purpose, design, and structure, including expected electricity volumes over the contract's remaining term. For future periods, the entity can extrapolate from available information without detailed estimates but must consider changes expected over at least the next 12 months.

Sales of Unused Electricity: The entity must evaluate past and expected sales of unused electricity shortly after delivery. These sales align with the entity's expected needs only if:

- The sale arises from volume risk due to mismatches between electricity supply and demand.
- The entity cannot control the timing or price of the sale due to market constraints.
- The entity expects to purchase an equivalent amount of electricity within a reasonable period, such as one month.

This ensures the contract remains in line with the entity’s purchase or usage requirements.

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Hedge accounting requirement

- When applying hedge item consideration to a cash flow hedging relationship involving a renewable electricity contract, an entity can designate a variable nominal volume of forecast electricity transactions (sales or purchases) as the hedged item if:
  1. The hedged item is the variable volume of electricity tied to the hedging instrument.
  2. The forecast electricity transactions do not exceed the highly probable future transactions, unless exceptions in paragraph 6.10.5 apply.
- If the hedging instrument relates to a proportion of total future sales from the referenced production facility, the forecasted sales don’t need to be highly probable.
- For qualifying cash flow hedge accounting, the entity should use the same volume assumptions for both the hedged item and the hedging instrument. However, other inputs, such as pricing, should reflect the hedged item's actual characteristics without incorporating features of the hedging instrument.

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Proposed amendments to IFRS 7

Proposed items of information are referenced with blue icons

NOTE X—CONTRACTS FOR RENEWABLE ELECTRICITY

Contracts accounted for as executory contracts

The company is party to pay-as-produced contracts to buy and take delivery of electricity produced from referenced wind farms. The other terms and conditions of these contracts include […]

a — The terms and conditions of the contracts

The company expects to purchase the following volume of electricity over the remaining duration of these contracts:[1]	less than 1 year	1–5 years	more than 5 years
	X MWh	X MWh	X MWh

b — The volume of renewable electricity a seller expects to sell, or a purchaser expects to purchase, over the remaining duration of the contracts; or the fair value of the contracts at the reporting date within specified time bands.

The company calculated its expected purchases using the 70% probability of the expected volume of electricity to be produced by the referenced production facilities.

[1] As an alternative, the company is permitted to provide the fair value of the contracts at the reporting date, accompanied by the information required by paragraphs 93(g)–(h) of IFRS 13 *Fair Value Measurement*. This may be the case if the company already measures other contracts at fair value.

Source: IFRS Taxonomy Consultative Group (ITCG) meeting

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Proposed amendments to IFRS 7

Illustrative example—disclosure requirements (3/3)

Proposed items of information are referenced with blue icons

NOTE X—CONTRACTS FOR RENEWABLE ELECTRICITY

Volume of electricity covered by the contracts

The company receives Renewable Electricity Certificates for the volume of electricity produced that is covered by the contracts. The volume covered by the contracts for this reporting period represents X% of the company's total net volume of electricity purchases.

The company's total net volume of electricity purchases for the period amounted to X MWh. The average market price per unit of electricity for the period amounted to CUX. [The company benefited from fixing the price for electricity under these contracts. Because the company's demand cannot be matched to production, the entity was exposed to residual price volatility from selling and repurchasing electricity at different times.] [1, 2]

1 The items of information illustrated in this paragraph is required only for a company that is a purchaser under the contracts.

2 The information in the last sentence within square brackets illustrates qualitative reasons for why the net volume of purchases multiplied by the average market price substantially differs from the actual total electricity cost for incurred by the company for the reporting period.

Purchasers shall disclose

(1) the proportion of renewable electricity covered by the contracts to the total electricity purchased for the reporting period.

(2) the total net volume of electricity purchased

(3) the average market price per unit of electricity in the relevant spot market and

(4) if (2) multiplied by (3) differs substantially from the actual total cost, a qualitative explanation of the key reasons for this difference

Source: IFRS Taxonomy Consultative Group (ITCG) meeting

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Proposed – Effective date and transition

- Effective date is 1 January 2025
- An entity must apply 'own-use' requirement retrospectively, following IAS 8, but it does not need to restate prior periods unless it can do so without hindsight. If prior periods are not restated, any differences between the old and new carrying amounts should be recorded in the opening retained earnings (or other appropriate equity) at the start of the reporting period when the amendments are first applied.
- An entity must apply hedge-accounting requirement prospectively to new hedging relationships from the date the amendments are first applied. It may change the designation of the hedged item in a cash flow hedge designated before this date. This change does not end the existing hedging relationship or create a new one.

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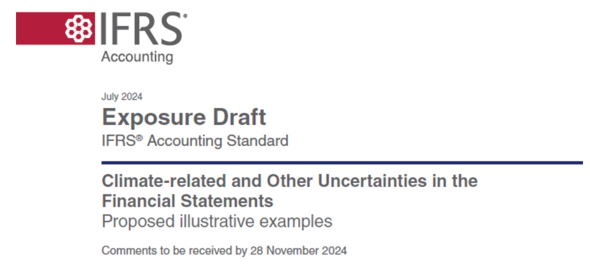
IFRS Exposure Draft

Climate-related and Other Uncertainties in the Financial Statements (Proposed illustrative examples)

Introduction

Climate-related and Other Uncertainties in the Financial Statements

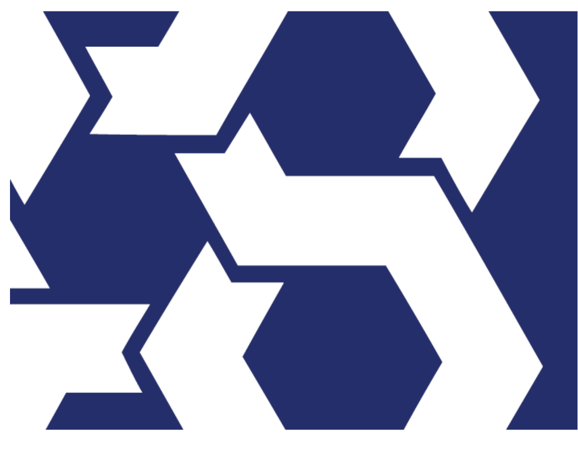
ED Proposed Illustrative Examples published on 31 July 2024 with comments to be received by 28 November 2024


IFRS
Accounting

July 2024
Exposure Draft
IFRS® Accounting Standard

Climate-related and Other Uncertainties in the Financial Statements
Proposed illustrative examples

Comments to be received by 28 November 2024



International Accounting Standards Board IASB/ED/2024/6

Objective

- To explore targeted actions to improve the reporting of the effects of climate-related risks in the financial statements.

Illustrative Examples proposed in the ED illustrates how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements:

1) Materiality judgements leading to additional disclosures

2) Materiality judgements **not** leading to additional disclosures

3) Disclosure of assumptions using *specific* requirements (IAS 36)

4) Disclosure of assumptions using *general* requirements (IAS 1/IFRS 18)

5) Disclosure of assumptions using additional disclosures (IAS 1/IFRS 18)

6) Disclosure about credit risk (IFRS 7)

7) Disclosure about decommissioning and restoration provisions (IAS 37)

8) Disclosure of disaggregated information (IFRS 18)

Investors need better qualitative and quantitative information about the effect of climate-related risks on the carrying amounts of assets and liabilities reported in the financial statements.

Climate-related and Other Uncertainties in the Financial Statements

Background

Project on exploring Targeted actions:
Effects of climate-related risks in the financial statements

Figure 1—How the IASB's actions relate to the findings from its research

Concerns	Nature and causes	IASB's actions	Evolving reporting landscape
Information about the effects of climate-related risks is sometimes **insufficient** or appears to be **inconsistent** with information provided outside the financial statements	IFRS Accounting Standards are generally sufficient, but there might be application challenges	Help improve the application of IFRS Accounting Standards and raise awareness *(Illustrative examples, agenda decision and other actions)*	Sustainability disclosures might better inform the application of IFRS Accounting Standards
	Users need information beyond the objective and scope of financial statements	Strengthen connections *(Collaboration with the ISSB)*	Sustainability disclosures will help meet users' information needs that go beyond the scope of financial statements

Source: Basis for Conclusions on the Exposure Draft Climate-related and Other Uncertainties in the Financial Statements

31 July 2024
Exposure Draft

No effective date and transition requirements

Feedback comment period:
22 November 2024

Consistency — Information in financial statements ("FS") and information reported outside financial statements.

Connectivity — Strengthen connectivity between information in FS and other general purpose financial reports

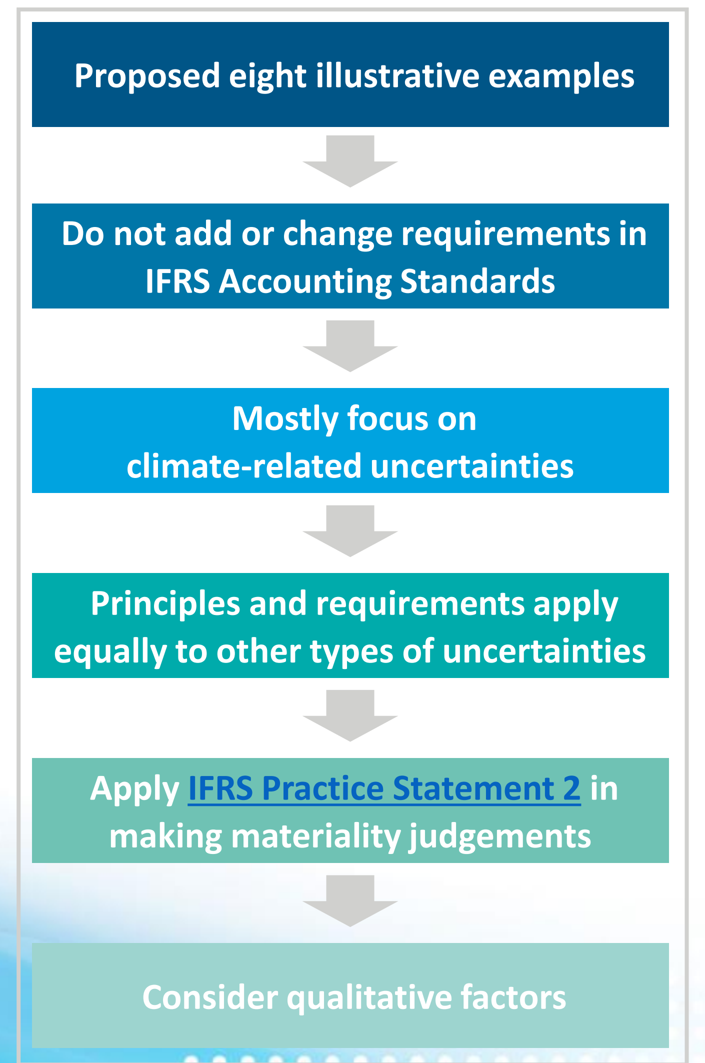
Compatibility — Concepts and terminology used are consistent with those used in IFRS Sustainability Disclosure Standards, to the extent possible.

Feedback will assist whether:

- *any further action might be needed to support the provision of connected information; and*
- *reduce duplication in reporting*

Climate-related and Other Uncertainties in the Financial Statements

Improving the disclosures



Consider requirements in IFRS Accounting Standards

Assess the effect on the financial position and financial performance

\+

Assess whether **specific requirements** in IFRS Accounting Standards require to disclose the effect (or lack of effect)

\+

Consider the **general requirement** in IAS 1:125 & 129 whether to disclose info about assumptions

\+

Consider the **overarching requirement** in IAS 1:31 whether to provide additional disclosures

Material information^?

= YES → Disclose

= NO → No additional disclosure

IFRS 7
IAS 12
IAS 37
IAS 16
IAS 38

(non-exhaustive, for illustration purposes)

IAS 1 / IFRS 18 *

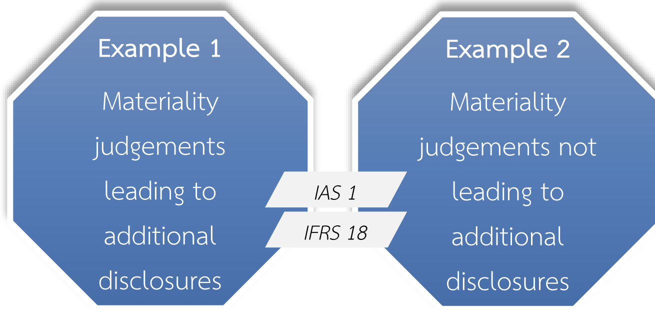
** IFRS 18 replaces IAS 1 and is effective for annual reporting periods beginning on or after 1 January 2027.*

^ whether omission of info could reasonably be expected to influence the decision making of primary users of FS

Climate-related and Other Uncertainties in the Financial Statements

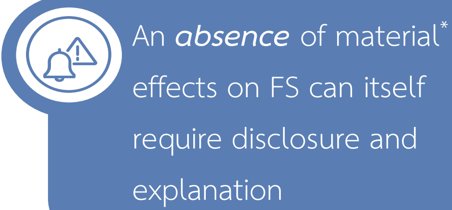
Proposed illustrative examples

A. Materiality judgements as to whether to disclose:



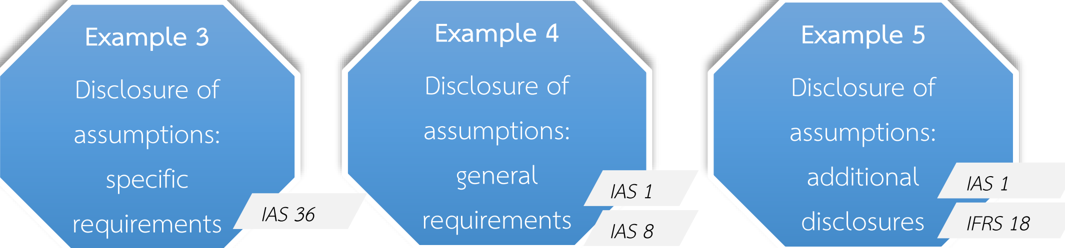
Example 1
Materiality judgements leading to additional disclosures
IAS 1
IFRS 18

Example 2
Materiality judgements not leading to additional disclosures



An *absence* of material* effects on FS can itself require disclosure and explanation

B. Assumptions and other sources of estimation uncertainty:



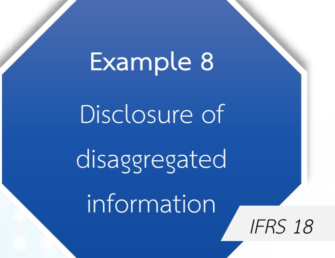
Example 3
Disclosure of assumptions: specific requirements
IAS 36

Example 4
Disclosure of assumptions: general requirements
IAS 1
IAS 8

Example 5
Disclosure of assumptions: additional disclosures
IAS 1
IFRS 18

C. Other specific requirements:

Example 6
Disclosure about credit risk
IFRS 7



Example 7
Disclosure about decommissioning and restoration provisions
IAS 37

D. Disaggregation of info:

Example 8
Disclosure of disaggregated information
IFRS 18

1. Manufacturer operating in a capital-intensive industry. Transition plan will not have a material effect on FS
2. Service provider operating in an industry with limited exposure
3. Entity operations with high amount of greenhouse gas emissions and making it subject to regulation
4. Entity operates in capital-intensive industry and exposed to climate-related transition risks. Non-current assets recoverability might be affected but no impairment in current period
5. Government announces regulation (non-taxation) that potentially affects entity's recovery of a deferred tax asset
6. Financial institution considers the effects on its credit risk exposures
7. Entity has plant decommissioning and site restoration obligations, and the expected present value of its obligations is not material
8. Entity started to invest in alternative, lower-emissions assets to perform same function but continues to use existing PPE with long useful lives

ED: Climate-related and Other Uncertainties in the Financial Statements—Proposed illustrative examples

* Materiality considerations involve quantitative and qualitative aspects.

Examples

Climate-related and Other Uncertainties in the Financial Statements

Example 1—Materiality judgements leading to additional disclosures (IAS 1/IFRS 18)

Background

- The entity is a manufacturer that operates in a capital-intensive industry and is exposed to climate-related transition risks.
- To manage these risks, the entity has developed a climate-related transition plan.
- The entity discloses information about the plan in a general purpose financial report outside the financial statements, including detailed information about how it plans to reduce greenhouse gas emissions over the next 10 years.
- The entity explains that it plans to reduce these emissions by making future investments in more energy-efficient technology and changing its raw materials and manufacturing methods.
- The entity discloses no other information about climate-related transition risks in its general purpose financial reports.

IAS 1 / IFRS 18 requires an entity to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance.

Application

Considering the specific requirements in IFRS Accounting Standards

- The entity concludes that its transition plan has no effect on the recognition or measurement of its assets and liabilities and related income and expenses because:
  - the affected manufacturing facilities are nearly fully depreciated;
  - the recoverable amounts of the affected cash-generating units significantly exceed their respective carrying amounts; and
  - the entity has no asset retirement obligations.

Considering the specific requirements in IAS 1 / IFRS 18

- The entity determines that additional disclosures to enable users of financial statements to understand the effect (or lack of effect) of its transition plan on its financial position and financial performance would provide material information.
- Without that additional information, the decisions users of the entity's financial statements make could reasonably be expected to be influenced by a lack of understanding of how the entity's transition plan has affected the entity's financial position and financial performance.

Climate-related and Other Uncertainties in the Financial Statements

Example 2—Materiality judgements not leading to additional disclosures (IAS 1/IFRS 18)

Background

- The entity is a service provider that operates in an industry that has limited exposure to climate-related transition risks.
- The entity discloses in a general purpose financial report outside the financial statements that it has low levels of greenhouse gas emissions, explaining that, where possible, it uses renewable energy and avoids high-emission activities.
- The entity also explains how it plans to keep emissions low by maintaining its current greenhouse gas emissions policy.
- The entity discloses no other information about climate-related transition risks in its general purpose financial reports.

IAS 1 / IFRS 18 requires an entity to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance.

Application

Considering the specific requirements in IFRS Accounting Standards

- The entity concludes that its greenhouse gas emissions policy has no effect on the recognition and measurement of its assets and liabilities and related income and expenses.
- There is no specific requirements in IFRS Accounting Standards require it to disclose information about the effect (or lack of effect) of its greenhouse gas emissions policy on its financial position and financial performance.

Considering the specific requirements in IAS 1 / IFRS 18

- The entity determines that additional disclosures to enable users of financial statements to understand the effect (or lack of effect) of its greenhouse gas emissions policy on its financial position and financial performance would not provide material information.
- Therefore, applying paragraph 31 of IAS 1 [paragraph 20 of IFRS 18], the entity provides no additional disclosures.

Climate-related and Other Uncertainties in the Financial Statements

Example 3—Disclosure of assumptions: specific requirements (IAS 36)

Background

- The entity's operations result in a high amount of greenhouse gas emissions.
- The entity is subject to greenhouse gas emissions regulation in some of the jurisdictions in which it operates.
- Those regulations require the entity to acquire emission allowances for some of its emissions, resulting in costs (emission allowance costs).
- The entity expects such regulations to become more widespread in the future.
- The entity has allocated a significant amount of goodwill to one of its cash-generating units (CGUs) and tests that CGU for impairment at least annually.
- The entity has determined that its assumptions about future emission allowance costs are key assumptions—that is, they are among the assumptions to which the CGU's recoverable amount is most sensitive.

Application

Reasonable and supportable assumptions

- The entity measures the value in use of the CGU when testing it for impairment.
- The entity bases cash flow projections on assumptions that represent management's best estimate of the range of economic conditions that will exist in the future.
- These assumptions include assumptions about future emission allowance costs.

Disclosure

The entity shall discloses:

- that its key assumptions include emission allowance cost assumptions, such as the future price of greenhouse gas emission allowances and the future scope of emission regulations.
- its approach to determining the values assigned to these key assumptions.

The entity also considers whether a reasonably possible change in a key assumption would cause the CGU's carrying amount to exceed its recoverable amount. If so, the entity discloses:

- the amount by which the CGU's recoverable amount exceeds its carrying amount
- the values assigned to the key assumption; and
- the amount by which the value assigned to the key assumption must change, in order for the CGU's recoverable amount to be equal to its carrying amount.

Climate-related and Other Uncertainties in the Financial Statements

Example 4—Disclosure of assumptions: general requirements (IAS 1/IAS 8)

Background

- The entity operates in a capital-intensive industry.
- The entity is exposed to climate-related transition risks that might affect its ability to recover the carrying amount of some of its non-current assets. The entity has no goodwill or intangible assets with indefinite lives.
- During the current reporting period, there are indications that some of the entity's non-current assets might be impaired.
- Because it is not possible to estimate the recoverable amount of the individual assets, the entity tests the cash-generating unit (CGU) to which they belong for impairment.
- The entity concludes that the CGU's recoverable amount is greater than its carrying amount, and therefore recognises no impairment loss.
- In determining the CGU's recoverable amount, the entity considers various scenarios and makes several assumptions related to the climate-related transition risks to which it is exposed.

Application

Considering the specific requirements in IFRS Accounting Standards

- IAS 36 does not require an entity to disclose information about the assumptions used in determining a CGU's recoverable amount if the CGU includes no goodwill or intangible assets with indefinite lives and the entity recognised no impairment loss for that CGU during the period.

Considering the general disclosure requirement for assumptions in IAS 1 / IFRS 18

- The entity concludes that some of the assumptions it made in determining the CGU's recoverable amount have a significant risk of resulting in a material adjustment to the carrying amount of the non-current assets within the next financial year.
- The entity reaches this conclusion after considering these factors:
  - the size of the CGU's carrying amount
  - the subjectivity or complexity of the judgements management made in determining the assumptions
  - the risk that new information or new developments in the next financial year might result in changes in the assumptions
  - the sensitivity of the CGU's carrying amount to changes in the assumptions

Climate-related and Other Uncertainties in the Financial Statements

Example 5—Disclosure of assumptions: additional disclosures (IAS 1/IFRS 18)

Background

- The entity operates in a jurisdiction whose government has announced regulation that would restrict the entity's ability to operate and generate profits in that jurisdiction in the future.
- The announced regulation does not relate to taxation.
- However, the regulation could significantly affect the entity's profitability and, therefore, its ability to recover the carrying amount of its deferred tax asset for the carryforward of unused tax losses.
- The regulation has not yet been enacted at the end of the reporting period.
- It is uncertain when the announced regulation would be effective.
- The government has stated that, because of other priorities, it will not discuss the regulation further in the next two years, a period that extends beyond the end of the entity's next financial year.

Application

Considering the specific requirements in IFRS Accounting Standards

- The entity concludes that it is required to recognise the deferred tax asset for the full amount of its carryforward of unused tax losses on the assumption that the regulation will become effective only after the entity has been able to utilize these losses.
- Assuming that the announced regulation would become effective earlier would have resulted in a material write-down of the deferred tax asset and a related deferred tax expense.

Considering the overarching requirement in IAS 1 / IFRS 18

- Without that additional information, the decisions users of the entity's financial statements make could reasonably be expected to be influenced by a lack of understanding that the announced regulation could have resulted in a material write-down of the deferred tax asset (and a related deferred tax expense) had the entity assumed the announced regulation would become effective earlier.
- Therefore, the entity disclose assumption that the announced regulation will become effective only after the entity has been able to utilise the unused tax losses and the effect of this assumption on the carrying amount of the entity's deferred tax asset

Climate-related and Other Uncertainties in the Financial Statements

Example 6—Disclosure about credit risk (IFRS 7)

Background

- The entity is a financial institution that provides a range of products to various types of customers.
- As part of its credit risk management practices, the entity considers the effects of climate-related risks on its credit risk exposures.
- The entity identifies two portfolios of loans that require it to monitor and take action to mitigate credit risk arising from its customers' exposure to climate-related risks:
  - loans to agricultural customers for which climate-related events such as droughts could affect the borrowers' ability to repay their loans; and
  - loans to corporate real estate customers that are secured by properties located in low-lying areas subject to flood risk.

Application

- IFRS 7 include disclosure requirements about credit risk arising from financial instruments. In considering these requirements, the entity determines that information about the effects of climate-related risks on its exposure to credit risk on those two portfolios is material. The factors the entity considers in reaching this conclusion include:
  - the size of the portfolios
  - the significance of the effects of climate-related risks on the entity's exposure to credit risk
  - external climate-related qualitative factors
- The entity considers discloses:
  - An explanation of the entity's credit risk management practices related to climate0related risks
  - An explanation of how climate-related risks were incorporated in the inputs, assumptions and estimation techniques used to apply ECL.
  - Information about collateral held as security and other credit enhancements
  - Information about concentrations of climate-related risk

Climate-related and Other Uncertainties in the Financial Statements

Example 7—Disclosure about decommissioning and restoration provisions (IAS 37)

Background

- The entity is a petrochemicals manufacturer and has plant decommissioning and site restoration obligations for its petrochemical facilities.
- The entity assumes that it will continue to maintain and operate the facilities for an extremely long time.
- Consequently, the costs required to settle the obligations will be incurred so far into the future that, when discounted to their present value, their effect on the carrying amount of the provision is immaterial.
- However, the costs to settle the obligations will be high and there is an increasing risk that the entity might be required to close some of its petrochemical facilities earlier than it expects because of efforts to transition to a lower-carbon economy.

Application

- IAS 37 requires an entity to disclose information for each class of provision.
- Although the carrying amount of the entity’s plant decommissioning and site restoration provision is immaterial, the entity concludes that information about the related obligations is material.
- The entity reaches this conclusion after considering, among other factors, the environment in which it operates, the risk that it might be required to settle the obligations earlier than expected and the size of the outflows that will be required to settle them.
- the entity discloses information about its plant decommissioning and site restoration provision, including:
  - a brief description of the nature of its plant decommissioning and site restoration obligations and the expected timing of the outflows of economic benefits required to settle them.
  - an indication of the uncertainties about the amount or timing of those outflows.
  - Where necessary to provide adequate information, the entity also discloses the major assumptions made concerning future events.

Climate-related and Other Uncertainties in the Financial Statements

Example 8—Disclosure of disaggregated information (IFRS 18)

Background

- The entity owns PP&E with long useful lives whose use results in high amounts of greenhouse gas emissions.
- The entity has invested in alternative PP&E of the same class with lower greenhouse gas emissions but still uses the high-emissions PP&E for a large part of its operations.
- The entity operates in an industry with a high degree of exposure to climate-related transition risks and the two types of PP&E make up a large portion of the entity's total assets.
- The entity concludes that these two types of PP&E have significantly different vulnerabilities to climate-related transition risks. (e.g. possible future regulations to reduce greenhouse gas emissions or changes in consumer demands could affect these two types of PP&E in different ways)

Application

- IFRS 18 include principles for aggregating and disaggregating information in financial statements.
- In particular, these paragraphs require an entity to disaggregate items based on characteristics that are not shared whenever the resulting information is material.
- After considering its particular facts and circumstances, the entity determines that the two types of PP&E have sufficiently dissimilar risk characteristics that disaggregating the information the entity provides in the notes about these types of PP&E would result in material information.

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