

December year-end accounting reminders – IFRS

December 2023



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Introduction

This document relates to reporting requirements as at 31 December 2023.

The first section on topical issues includes items that entities might want to consider for this year end. The second part of the document includes the IFRS® Accounting Standards and IFRIC® Interpretations that are newly applicable for 31 December year ends.

The final part of the document includes the accounting standards and IFRIC interpretations that are effective in the future but as per paragraph 30 of IAS 8, might need disclosure in the current financial statements of the possible impact of adoption if material.

This document is updated quarterly on [Viewpoint](#).

Topical issues

Geopolitical risks

Geopolitical conflict has continued to create significant shifts in the global risk landscape and is having a pervasive economic impact. Investors will want to understand if and how this is affecting an entity's operations, risk exposure and outlook. Entities must carefully consider the impact on their financial statements and disclosures. Items to look out for include:

- Impacts of restrictions and sanctions on trade, investing, and financing (including restricted access to cash accounts, and foreign currency reserves).
- Impairment, onerous contracts and contingencies.
- Breaches of supply contracts or financial covenants.
- Foreign exchange exposure and translation of foreign currency transactions.
- Level of influence or power over existing associates and subsidiaries located in areas of conflict.
- Post balance sheet events and related disclosure for non-adjusting material events.

[In depth INT2022-05](#) provides accounting guidance in the context of the conflict between Russia and Ukraine, and includes considerations relevant to other geopolitical conflicts.

Disclosures relating to inflation and interest rates

Entities are required to disclose judgements that have a significant effect on the financial statements as well as sources of significant estimation uncertainty. This includes information about reasonably possible changes to assumptions that could result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Continuing challenging economic conditions, specifically high inflation and interest rates, can mean that compared to previous periods:

- judgements an entity makes as part of its accounting policies may need to be revisited
- higher estimation uncertainty for both short and long duration assets and liabilities may exist, warranting additional disclosures

- sensitivities analysis may need updating, for example using higher interest rate shifts when disclosing sensitivities to interest rate movements.

For further guidance on accounting during periods of high inflation and interest rates, see [In depth INT2022-12](#).

Climate change and connectivity between sustainability reporting and financial reporting

Climate-related risks can have an impact on an entity's operations and financial performance. IFRS does not explicitly address climate-related risks, but the principles that underlie various judgements and estimates made in preparing the financial statements will often incorporate climate-related risk factors. Examples of specific areas to consider as climate-related issues become more significant include any financial impacts of net zero commitments, 'green' loans', exchange traded climate-related credit schemes, and participation in the voluntary carbon market (see [In depth INT2023-02](#) on voluntary carbon markets).

In many cases, an entity's exposure to climate-related risks might not have changed significantly since its last annual reporting period. However, climate-related risks are becoming a more important topic for many investors and so entities should ensure that they have undertaken a rigorous assessment to ensure that all of the material information affecting the financial statements in this respect is provided.

For further information see [In brief INT2020-14](#), 'IASB educational material: the effects of climate-related matters on financial statements prepared applying IFRS accounting standards' and [In depth INT2021-11](#) 'Impact of ESG matters on IFRS financial statements'.

Entities should also ensure consistency between financial and non-financial reporting on key climate-related assumptions, if such consistency is necessary for compliance with IFRS. For example, where an entity publicly discusses a best estimate about the impact an international climate agreement has on the entity in a sustainability report, and an IFRS Accounting Standard requires a best estimate approach to be used in measurement, the entity would need to consider consistency between the estimates used for financial reporting and those disclosed in the sustainability reporting. For further details see Section 2 - Paris Aligned Financial Statements and Consistency of Assumptions within [In depth INT2021-11](#).

If there are statements in the sustainability report that haven't been reflected in financial reporting (for example, because the entity is relying on a market participant's assumptions which differ) the entity should consider the need for additional commentary on why such items have been reflected on a different basis in financial reporting.

Hyper-inflationary economies

Based on the current global economic environment and following deteriorating economic conditions, Ghana and Sierra Leone are considered to be hyper-inflationary for the purpose of IAS 29 for reporting periods ending on or after 31 December 2023. Haiti was considered to be a hyper-inflationary economy from 31 March 2023. South Sudan, might no longer be a hyper-inflationary economy from 31 December 2023, and if so, entities with the currency of South Sudan as their functional currency will stop applying IAS 29 in December 2023. However, entities should consider any significant events or conditions that might contradict this conclusion between now and the end of 2023. There have been no other changes in hyper-inflationary economies for the period 1 January 2023 to 31 December 2023.

For further details refer to [In brief INT2023-09](#).

IAS 29 requires financial statements of an entity whose functional currency is the currency of a hyper-inflationary country to be restated into the measuring unit current at the end of the reporting period. Therefore, transactions in the reporting period and non-monetary balances at the end of the period would be restated to reflect a price index that is current at the balance sheet date. Comparatives are typically restated to reflect a price index that is current at the balance sheet date. This is because IAS 29 is applied as if the economy had always been hyper-inflationary. Entities are not, however, required to present an additional balance sheet as at the beginning of the preceding period.

Multinational companies that have subsidiaries that are in a hyper-inflationary economy should consider [paragraph 43 of IAS 21](#). This requires the financial statements of a subsidiary entity that has the functional currency of a hyper-inflationary economy to be restated, in accordance with IAS 29, before being included in the consolidated financial statements. Comparative amounts of these subsidiaries that were presented previously in the parent's stable currency are not restated.

Identifying insurance contracts issued

2023 marks a milestone for insurance accounting — it is the first period that will be reported under the new accounting standard, IFRS 17. But it's not just insurance companies that need to pay attention to IFRS 17. A contract does not need to be labelled as insurance or even issued by an insurer to be in scope of IFRS 17. Any contract that transfers a non-financial risk from one party to another could potentially meet the definition of an insurance contract for the party taking on the risk if that risk transferred is judged to be significant.

The definition hasn't changed, but, unlike the predecessor standard IFRS 4, IFRS 17 attaches significant recognition and measurement consequences to that definition. That means that from now on, all companies need to maintain a good understanding of how to identify an insurance contract issued, and to know what types of arrangements are explicitly scoped out of IFRS 17.

For further information see [In depth INT2022-14](#).

Global minimum tax (“GloBE rules”)

On 8 October 2021 agreement was reached between 136 countries for a two-pillar approach to international tax reform ('Minimum Tax Implementation Handbook (Pillar Two)'). Amongst other things, Pillar One proposes a reallocation of a proportion of tax to market jurisdictions, while Pillar Two seeks to apply a global minimum effective tax rate of 15%. The OECD Agreement is likely to see changes in corporate tax rates in a number of countries in the next few years. The impact of changes in corporate tax rates on the measurement of tax assets and liabilities depends on the nature and timing of the legislative changes in each country. For further information, please refer to our [Pillar Two Country tracker](#) and to our IFRS Talks podcast episode '[Global minimum tax](#)'. The rules will impact current income tax when the legislation comes into effect.

In May 2023 the IASB issued amendments to IAS 12, 'Income taxes' that provide a temporary relief from accounting for deferred taxes arising from the implementation of the GloBE rules, including any qualifying domestic minimum top up taxes. The temporary exception is effective for December 2023 year ends and the disclosure requirements are effective for accounting periods beginning on or after 1 January 2023, with early application permitted. The May 2023 amendments to IAS 12 also include other related disclosure requirements, but these disclosure requirements are only effective for financial years beginning on or after 1 January 2023. For further details refer to [In depth INT2023-10](#).

At the December 2023 reporting period, there would be no impact on the recognition and measurement of deferred tax on qualifying top-up taxes where GloBE legislation has been substantively enacted. There might be some disclosure required if the entity is impacted or expected to be impacted by GLoBE legislation. The narrow-scope amendments to IAS 12 introduced targeted disclosure requirements for affected companies. They require entities to disclose:

- the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes [IAS 12 para 88A](#);
- their current tax expense (if any) related to the Pillar Two income taxes [IAS 12 para 88B](#); and
- during the period between the legislation being enacted or substantively enacted and the legislation becoming effective, entities will be required to disclose known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a

statement to that effect and information about their progress in assessing the exposure [IAS 12 paras 88C-88D](#).

Non-financial asset key reminders for impairment reviews

Impairment is an ongoing area of concern for many entities in the current economic environment. Regulators remain focused on this area and continue to push for increased transparency in disclosures. Groups holding significant amounts of goodwill and intangibles, or those that are affected to a greater extent by, climate change, high inflation or the current economic impact of global conflicts, are at greater risk of a regulatory challenge to their impairment assessments and in particular the related disclosures.

For a discussion of common mistakes we observe in impairment of non-financial assets see [In brief INT2023-02](#).

In addition to these common mistakes, the economic and geopolitical uncertainties discussed above as well as regulatory focus raise the following additional key points to consider in impairment testing:

Increased uncertainty due to rising inflation and interest rates and geopolitical uncertainty

- In times of greater uncertainty, it is likely to be easier to incorporate the impact of the economic environment uncertainties in impairment testing by using multiple cash-flow scenarios and applying relative probability weightings to derive a weighted average set of cash flows, rather than using a single central forecast and attempting to risk adjust the discount rate to reflect the higher degree of uncertainty in the environment.
- Rising costs are becoming a noticeable issue in many countries that have not suffered significant inflation for many years so it is worth noting that a VIU calculation should incorporate specific price changes as well as the effect of general inflation. Where inflation assumptions could have a material impact on the financial statements, additional disclosures may be required to explain how inflation has been incorporated into the VIU.
- Given the increased uncertainty and volatility in many markets, the range of reasonably possible changes has widened. Key assumptions and wider ranging assumptions covering multiple Cash Generating Units ('CGUs') should be clearly disclosed. Where material, assumptions specific to each CGU should be identified. Furthermore, in an impairment case, entities would need to clearly disclose the cause of the impairment and whether this is based on external data or changes in the entity's own estimates.
- Where the headroom is sensitive to changes in key assumptions, an entity would need to disclose the specific changes in assumptions that would erode headroom to nil (for example + / - x% in sales growth or discount rates).

Regulatory focus

- Regulators have observed that, whilst the long-term growth rate used to extrapolate cash flow projections (to estimate a terminal value) and the pre-tax discount rate are important, they are often not 'key assumptions' on which the cash flow projections for the period covered by the most recent budgets or forecasts are based. Therefore, attention should also be paid to the discrete growth rate assumptions applied to the cash flows projected to occur before the terminal period. Accounting policy disclosures should always be consistent with the basis used in the according impairment test. The regulators have noted that they will continue to challenge companies where the recoverable amount is measured using VIU, but the cash flow forecasts appear to include the benefits of developing new business or to rely on future investment capacity. When VIU disclosures cross refer to forecasts used in going concern and viability assessments, it should be made clear how any costs and benefits in those forecasts that relate to future improvements have been addressed for the VIU calculation.

Considerations related to impairment reversals

- An additional issue to consider is whether an impairment would need to be reversed. Determining whether there is an identifiable impairment reversal indicator might require the use of judgement. If there is any such indication, the entity has to recalculate the recoverable amount of the asset. Further details are provided in [FAQ 24.153.2](#) and [FAQ 24.154.2](#).

Offsetting (or netting) in the financial statements

Offsetting (sometimes referred to as 'netting') is the net presentation of separate assets and liabilities or income and expenses in the financial statements. Similar considerations apply to the reporting of gross or net cash flows in the cash flow statement.

Offsetting and netting are generally prohibited, except where expressly required or permitted by accounting standards. This is because it detracts from users' ability to both gain a full and proper understanding of the transactions, other events and conditions that have occurred and to assess an entity's future cash flows.

Where offsetting is permitted, there are usually specific criteria that must be met in order to offset. Furthermore, in most cases where the criteria for offsetting are met, offsetting must be applied – it is not a choice.

Relevant guidance with respect to the areas where we most commonly see offsetting are as follows:

Offsetting in relation to:	IFRS guidance
General offsetting, including in the income statement	IFRS Manual of accounting paras 4.39–4.40
Financial instruments	IFRS Manual of accounting paras 47.15–47.28
Current and deferred tax	IFRS Manual of accounting paras 14.149–14.153
Cash flow statement	IFRS Manual of accounting paras 7.15–7.18

Items that are often overlooked

When reviewing financial statements it can be challenging to identify missing transactions that should have been posted but were not. We have compiled a list of key reminders on what not to miss to assist preparers and auditors in ensuring these accounting items are properly reflected in the financial statements.

- Liabilities for financial guarantees especially in parent entities.
- Provisions for onerous contracts.
- Provisions for restoration.
- Liabilities for share repurchases.
- Structured entities - unconsolidated SPEs might exist that should be consolidated.
- Implied leases.
- Share-based payment charges in subsidiary financial statements.

For further details see [In depth INT2023-12](#).

Accounting standards and IFRIC interpretations newly applicable for companies with 31 December 2023 year ends

IFRS 17, Insurance Contracts

This standard replaced IFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting by all entities that issue insurance contracts. See [IFRS Manual of accounting chapter 50A](#) for further details.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. For further details see [IFRS Manual of accounting para 4.150](#)

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. For further details see [FAQ 14.18.1](#)

Amendment to IAS 12 - International tax reform

These [amendments](#) give companies temporary relief from accounting for deferred taxes arising from the [Minimum Tax Implementation Handbook](#) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. For further details see [In depth INT2023-10](#).

New IFRS accounting standards effective after 1 January 2024

Paragraph 30 of IAS 8 requires an entity to disclose if there are new accounting standards that are issued but not yet effective, and information relevant to assessing the possible impact that the application of the new accounting standards will have on the entity's financial statements. This summary includes all new accounting standards and amendments issued before 31 December 2023 with an effective date for accounting periods beginning on or after 1 January 2024.

Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. For further details see IFRS Manual of Accounting para 15.155.1 .
Published	September 2022
Effective date	Annual periods beginning on or after 1 January 2024.

Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. For further details see In brief INT2022-16 .
Published	January 2020 and November 2022
Effective date	Annual periods beginning on or after 1 January 2024.
Amendment to IAS 7 and IFRS 7 - Supplier finance	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. For further details see In brief INT2023-03 .
Published	May 2023
Effective date	Annual periods beginning on or after 1 January 2024 (with transitional reliefs in the first year).
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. For further details see In brief INT2023-19 .
Published	August 2023
Effective date	Annual periods beginning on or after 1 January 2025 (early adoption is available)

New IFRS sustainability disclosure standards effective after 1 January 2024

IFRS S1, 'General requirements for disclosure of sustainability-related financial information'	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain. For further information see In brief INT2023-15 and In depth INT2023-05 .
Published	June 2023
Effective date	Reporting periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions.
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. For further information see In brief INT2023-15 and In depth INT2023-05 .
Published	June 2023
Effective date	Reporting periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions.

