MOORE

TECHNICAL UPDATE

A summary of changes to financial reporting requirements applicable for the year ended 31 December 2024

Disclaimer

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Introduction

This Technical Update provides you with an overview of International Financial Reporting Standards (IFRS), IFRIC Interpretations and IFRIC Agenda decisions issued up to 31 October 2024. It outlines:

- New IFRS Accounting Standards, amendments and IFRIC interpretations mandatorily applicable for the first time for years ended 31 December 2024 required to be applied in order to claim compliance with IFRS Accounting Standards;
- IFRS Accounting Standards, amendments and IFRIC interpretations for early adoption for years ended 31 December 2024; and
- IFRIC Agenda decisions made since November 2023

In addition to ensuring that your Organisation has appropriately applied all the new relevant standards in their financial report, this publication can help you to meet your disclosure obligations under IAS 8 Accounting Policies, Change in Accounting Estimates and Errors. Organisations are required to disclose the:

- impact of the initial application of new accounting standards
- potential impact of standards issued but not yet effective

This Technical Update does not include the IFRS Sustainability Standards issued by the International Sustainability Standards Board (ISSB). Compliance with the IFRS Sustainability Standards is not required in order to claim that the Financial Statements are in compliance with IFRS Accounting Standards.

Those new standards and amendments that are shaded, represent those new standards and amendments that have been issued since 1 November 2023.

STANDARDS APPLICABLE FOR THE FIRST TIME FOR 31 DECEMBER 2024 YEAR ENDS

The following IFRSs and amendments are mandatorily applicable for the first time for 31 December 2024 year-ends:

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
Amendment to IAS 1	**Classification of Liabilities as Current or Non-current** This amendment changes IAS 1 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that if a liability is subject to covenants, the organisation may only classify a liability as non-current if it meets the covenant tests as at the reporting date, even if the lender does not test compliance until a later date. The meaning of settlement of a liability is also clarified. This amendment has been further amended by Non-current Liabilities with Covenants and should be considered together. The mandatory application date of this amendment has been deferred to 1 January 2024, but is available for early adoption If an entity early adopts this amendment after October 2022, it must also early adopt the amendment Non-current Liabilities with Covenants at the same time. The amendment is to be applied retrospectively.	**1 January 2024**
Amendments to IAS 1	**Non-current Liabilities with Covenants** This amendment changes IAS 1 to clarify the presentation of liabilities in the statement of financial position as current or non-current. It further amends the Classification of Liabilities as Current or Non-current amendments as discussed above. Under these amendments, covenants that are to be complied with after the reporting date do not affect the classification of the debt as current or non-current. Instead, the amendments require the organisation to disclose information about these covenants in the notes. This amendment can be early adopted and if early adopted the amendment relating to Classification of Liabilities as Current or Non-current, must be early adopted on or before this amendment. The amendment is to be applied retrospectively.	**1 January 2024**

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
Amendments to IFRS 16	**Lease Liability in a Sale and Leaseback** This amendment updates IFRS 16 to clarify that the requirements for Right of Use assets and lease liabilities in IFRS 16 apply to a sale-and-lease back after initial recognition. It also clarifies that the 'lease payments' shall be determined in such a way that the seller-lessee would not recognise any gain or loss that relates to the Right-of-Use asset retained by the seller-lessee. This amendment is applied retrospectively.	**1 January 2024**
Amendments to IAS 7 and IFRS 7	**Supplier Financing Arrangements** These amendments to IAS 7 and IFRS 7 require entities to provide additional disclosures about their use of supplier financing arrangements and ensure that users have the information to enable them to assess: how the supplier financing arrangement affects the entity's cash flows and liabilities the effect the supplier financing arrangements have on liquidity risk. The IAS 7 disclosures are not required to be provided for the comparative period.	**1 January 2024**

STANDARDS ISSUED BUT NOT YET EFFECTIVE:

The following standards or amendments have been issued by the IASB but are not yet mandatory. They are available for early adoption.

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
Amendments to IAS 21	**Lack of Exchangeability** This amendment updates IAS 21 to require entities to apply a consistent approach in assessing whether a currency is exchangeable and how to estimate the exchange rate if it is not. Additional disclosures are also required around how you estimate the exchange rate. There are also consequential amendments to IFRS 1. The comparative period is not restated for this amendment.	**1 January 2025**
Amendments to IFRS 9 and IFRS 7	**Amendments to the Classification and Measurement of Financial Instruments** This amendment updates IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* as a result of the post implementation review of IFRS 9. It updates the requirements relating to: • timing of derecognition of liabilities when they are settled using an electronic payments system • how to assess contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features It also amends the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and cost. Whilst the amendment is applied retrospectively, the comparative period is not restated for this amendment.	**1 January 2026**

<table>
<tr><th>REFERENCE</th><th>TITLE</th><th>APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER</th></tr>
<tr><td>Annual Improve-ments</td><td>Annual Improvements to IFRS Accounting Standards – Volume 11

The annual improvements make the following minor amendments to the following IFRS Accounting Standards:
IFRS 1 First-time adoption of International Financial Reporting Standards minor amendments to the cross references for hedge accounting by first-time adopters
IFRS 10 Consolidated Financial Statements to provide additional guidance on determining what constitutes a ‘de facto agent’.
IFRS 7 Financial Instruments: Disclosures minor wording changes around the need to disclose gains or losses arising on derecognition where a fair value measurement involves unobservable inputs. The implementation guidance accompanying IFRS 7 is also updated with regards to disclosures of deferred differences between fair values and transaction prices and guidance on credit risk disclosures.
IFRS 9 Financial Instruments two minor amendments clarify how a lessee accounts for the derecognition of a lease receivable when it is extinguished, and amended wording that clarifies trade receivables are recognised at the amount determined applying the requirements of IFRS 15 Revenue from Contracts with Customers.
IAS Statement of Cash Flows minor amendments around the term cost in relation to the measurement of investments in associates and joint ventures
These amendments are applied retrospectively with the comparative period restated, except for the amendments relating to derecognition of lease liabilities in IFRS 9, which only applies to lease derecognised on or after the amendment is adopted.</td><td>1 January 2026</td></tr>
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REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
IFRS 18	***Presentation and Disclosures of Financial Statements*** This standard will replace IAS 1 Presentation of Financial Statements. Whilst many of the requirements have been bought across without amendment. IFRS 18 introduces three key changes. The statement of profit of loss will be required to be broken down into three subsections, operating, investing and financing, similar to the layout of the cash flow statement. Management performance measures, that are used by an entity in other communications, must now be included in a note to the financial statements including a reconciliation to the nearest IFRS equivalent measure. Additional guidance is provided on how to aggregate and disaggregate information on the face of financial statements and the notes in order to provide more detailed and useful information to users. **IFRS 18 is applied retrospectively with the comparative period restated.**	1 January 2027
IFRS 19	**Subsidiaries without Public Accountability: Disclosures** IFRS 19 is a voluntary standard that will not be required in order to claim compliance with IFRS Accounting Standards. Subsidiaries without Public Accountability, who meet specific criteria, may apply this standard that provides reduced disclosure requirements instead of the disclosure requirements of other IFRS Accounting Standards. Recognition and measurement criteria of other standards will still be required to be applied.	1 January 2027
Amendments to IFRS 10 and IAS 28	**Sale or contribution of assets between an investor and its associates or joint venture** These amendments update IFRS 10 and IAS 28 to address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Deferred until IASB finalises its research project on the equity method

IFRIC PROUNOUNCEMENTS

The IFRS Interpretations Committee (IFRIC) is the interpretive body of the IASB Board that assists with supporting the consistent application of the IFRS Accounting Standards. IFRIC did not release any Interpretations this year but did release a number of IFRIC Agenda Decisions.

The IASB has stated that organisations that are required to comply with the requirements of IFRS should also apply with the requirements of IFRIC Agenda Decisions. Whilst these Agenda Decisions do not change the requirements of IFRSs they are supporting explanatory material that clarify how the requirements of the IFRSs should be applied and are considered to have the same authority as the standards themselves.

IFRIC Agenda Decisions have no mandatory application date and are effective once confirmed by the IASB, however entities are allowed 'sufficient time' to consider and implement the Agenda Decisions. It is expected that this 'sufficient time' should be a matter of months and not years. If your organisation is not able to comply with the requirements of a relevant Agenda Decision issued during the year, you should discuss the implications with your Auditor.

All IFRIC Agenda Decisions should be applied retrospectively as a change in accounting policy in accordance with the requirements of IAS 8 Accounting Policies, change in estimates and Errors.

The following is a detailed summary of the IFRIC Agenda Decisions since 1 November 2023. For the full details, refer to the relevant IFRIC Update:

- **Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27 *Separate Financial Statements*)**
  November 2023 IFRIC, confirmed by the IASB January 2024.

  IFRIC was asked how a parent entity accounts for a merger with its own subsidiary in its separate financial statements. IFRIC found that there was little diversity in practice and parent entities generally did not apply the acquisition method of IFRS 3 Business combinations in accounting for such arrangements in their standalone financial statements. Accordingly, as it was not expected to have a widespread effect, it was not added to the IFRIC Agenda.

- **Payments Contingent on Continued Employment during Handover Periods (IFRS 3 *Business Combinations*)**
  March 2024 IFRIC, confirmed by the IASB April 2024.

  IFRIC was asked about how an entity accounts for payments to sellers of a business if the payments are contingent on the seller's continued employment during a post-acquisition handover period. IFRIC found that there was little diversity in practice, and these were accounted for as compensation for post-acquisition service rather than as additional consideration for the acquisition, consistent with the agenda decision published in January 2013. As this did not have a widespread effect, it was not added to the IFRIC Agenda.

- **Climate-related Commitments**
  (IAS *37 Provisions, Contingent Liabilities and Contingent Assets*)
  March 2024 IFRIC, confirmed by the IASB April 2024.

  IFRIC was asked whether an entity's commitment to reduce greenhouse gas emissions in the future or to offset future emissions created a constructive obligation that requires recognition as a provision in accordance with IAS 37. Specifically in the fact pattern provided, an entity made public statements committing to:

  - Reduce carbon emissions by 60% by 2029
  - Offset remaining emissions after 2029

  IFRIC concluded that whether or not the public statements made a constructive obligation will depend on the facts and circumstances and whether the entity had made a valid expectation that it will fulfil that promise including by the public actions they had taken to support that statement.

  If there was a constructive obligation, it was then important to determine whether a provision should be recognised. In order to recognise a provision, the first requirement is that there is a past event. No present obligation will ever arise for the commitment to reduce carbon emissions by 60% because it is just operational costs in a future period. With regards to offsetting remaining emissions, an obligation only exists as a result of past events once the emissions the entity committed to offset have been generated (2029 onwards) and where the entity has not already purchased the offsets for those emissions.

  IFRIC also confirmed that when a provision for emissions is recognised there will be a corresponding expense recognised at the same time unless it forms part of the cost of another asset that meets the recognition requirements under IFRS. IFRIC concluded that the guidance in the standards was sufficient to account for these commitments and no standard setting project was required.

- **Disclosure of Revenues and Expenses for Reportable Segments**
  (IFRS 8 *Operating Segments)*
  June 2024 IFRIC, confirmed by the IASB July 2024.

  IFRIC was asked how an entity determines what specified profit and loss line items it needs to disclose for each section in accordance with paragraph 23 of IFRS 8. Specifically, whether amounts are required to be disclosed even if they are not reviewed by the Chief Operating Decision Maker (CODM), and how it determines what are material amounts that are required to be disclosed in accordance with paragraph 23(f).IFRIC observed that in accordance with IFRS 8 amounts should be disclosed in the segment note if they are included in the segment profit reviewed by the CODM or they are regularly reviewed by the CODM even if not included in the measure of segment profit.

  As to what constitutes a material amount to be disclosed in accordance with paragraph 23(f), IFRIC considered that judgement will be required to determine what is considered material, but that IFRS 8 does not require entities to disclose every line item of the income statement by reportable segment. They considered that there is sufficient guidance in IFRS 8 and the concept of materiality in IAS 1 Presentation of Financial Statements and further guidance was not required.

For more information, get in touch with your local firm or email info@moore-global.com

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