KPMG

Reporting News

November 2024

Keeping you informed and up to date in the world of corporate reporting

Welcome to the November edition of Reporting News. Set out below are the latest changes and developments in financial reporting, business reporting and business governance. In this edition:

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Financial Reporting

KPMG's Illustrative Financial Statements

NZ IFRS

KPMG New Zealand recently published its NZ IFRS illustrative financial statements applicable to entities with an annual reporting period beginning on or after 1 January 2024.

This guide illustrates how financial statements may be prepared and presented in accordance with NZ IFRS and includes the New Zealand specific reporting requirements applicable to Tier 2 for profit entities reporting under NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR).

Public Benefit Entities (PBE) Standards

The PBE illustrative financial statements - Tier 1 and 2 are applicable to entities with an annual reporting period beginning on or after 1 January 2024. This guide illustrates how financial reports may be prepared and presented in accordance with the New Zealand PBE Accounting Standards (Not-For Profit) as applicable to Tier 1 and Tier 2 PBE under the XRB A1 Accounting Standards Framework (XRB A1).

2024 Omnibus Amendments to PBE Standards

2024 Omnibus Amendments to PBE Standards is an amending Standard that updates PBE IPSAS 1 and PBE IAS 12.

The amendments to PBE IPSAS 1 clarify the principles for classifying a liability as current or non-current.

The amendments to PBE IAS 12 provide temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ('OECD's) international tax reform (Pillar Two Model Rules).

Application of the amendments to PBE IPSAS 1 is required for accounting periods which begin on or after 1 January 2026.

Application is permitted for accounting periods that begin before 1 January 2026 but have not ended or do not end before 21 November 2024.

Application of the amendments to paragraphs 4A and 88A of PBE IAS 12 is required for accounting periods that end on or after 21 November 2024.

Except for paragraphs 4A and 88A, application of the amendments to PBE IAS 12 is required for accounting periods which begin on or after 1 January 2024 but have not ended or do not end before 21 November 2024.

Impairment test on climate-related matters

Investors and regulators demand clarity on climate-related matters in financial reporting, including the impact they have on judgements and estimates a company makes in its impairment testing of non-financial assets.

Connectivity between the assumptions used in the impairment test and the information provided in the front part of the annual report is key.

Our digital guide answers some of the key accounting questions, providing guidance on:

— indicators of impairment;

— cash flows and the discount rate;

— terminal value; and

— disclosures and connectivity.

Proposed amendments to IAS 37

As the business world evolves, companies may face additional challenges when accounting for more complex transactions and uncertainties. Accounting for provisions is one such area that has prompted the following long-standing questions.

How do you determine if a present obligation exists and when do you recognise a provision?

Which costs do you include in measuring a provision?

Which discount rate do you use in discounting a long-term provision?

The International Accounting Standards Board (IASB) is proposing to clarify the related requirements in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and withdraw related interpretations, including IFRIC 21 *Levies*. The proposals may result in larger provisions at an earlier date.

Read KPMG's article and guide to help you understand the potential changes to IAS 37 and their impact on a company's provisions.

NZ updates on climate and sustainability reporting

The External Reporting Board (XRB) approves three of four proposed amendments to the Climate Reporting standards

In November, the XRB approved one-year extensions to the adoption provisions for scope 3 GHG emissions disclosures and anticipated financial impacts disclosures, and a new one-year adoption provision for assurance of scope 3 GHG emissions. The proposal to delay transition planning by an additional year was not adopted, based on hearing strong user demand for this information.

Centre for Sustainable Finance: Toitū Tahua (CSF) publishes sustainability measurement guidance for SMEs

The CSF published the "Starter for Ten: 10 topics for SMEs to start sustainability reporting" guide, prepared in collaboration with KPMG NZ, and with input from major banks and financial institutions. The guide aims to support New Zealand's small and medium-sized businesses (SMEs) as they start their sustainability reporting journey.

Global updates on climate and sustainability reporting

KPMG Global Survey of Sustainability Reporting 2024

The 13th edition of KPMG's global Survey of Sustainability Reporting is hot off the press - offering a comprehensive review of current progress on ESG reporting by the world's biggest businesses. Analysis of 5,800 companies across 58 countries has indicated six major trends which make compelling reading.

New Zealand has been described as a 'big climber', with 12 more entities reporting on ESG and sustainability in 2024 compared with 2022. This looks like good news, but we are still lagging behind our key trading partners.

We'll be diving into the data and sharing more insights from a local perspective in our New Zealand report, so stay tuned for this in the new year. In the meantime, see what the global report has to say about the current progress on ESG reporting.

International Sustainability Standards Board (ISSB) issues guidance on materiality judgements

Although it is not formal guidance for New Zealand's reporting regime, this educational material may be of interest to sustainability and climate reporters, including NZ Climate Reporting Entities, as it offers a similar definition and application of the materiality concept. The guidance explains how companies can identify sustainability-related risks and opportunities that could reasonably be expected to affect their prospects, and how they determine whether information about them is material.

International Public Sector Accounting Standards Board (IPSASB) issues Draft Climate-related Disclosures Standard

To meet the public sector's unique reporting needs, the IPSASB is developing the world's first climate-related disclosure standard for governments around the world and has issued its Draft of Groundbreaking Climate-related Disclosures Standard for the Public Sector. Comments on the Exposure Draft are requested by February 28, 2025.

UK confirms it will introduce a carbon border adjustment mechanism (CBAM)

The UK CBAM may be relevant to entities that export aluminium, cement, fertiliser, hydrogen and iron & steel to the UK. From 1 January 2027, the UK will place a carbon price on some of the most emissions intensive imported industrial goods that are at risk of carbon leakage.

Should you have queries on how this information is relevant for your organisation, or if you would like reporting support, contact us here.

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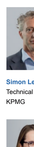

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Feedback

If there is anything you would like to see more or less of in these updates, let us know.

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