



Financial Reporting Webinar Series:

Update on key IASB projects and
recent IFRS amendments

Thursday 30 September 2021



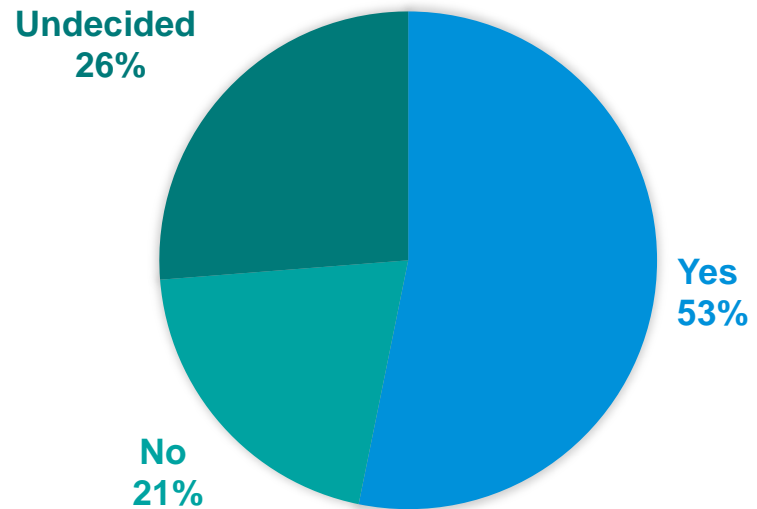


Do you support the current accounting treatment for goodwill?

- A. Yes (annual impairment test)
- B. Yes, but more disclosures on performance of acquired business is needed
- C. No, amortization of goodwill should be reintroduced
- D. No particular preference
- E. Undecided

Feedback on amortisation of goodwill

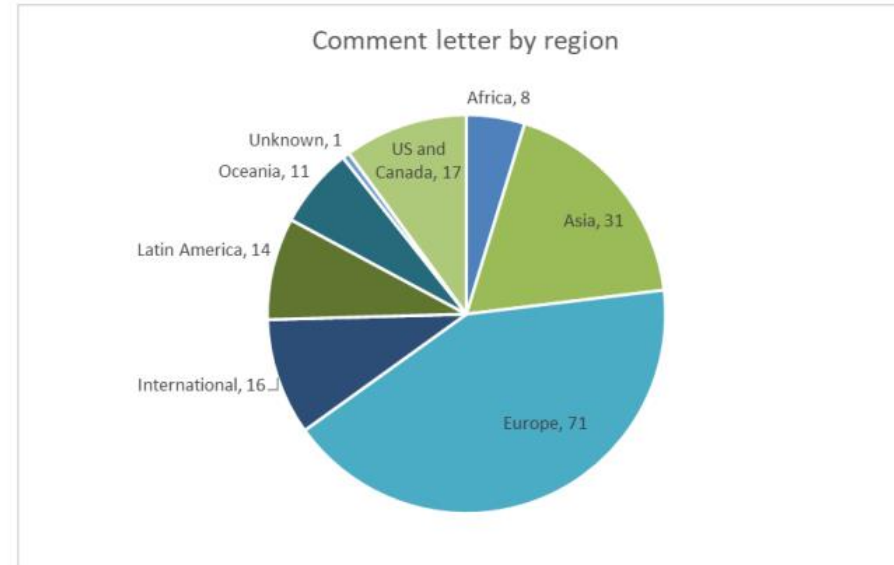
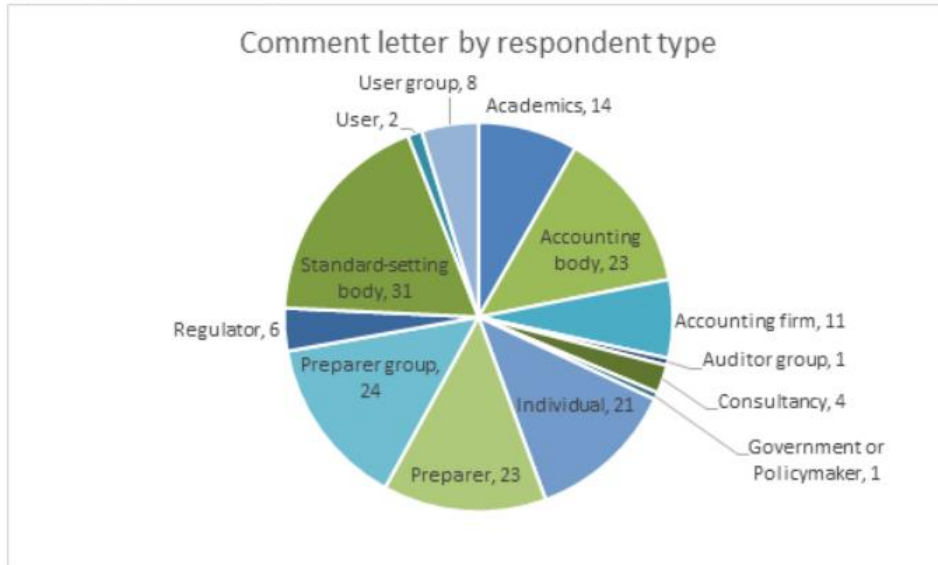
SEPTEMBER 2020 STRAW POLL: WOULD YOU SUPPORT AMORTISATION OF GOODWILL?



Respondent type	Feedback
Users	<ul style="list-style-type: none">- Most in Canada, Japan and continental Europe preferred amortisation- Most in Australia, UK, US preferred impairment
Preparers and standard setters	<ul style="list-style-type: none">- Most preparers and many standard-setters suggested reintroducing amortisation
Others (accounting firms, regulators etc.)	<ul style="list-style-type: none">- Did not offer a view or indicated mixed views within their organisations

Source: [IASB September 2021 Staff agenda paper 18B](#)

Goodwill and impairment IASB project



Soure: IASB staff paper [July 2021 meeting](#)

- **General themes from feedback:**

- Goodwill amortisation – respondents' views remain mixed.
 - Shift in views from previous feedback on whether useful life for goodwill can be reliably estimated
- Convergence with US GAAP is desirable but their view did not depend on the US FASB's decision
- Most did not support relief from the annual quantitative impairment test
- Mixed views on disclosures to assess subsequent performance of business combinations

Recap of proposals for primary financial statements project

Board proposals—subtotals and categories

5

Revenue	347,000
Other income	3,800
Changes in inventories of finished goods and work in progress	3,000
Raw materials used	(146,000)
Employee benefits	(107,000)
Depreciation	(37,000)
Amortisation	(12,500)
Professional fees and other expenses	(10,030)
Operating profit	41,270
Share of profit or loss of integral associates and joint ventures	(600)
Operating profit and income and expenses from integral associates and joint ventures	40,670
Share of profit or loss of non-integral associates and joint ventures	3,380
Dividend income	3,550
Profit before financing and income tax	47,600
Expenses from financing activities	(3,800)
Unwinding of discount on pension liabilities and provisions	(3,000)
Profit before tax	40,800
Income tax	(7,200)
Profit for the year	33,600

Operating

Integral associates
and joint ventures

Investing

Financing



Proposals - Management Performance Measures (MPMS)

Disclosure in the notes of subtotals of income and expenses that

- Are used in public communications outside financial statements
- Complement totals or subtotals specified by IFRS standards
- Communicate management's view of an aspect of an entity's financial performance

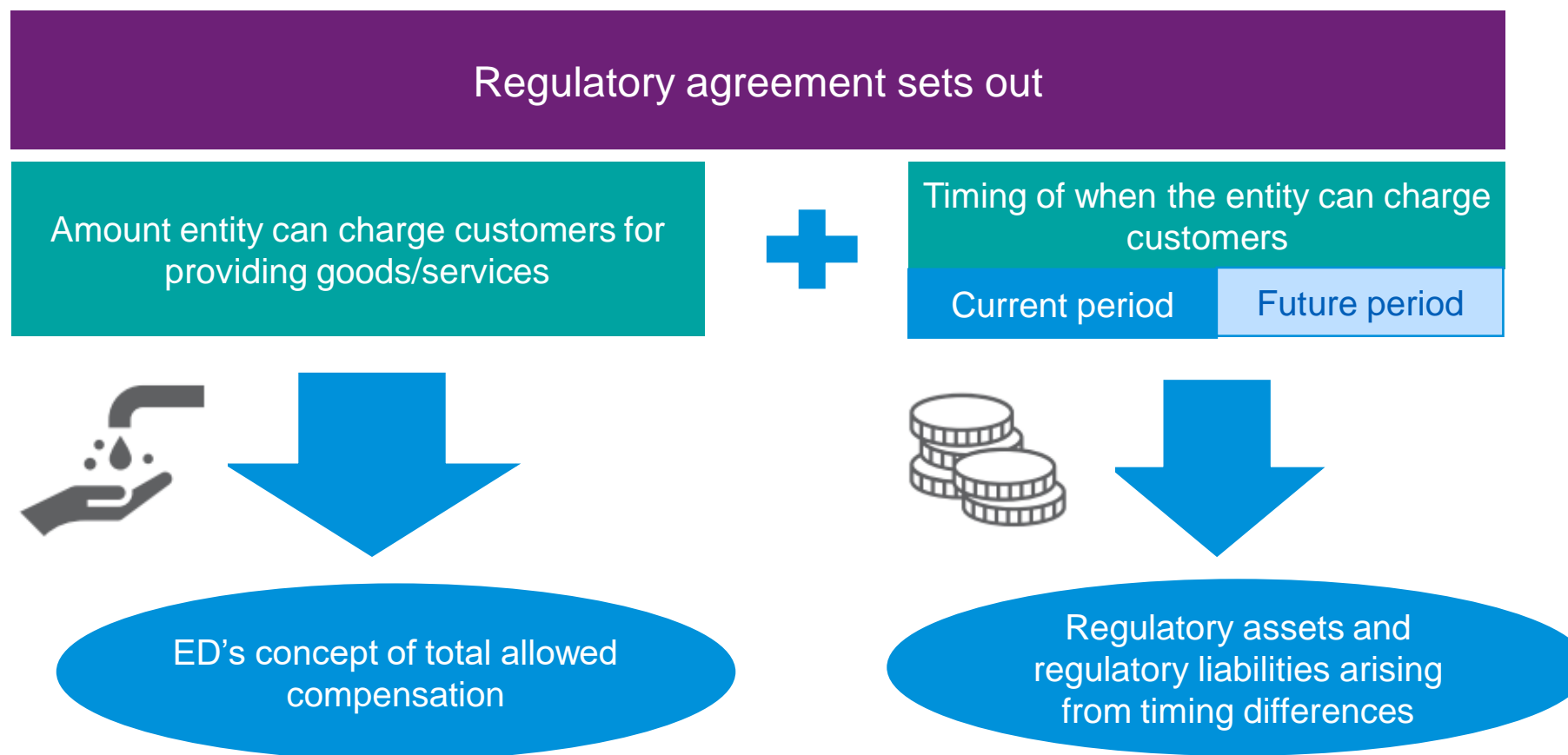
Accompanied by disclosures in a single note to enhance transparency

Decisions/feedback to date on primary financial statements



Income statement	Definition of operating profit as a default category includes main business activities and volatile/unusual items
	Requirement for operating profit or loss subtotal
	Default category for gains/losses from derivatives and hedging instruments changed from investing to operating
	Addition of undue cost or effort as a relief for FX classification
Management performance measures	Disclosure of MPMs in financial statements required
	Scope to include subtotal of income and expense used in a ratio if that subtotal meets definition of MPM
Statement of cash flows	Interest and dividends paid classified as financing, dividends received classified as investing
Integral vs non-integral associates/JVs	Lack of support from stakeholders Both preparers and users generally disagreed with proposals

IASB proposes new accounting model for rate regulated activities



Key concerns on rate-regulated assets and liabilities proposals

Extracts from CL by Canadian Electricity Association

We do not agree that returns on a balance relating to “assets not yet available for use” should be excluded from total allowed compensation (Question 3(a)(ii)); We also have concerns with respect to the proposed transition time, and request to extend this period or to be allowed to use a modified retrospective approach (Question 10(a)).

Assessing enforceability may be straightforward in “mature” legal environments, i.e., when the regulatory agreement specifies detailed provisions. Such an assessment may be more challenging in the context of service concession agreements in less mature environments, in particular when:

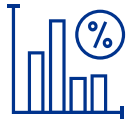
SUEZ highlights that an alternative cost deferral approach could have been chosen, in line with ASC980 Regulated Operations. This alternative approach would also take into account the timing differences and allow for the recognition of relevant regulatory assets and regulatory liabilities.

Extracts from CL by Suez

Extracts from CL by Transpower New Zealand

Transpower supports discounting of regulatory assets and regulatory liabilities using the same discounting approach.

However, Transpower is of the view that both regulatory assets and regulatory liabilities should be discounted by using the regulatory interest rate. The regulatory interest rate that



How does IBOR reform affect your company?

- A. Not at all**
- B. Amendments to floating rate debt instruments**
- C. Amendments to derivatives and floating rate debt instruments**
- D. I do not know yet**

The standard setting response—IFRSs



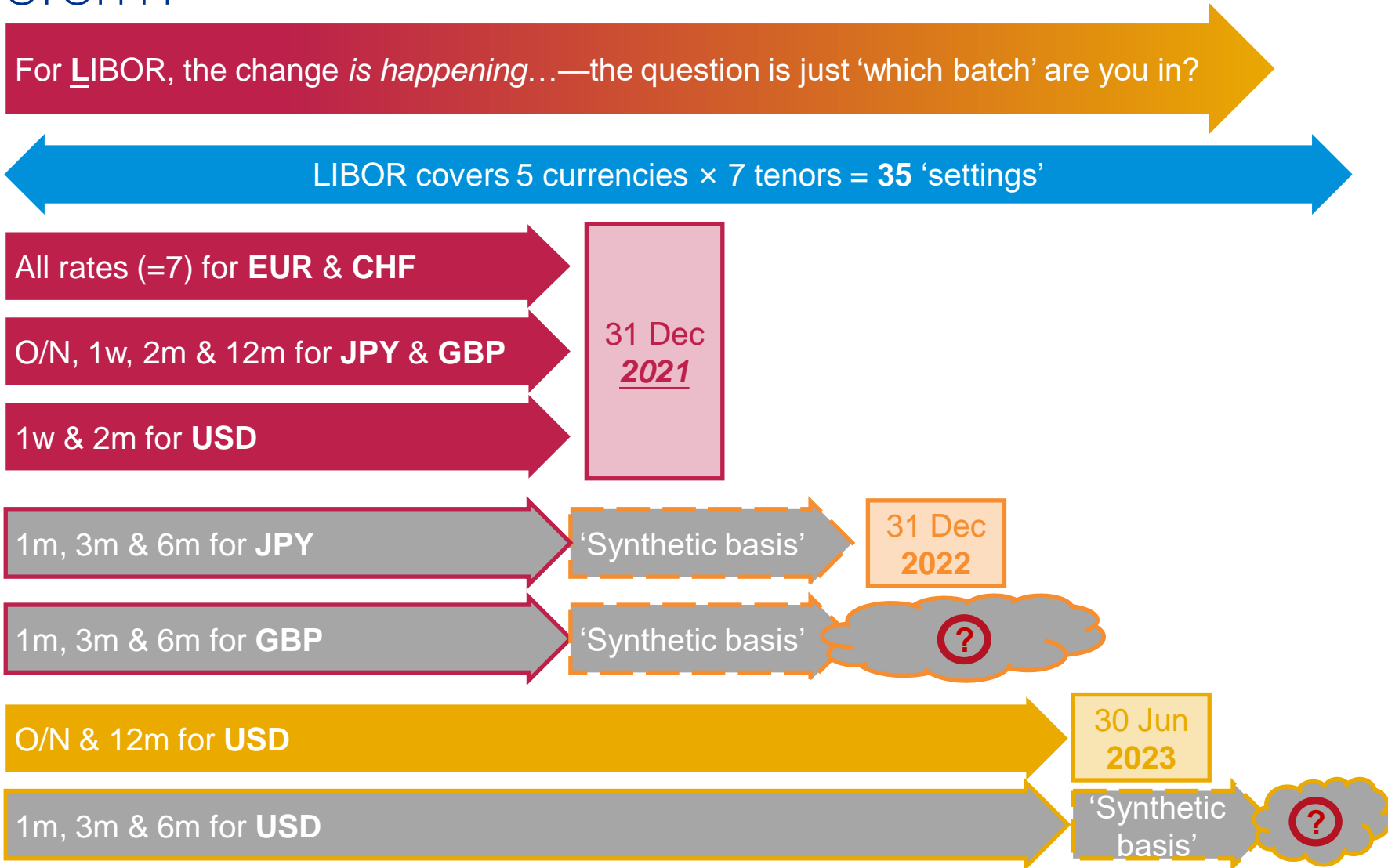
Phase 1: pre-IBOR replacement (Sep 2019)
→ stop-gap measure

Phase 2: IBOR replacement (Aug 2020)
→ transition relief

Standards that were amended:

- IFRS 9 Financial Instruments
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRS 7 Financial Instruments: Disclosures
- IFRS 4 Insurance Contracts
- IFRS 16 Leases

IBOR reform



Resources

The screenshot displays the IFRS Foundation website with a navigation bar including links for ABOUT US, AROUND THE WORLD, ISSUED STANDARDS, APPLYING THE STANDARDS, PROJECTS, NEWS AND EVENTS, and SERVICES. The main heading is "IFRS Foundation work plan". Below this, a section titled "IBOR reform" discusses the International Accounting Standards Board's (IASB) work on amending specific hedge accounting and addressing potential financial statement issues. A KPMG article titled "Better communication in financial reporting" is also featured, highlighting the BCRC project and its aim to improve financial statement presentation. The article mentions that the BCRC project includes three IASB projects: Primary financial statements, the Disclosure initiative, and Management commentary. It also notes that the BCRC project is aimed at improving information for users of financial statements. The article is dated March 2021 and includes a link to the full article at home.kpmg/ifrs.

Home > Projects > IFRS Foundation work plan

IFRS Foundation work plan

ALL PROJECTS | RESEARCH AND STANDARD-SETTING | MAINTENANCE | APPLICATION QUESTIONS | TAXONOMY | STRATEGY AND GOVERNANCE

Insights Industries Services Client Stories Careers About us

In developing new IFRS Standards, the Board has identified a problem to be solved and assessed the impact of the problem. The Board may then move a research project to the next stage of the process. The Board initiated these research priorities. The Board adds new priorities as they arise. The Board completes the project.

IBOR reform

The International Accounting Standards Board (the Board) tackled the changes in two phases:

- Phase 1 amended specific hedge accounting
- Phase 2 addressed potential financial statement issues

Our materials provide insights and guidance on the IBOR reform.

Better communication in financial reporting

KPMG insights into making financial information more useful

Home | COVID-19 | Business combinations | Financial instruments | Insurance | Leases | Revenue | IFRIC agenda decisions | Sustainability reporting

Better communication in financial reporting (BCRC) currently comprises three International Accounting Standards Board (the Board) projects: Primary financial statements, the Disclosure initiative and Management commentary. All are aimed at improving information for users of financial statements.

And bookmark this page to learn more about these three significant projects along with other emerging issues on financial statement presentation – including our COVID-19 resources.

Our latest insights

- IAS 1 amendments may be deferred**
Board revisits amendments on presentation of financial statements
- Investor-focused management commentary**
Proposed new framework
- Accounting policy or estimate?**
A new definition of and
- Paving the way to principles-based disclosure**
New guidance on disclosure

The poster features the KPMG logo at the top left. The main title is "Regulatory assets and regulatory liabilities" in a large, blue, serif font. Below the title, it says "A proposed new IFRS® Standard" and "New on the Horizon". At the bottom left, it indicates "March 2021" and provides the URL "home.kpmg/ifrs". The background of the poster shows a blue sky with several high-voltage power lines stretching across the frame.

KPMG

Regulatory assets and regulatory liabilities

A proposed new IFRS® Standard

New on the Horizon

March 2021

home.kpmg/ifrs



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Webinar dates and topics for 2021

- **29 January – Navigating potential accounting fraud**
- **19 March – IASB project update - Business combinations under common control**
- **14 May – Interim reporting update: What's on the horizon**
- **16 July – ESG Updates and Financial Reporting Implications**
- **30 September – Update on key IASB projects and recent IFRS amendments**
- **19 November – ESG developments**
- **17 December – Year-end reporting reminders**



For more details and access to our webinar series:

<https://home.kpmg/cn/en/home/services/audit/ifrs-news/financial-reporting-webinar-series.html>

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