Shape the future
with confidence

EY's Financial Reporting Developments for public companies

November 20, 2025

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AGENDA

1. Regulatory Update
   Ontario Securities Commission
2. IFRS 18 *Presentation and Disclosure in Financial Statements* Updates
3. Application Considerations for the Statement of Cash Flows
4. IFRS 9 Amendments - Derecognition of Financial Liabilities
5. Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples
6. Sustainability Updates
7. IT Transformation

Appendix A: IASB Workplan
Appendix B: AcSB - Recent IFRS Discussion Group Topics
Appendix C: IFRS 9 and IFRS 7 Amendments

Regulatory Update

Fall 2025

Ontario Securities Commission

Agenda

1. Enhancing Competitiveness
2. Climate-related Disclosure & Connectivity
3. Financial Reporting Trends & Focus Areas
4. IFRS 18 Presentation and Disclosure & Non-GAAP Financial Measures

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1

Enhancing Competitiveness

Supporting Competitiveness of Canadian Market

Proposed: Semi-Annual Financial Reporting | Pilot

Eligibility Criteria Highlights

- Venture issuer (TSXV or CSE)
- <$10M Revenue
- Reporting issuer > 12 months
- All required filings
- No penalties, sanctions, or cease trade orders

Exemptions Highlights

- 1st and 3rd quarter interim financial statements and accompanying MD&A
- Certain requirements for the six-month interim period
- Certain MD&A form requirements

79%
Are Listed Venture Issuers

Of all listed issuers across Canada, approximately **79%** are listed on the TSXV or the CSE.

92%
Eligible Issuers

Of the listed venture issuers across Canada, approximately **92%** are eligible for the SAR Pilot with annual revenues of no more than $10 million.

21%
Ontario PR

An estimated **21%** of issuers that are eligible for the SAR Pilot are Ontario PR.

Supporting Competitiveness of Canadian Market

For Immediate Release CSA

April 17, 2025

TORONTO – The Canadian Securities Administrators (CSA) recognizes the current uncertainty in global markets, and the impact this is having on companies and investors' decisions to participate in Canadian capital markets. In response, the CSA is introducing measures to support market participants that choose to go public, maintain a listing, and contribute to capital formation in Canada.

"Canada is a great place to do business, and companies going public here support investors and the vitality of our capital markets," said Stan Magidson, CSA Chair and Chair of the Alberta Securities Commission. "The actions announced today represent the start of incremental measures to support the competitiveness of Canada's capital markets. We are making it easier and more cost-effective for businesses to raise capital and grow in Canada, without sacrificing investor protection."

1

Capital Raising -
Removed 3rd year audited

2

Capital Raising –
Underwritten IPO - flexibility to raise future capital

3

Capital Raising –
Reinvestment for Offering Memorandums

Expanded Capital-Raising Options - Listed Issuers

For Immediate Release CSA

May 14, 2025

VANCOUVER – The Canadian Securities Administrators (CSA) is increasing the limit on capital-raising under the listed issuer financing exemption to support the competitiveness of Canada's capital markets. This move is the latest in a series of recent CSA actions, including **other blanket orders**, to help companies grow.

The CSA is publishing substantively harmonized relief from certain conditions of the listed issuer financing exemption (the exemption) in **National Instrument 45-106 *Prospectus Exemptions*** to allow listed issuers to raise more capital in a cost-effective way.

Listed issuers can now raise the greater of $25 million and 20 per cent of the aggregate market value of their listed securities to a maximum of $50 million in a 12-month period, subject to certain conditions, including that the distribution will not result in an increase of more than 50 per cent of the issuer's outstanding listed equity securities during the period. This is a significant increase from the previous $10 million limit under the exemption.

4

Capital Raising-

Listed issuers can raise greater of:

$25 million

or

20% of market value

maximum of $50 million in 12-month

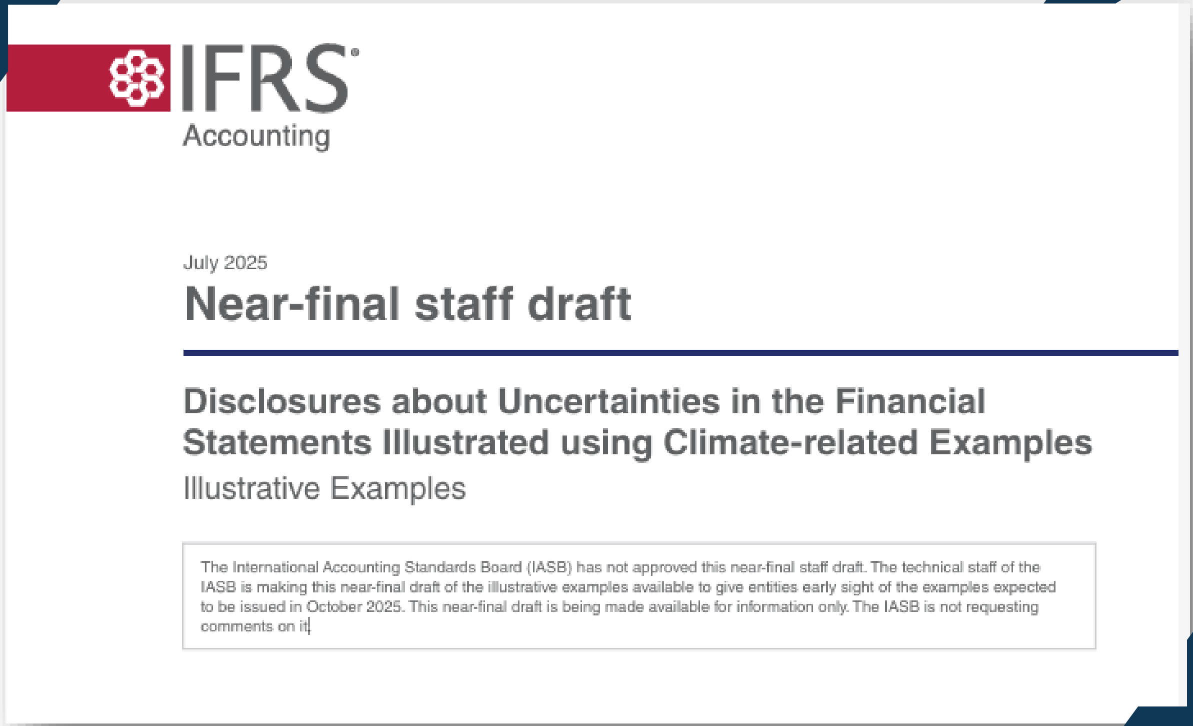
2

Climate-related Disclosure & Connectivity

CSA Pause on Climate-related Disclosure

- Made after careful consideration following recent developments in the U.S. and globally
- Concerns about timing and additional burden
- Continuing to work with domestic and international partners on alignment
- Climate disclosure remains a key area of focus
- Pursuing deeper understanding of current use in Canada
- Materiality still applies and we encourage voluntary disclosure

Connectivity


IFRS Accounting

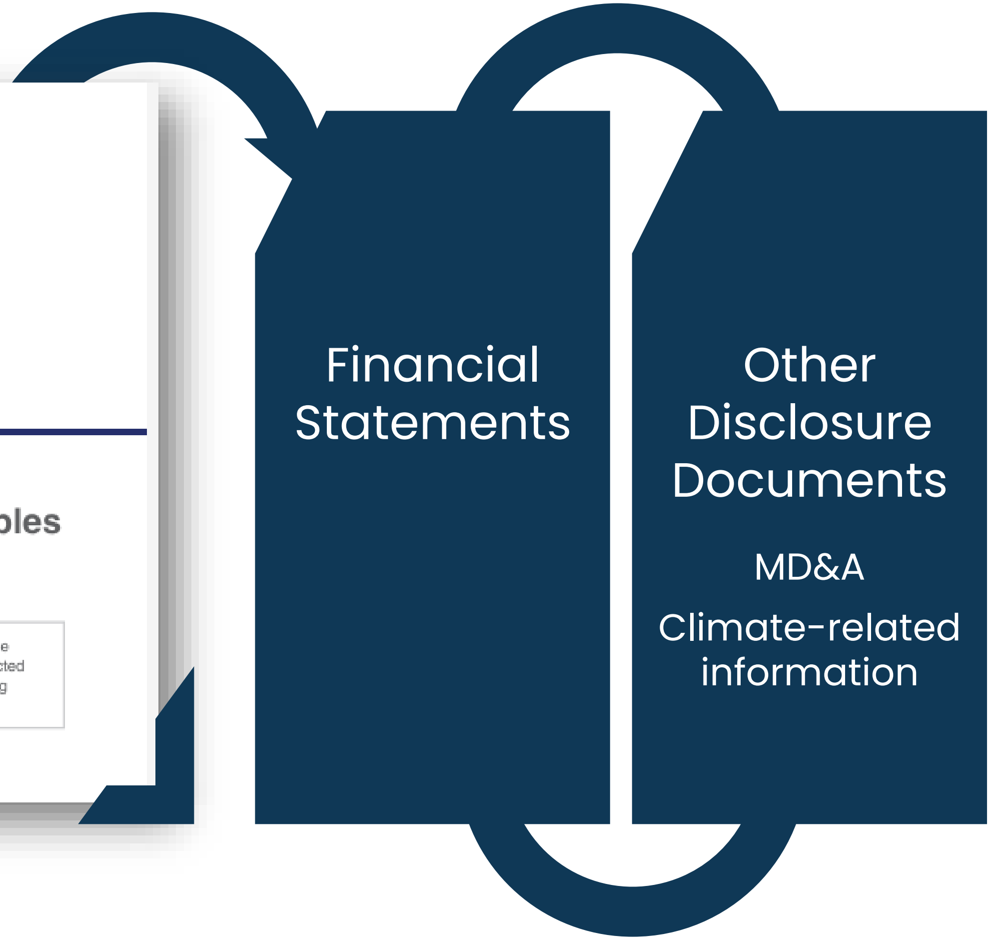
July 2025

Near-final staff draft

Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples

Illustrative Examples

The International Accounting Standards Board (IASB) has not approved this near-final staff draft. The technical staff of the IASB is making this near-final draft of the illustrative examples available to give entities early sight of the examples expected to be issued in October 2025. This near-final draft is being made available for information only. The IASB is not requesting comments on it.



3

Financial Reporting Trends & Focus Areas

Issue-Oriented Review Results

Topic: Statement of Cash Flows and Liquidity Disclosure
Industry: Alternative Financing Services

1. Background & Context
2. Operating vs. Investing Activities
3. Presentation for Loan Modifications & Renewals
4. Liquidity & Collateral Disclosure

Key Findings

Concerns with Certain Acquisitions

“The guidance relates to reporting issuers that distribute a significant number of securities to acquire assets or businesses that appear to have little or ***no actual value*** *or operating history and* ***paying what appear to be significantly inflated prices****.”*

CSA ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 51-366

Regulatory Concerns with Certain Asset or Business Acquisitions

July 3, 2025

1. Introduction

Staff of the Canadian Securities Administrators (**we** or **us**) have identified regulatory concerns with certain transactions, primarily taking place in venture markets, in which reporting issuers distribute a significant number of securities to acquire assets or businesses that appear to have little or no actual value or operating history at what appear to be significantly inflated prices.

We are issuing this notice to illustrate the key regulatory and investor protection concerns we are seeing with these types of acquisitions, including concerns with misleading disclosure that could constitute market manipulation and to remind reporting issuers of the requirements that may apply.

Economic Uncertainty

We Understand

- **Evolving** and **uncertain** environment

We Expect

- Consider relevant **requirements** and **guidance**
- Use **best available** information
- **Well-reasoned** judgements and estimates
- **Disclosure** of significant judgements and estimates
- **Entity-specific** disclosure

We Remind

- As new information becomes available, judgments and estimates **updated** prospectively in financial statements -**interim** & **annual**

Economic Uncertainty

Past Guidance: Reporting under Economic Uncertainty

- CSA Multilateral Staff Notice 51-361- Continuous Disclosure Review Program Activities (2020)
- CSA Staff Notice 51-362 – Staff Review of COVID-19 Disclosures & Guide for Disclosure Improvements (2021)
- IOSCO Statement on Financial Reporting and Disclosure during Economic Uncertainty (2022)

IFRS Near-Final

- Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples Illustrative Examples (July 2025)


AcSB Accounting Standards Board

IFRS® Accounting Standards Discussion Group Meeting Report – May 14, 2025

Extract, Financial Reporting Considerations Related to Tariffs

- Going concern uncertainty
- Impairment
- Restructuring provisions
- Revenue recognition
- Expected credit losses
- Classification of debt
- Share-based payments
- Deferred tax recoverability
- Subsequent events
- Disclosures

4

IFRS 18 Presentation & Disclosure

Non-GAAP Financial measures

IFRS 18 Disclosure Expectations

Before Adoption

Disclose

Known or reasonably estimable info

Progressively entity-specific

(e.g., affects on relevant totals and subtotals)

Reflect

Non-GAAP financial measures disclosure

On Adoption

Interim Financial Statements

(e.g., March 31, 2027 | March 31, 2026)

Comparative Information

Supporting Disclosures

Comply

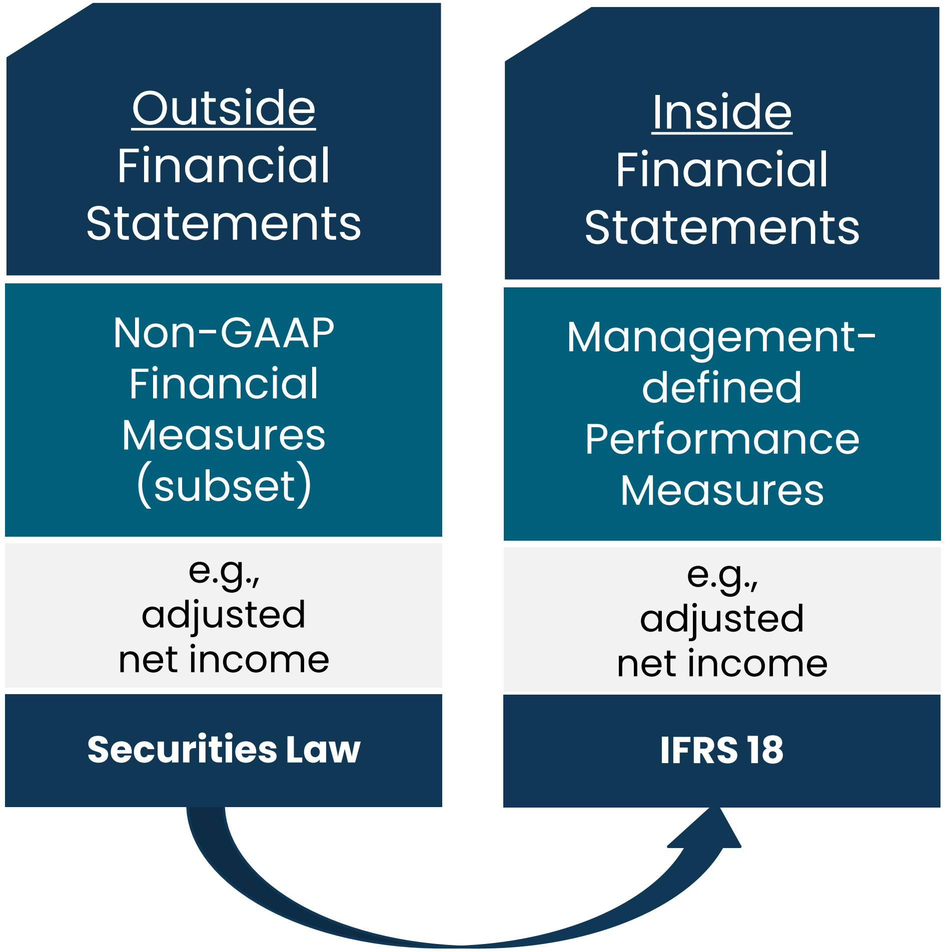
NI 52-112 for non-GAAP disclosure *outside* of financial statements

Relationship: Securities Law & IFRS 18

Public Communications: Management's view of performance

1. **Comply with securities law** when disclosing a non-GAAP financial measure ***outside*** financial statements (e.g., MD&A)

2. Non-GAAP financial measures that meet definition of MPM, disclosed ***inside*** note to financial statements **in compliance with IFRS 18**



Proposed Amendments

National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosures
Publication for Comment ~Q4 2025

Cause	Goal	Tactics	Outcomes
• IFRS 18	• Ensure financial measures traditionally considered "non-GAAP" ***continue*** to be regulated by NI 52-112 when disclosed ***outside*** financial statements	• **Update definition** of non-GAAP financial measure • **Allow incorporation by reference** to the notes to the financial statements for certain disclosures	• **No material change** to **reporting practices** for **non-GAAP** financial measures • Opportunities for **reduced duplicative disclosures** • Does not change or override IFRS

Risk of Misleading Non-GAAP Financial Measures

"We remind issuers that compliance with NI 52-112 does not relieve an issuer from other obligations under securities legislation. Specifically, an issuer ***may not present or disclose a non-GAAP financial measure in a way that would be misleading****."*

Ex: Adjusted net income *excluding* unrealized losses on financial instruments but *including* unrealized gains.

Ex: Adjusted core operating income *excluding* lease expenses associated with core production facilities.

Ex: Adjusted net income that changes measurement
(e.g., expected credit losses excluded and only realized write-offs included).

Ex: Adjusted net income that changes the pattern of recognition
(e.g., acceleration of revenue recognized ratably over time in accordance with IFRS as though revenue was earned when customers were billed).

Questions?

2

IFRS 18 Presentation and Disclosure in Financial Statements: Updates

IFRS 18 Transition reminders

Overview

EFFECTIVE DATE Reporting periods beginning **on or after 1 January 2027**

EARLY APPLICATION PERMITTED

APPLICATION RETROSPECTIVELY

In the year of adoption and thereafter, entities that prepare condensed interim financial statements in compliance with IAS 34 must present the same headings and subtotals it expects to use in their annual financial statements and will also need to include disclosures on management-defined performance measures.

IFRS 18 Transition reminders

Overview

PRIMARY FINANCIAL STATEMENTS

Statement of financial position	Statement of profit or loss	Statement presenting comprehensive income	Statement of changes in equity	Statement of cash flows

NOTES TO THE FINANCIAL STATEMENTS

Management defined performance measures	Disclosure of expenses aggregated in the operating category by function	**Other disclosures carried forward to IFRS 18 or IAS 8** Material accounting policies Sources of estimation uncertainty Capital management Debt covenants Going concern uncertainty Fair presentation Compliance with IFRS Accounting Standards

Significant changes | Some changes | Minimal changes

IFRS 18

Categories and subtotals in the statement of profit or loss

Statement of profit or loss

Revenue	Operating
Cost of sales	
Gross profit	
Other operating income	
Selling expense	
Research and development expenses	
General and administrative expenses	
Goodwill impairment loss	
Other operating expenses	
Operating profit	
Share of profit from associates and joint ventures	Investing
Gains on disposals of associates and joint ventures	
Profit before financing and income tax	
Interest expense on borrowings and lease liabilities	Financing
Interest expense on pension liabilities	
Profit before income tax	
Income tax expense	Income taxes
Profit from continuing operations	
Loss from discontinued operations	Discontinued operations
Profit for the year	

Some companies, such as banks and investment property companies, will classify income and expenses in their operating profit that other companies would classify in the investing or financing categories.

This will allow such entities to report key performance metrics within the operating section.

NEW ITEMS

Required items

IFRS 18

Classification related questions – foreign exchange

Basic principle for classifying foreign exchange differences:

❶ Follows the category in which the related income and expenses have been classified

Examples regarding classification of FX differences on foreign currency denominated:

a) Receivable from a customer → operating

b) Debt instrument liability (Type 1) → financing (or possibly operating if *main business activity* of providing financing to customers)

c) Investments in financial assets that generate a return individually and largely independently of the company's other resources → investing (or operating if investing in the asset is a *main business activity*)

d) Type 2 liability → judgement is required - need to consider point #2 below

❷ Shall not be allocated between categories when it arises on a Type 2 liability.

If applying these requirements would involve undue cost or effort, then all such differences are classified in the operating category.

Only applicable to the subset of differences that cannot be classified without undue cost or effort

Performed for each item giving rise to foreign exchange differences and is specific to the facts and circumstances of each case

IFRS 18

Classification related questions – foreign exchange

Classification of foreign exchange gains and losses on:

Intercompany borrowings

Operating?

Investing?

Financing?

IFRIC Tentative Agenda Decision (open for comment until November 25, 2025)

View 1: Operating category (default)

View 2: Same category in which the income and expenses from the intragroup loan would have been classified before their elimination on consolidation, or if undue cost or effort, in the Operating category.

IFRS 18 Transition reminders

Considerations when implementing IFRS 18

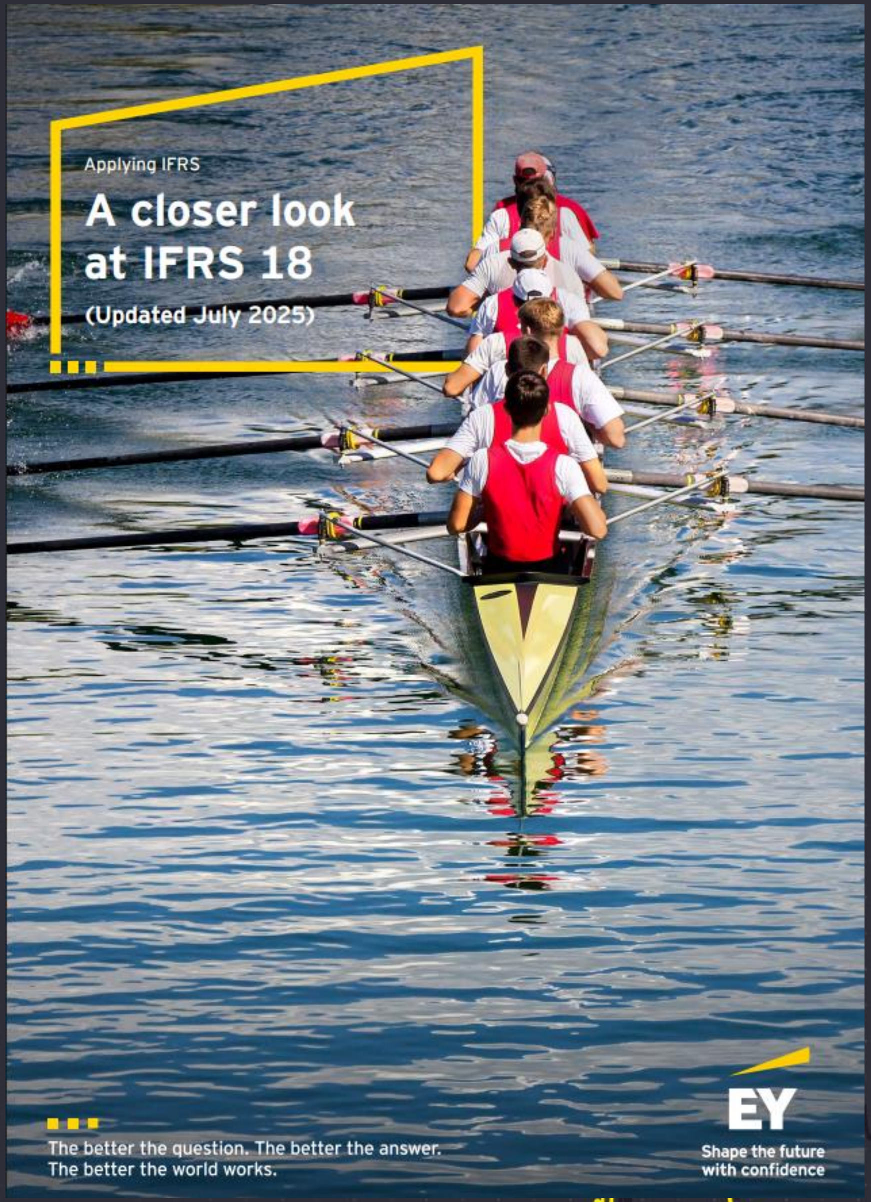
CONSIDERATIONS

- Updating processes and IT systems
- Updating chart of accounts
- Updating internal controls over financial reporting
- May affect company's key performance indicators, budgets and forecasts
- Revisiting debt agreements and remuneration policies
- Use of judgment
- Monitor practice as it develops

IFRS 18 Transition reminders
Helpful resources

EY's publication on Applying IFRS 18

- Refer to our recently updated publication, *Applying IFRS: A closer look at IFRS 18*, for further guidance on IFRS 18 implementation and transition considerations
- Also refer to the 2025 Spring Financial Reporting Developments session where several other implementation questions were covered, including items discussed in our *Applying IFRS: A closer look at IFRS 18 publication*



3

Application Considerations for the Statement of Cash Flows

Statement of cash flows

Regulatory Focus and Common Pitfalls

Common pitfalls

- Unclear or incorrect classifications
- Inconsistent cash flow treatment
- Insufficient explanation for reclassifications
- Insufficient disclosures for noncash and complex items

Observations from Canadian and US regulators

- Statement of cash flows should receive equal audit and internal control focus as other financial statements
- Classification errors are not automatically immaterial
- A leading source of restatements and ICFR weaknesses
- Objective materiality assessments must consider investor perspective
- Engage audit committees in cash flow reporting discussions

Statement of cash flows

Defining cash and cash equivalents

Cash

Cash comprises cash on hand and demand deposits

Common **features** of cash

- Standard medium of exchange
- Must be accessible on demand

Common **forms** of cash

- Currency on hand
- Demand deposits with financial institutions

Cash Equivalents

1. Short-term;
2. Highly liquid;
3. Readily convertible into known amounts of cash; and
4. Subject to an insignificant risk of changes in value

\+

Held for the purpose of meeting short-term cash commitments rather than for investment or other purposes

Common **forms** of cash equivalents

- Treasury bills
- Commercial paper
- Money market funds

Investments generally **excluded** from cash equivalents

- Equity investments
- Debt investments with maturities greater than three months
- Auction rate securities
- Traded commodities (e.g., gold bullion)

Statement of cash flows

Restricted cash

Meet the definition of Cash:

Restrictions on the use of a demand deposit arising from a separate contract with a third party do not result in the deposit no longer being cash unless those restrictions change the nature of the deposit in a way that it is no longer be accessible immediately on demand.

Example: The entity has a contractual obligation with a third party to keep a specific amount of cash in a separate demand deposit and to use the cash only for specific purposes. If the entity were to use the amounts held in the demand deposit for purposes other than those agreed with the third party, the entity would be in breach of its contractual obligation.

Conclusion: Meets definition of cash

Does not meet the definition of Cash:

Where the restrictions on use of a demand deposit do not arise from a separate contractual arrangement with a third party but are part of the terms and conditions directly relating to use of and access to the bank deposit so that cash cannot be withdrawn on demand, the cash held in the bank account will fail to meet the definition of cash.

Example: Restrictions limit access to a bank deposit such that it is not accessible on demand. For example: Debt covenants may require certain levels of cash to be maintained, and therefore, the lender, who also holds the cash, must be notified and provide their approval prior to withdrawing.

Conclusion: Does not meet definition of cash

Statement of cash flows
Restricted cash

Statement of cash flows and statement of financial position classification of demand deposits subject to usage restrictions that do not impact the entity's ability to access the amount on demand, frequently referred to as "restricted cash" (refer to example on previous slide, where definition of cash was met)

- Include the restricted cash as a component of cash and cash equivalents in both the statement of cash flows and statement of financial position.
- If relevant to understanding the financial position, disaggregate the cash and cash equivalents line item and present the restricted cash separately, as an additional line item in the statement of financial position (IAS1.54 and 55). Although the restricted cash is presented separately in the statement of financial position, it should still be included in cash and cash equivalents on the statement of cash flows and reconciled with the equivalent items reported in the statement of financial position (IAS 7.45).

Balance sheet	Dec. 31. 2024
Cash and cash equivalents	1,000
Restricted cash	150
Accounts receivable	125
Inventory	200
Total current assets	1,475

Statement of Cash Flows	Dec. 31. 2024
Cash	100
Cash equivalents	900
Cash and cash equivalents per balance sheet	1,000
Restricted cash	150
Cash and cash equivalents for cash flow statement	1,150

Statement of cash flows

Bank overdrafts (negative cash)

- Bank overdrafts represent cheques written by an entity that are honoured by a bank without sufficient funds in the entity's bank account to cover the cheques.
- Bank balances in a credit position from the bank's perspective, such as lines of credit, are typically considered debt and presented as a liability - financing activities.
- In certain situations, as per IAS 7.8, bank overdrafts repayable on demand are included as a component of cash and cash equivalents. This is only in cases where bank overdrafts are repayable on demand and the use of short-term overdrafts form an integral part of an entity's cash management practices.
- In the statement of financial position, the bank overdrafts will be presented as financial liabilities, separate from cash, unless a legal right of set off exists specified in IAS 32.42. Therefore, a reconciliation will be needed as per IAS 7.45 as highlighted in the example presented.
- The IFRS Interpretations Committee observed that where overdrafts do not often fluctuate from being negative to positive, this is an indicator that the arrangement does not form part of an entity's cash management and, instead, represents a form of financing.

Financial statements [extract]

Notes to the consolidated financial statements [extract]

21 Cash and cash equivalents

	2023 £m	2022 £m
Bank balances	**105.2**	97.0
Short-term deposits	**46.2**	4.1
Cash and cash equivalents in the balance sheet	**151.4**	101.1
Bank overdrafts	**(2.4)**	(6.9)
Cash and cash equivalents in the cash flow statement	**149.0**	94.2

Statement of cash flows

Classifications of cash flows: Interest, dividends and taxes on income

How various transactions are classified in the cash flow statement?

	Operating	Investing	Financing
Interest paid - policy choice (*)	Yes		Yes
Interest received - policy choice	Yes	Yes	
Dividend received - policy choice	Yes	Yes	
Dividend paid - policy choice	Yes		Yes

(*) Any implicit interest for leases needs to follow the same classification as other interest (i.e. all interest has to be classified the same - as operating or financing).

Statement of cash flows - Future developments

IFRS 18 Presentation and Disclosure in Financial Statements

1. Under the indirect method, IFRS 18 requires that the starting point for determining cash flows from operating activities is the operating profit or loss subtotal (new subtotal required in the statement of P&L)
2. Elimination of current policy choice in IAS 7 for classification of cash flows from interest and dividends in the statement of cash flows:

✓ Dividends paid = financing activity

! Effective for reporting periods beginning on or after 1 January 2027 (earlier adoption permitted)

Entities without main business activity of investing in assets or providing financing to customers

✓ Interest paid = financing activity

✓ Dividends & Interest received = investing activity

Entities with main business activity of investing in assets or providing financing to customers

✓ Interest paid & Dividends & Interest received = classified in the same category as the related income and expense in the statement of P&L

Statement of cash flows

Classification of cash flows: Transactions on deferred payment terms from supplier

Example: Asset purchase on deferred terms from supplier

A Company purchases equipment for $500,000, payable 24 months after delivery, with no upfront cash outflow.

?

Initial Accounting:

- On delivery, the equipment is recognized as a property, plant and equipment asset.
- A liability of $500,000 is recorded, measured in accordance with IFRS 9.

Financing component:

Might apply IFRS 15.60 to determine if significant financing component exists due to the 24-month delay.

Cash Flow Classification:

Payment component

- Principal → Investing or financing activity (judgement)
- Interest → Operating or financing (policy based)

Disclosure:

Disclose as a non-cash transaction in the cash flow notes (IAS 7.43)

Purchase of assets on deferred payment terms from the supplier:

- Cash flows may be **investing or financing** activities, depending on the nature of the transaction
- **Classification depends** on the substance of the arrangement
- Settlement of **a short-term payable** related to asset purchase is typically classified as an **investing** cash flow.
- If the deferral period is significant, **judgment is required** to assess whether the transaction meets the definition of a **financing activity**.

Statement of cash flows

Classification of cash flows: Business combinations and dispositions

- Acquisition of business (consideration paid - net of cash and cash equivalents acquired)
- Disposal of business (consideration received - net of cash and cash equivalents disposed of)

→ Investing

- Acquisition-related costs → Operating
- Changes in ownership interests in a subsidiary that do not result in a loss of control → Financing
- Contingent consideration
  - Cash payments up to the acquisition date liability amount → Investing
  - Cash payments more than the acquisition date liability amount → Operating
  - Cash receipts on disposal → Investing
- Deferred consideration → Investing or financing (judgment required)
- Non-cash consideration → Non-cash element of the transaction should be disclosed

Statement of cash flows

Classification of cash flows: Leasing transactions

Accounting as Lessee		
Payments for the principal portion of the lease liability	→	Financing
Interest payments	→	Financing or Operating - consistent with other interest paid
Short-term lease payments, payments for leases of low-value assets and variable lease payments	→	Operating
Lease incentives	→	Financing

- Payments made at or before the commencement date
  - payments related to the acquisition of right of use assets → Investing
  - payments related to the first of the periodic lease payments → Financing

Disclosure

- Total cash outflow for leases. The total should include the periodic lease payments for ROU assets along with lease payments for short-term leases, leases of low-value assets and variable lease payments.
- Lease liabilities (and the related cash and non-cash movements) – changes in liabilities arising form financing activities.

4

IFRS 9 Amendments - Derecognition of Financial Liabilities

IFRS 9 Amendments - Derecognition of Financial Liabilities

IFRS Discussion Group (IDG) September 2025

Do the amendments to IFRS 9 impact the timing for the derecognition of cash-settled liabilities that are outside the scope of IFRS 9?

The amendments made to IFRS 9 did not include consequential amendments to other IFRS Accounting Standards.

Other cash-settled liabilities could arise from:

- IFRS 2 – Share-based Payments
- IFRS 17 – Insurance Contracts
- IAS 12 – Income Taxes
- IAS 19 – Employee Benefits
- IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

IFRS 9 Amendments - Derecognition of Financial Liabilities
IFRS Discussion Group (IDG) September 2025

Potential considerations discussed during the IDG meeting:

1. Does the financial liability arise from an IFRS Accounting Standard other than IFRS 9 that has **specific or distinct derecognition requirements** relating to the liability?
   - Consider requirements of each IFRS Accounting Standard for which it has recognized material liabilities
2. Does the IFRS Accounting Standard **cross-reference to, or use language,** that indicates that the IFRS 9 amendments relating to derecognition requirements should be applied?
   - Consider if there is unclarity due to lack of cross referencing
   - For example, lease liabilities under the scope of *IFRS 16 – Leases* must apply IFRS 9 derecognition requirements, as stated in IFRS 9.2.1(b)(ii). Consequently, the amended derecognition requirements within the IFRS 9 amendments should be applied to IFRS 16 lease liabilities
3. Is it **sufficiently clear** from the IFRS Accounting Standard that **an accounting policy different** to that indicated by the IFRS 9 amendments would be supportable?
   - Consider whether it would be appropriate to continue with an existing accounting policy for de-recognition, different from what is now required for IFRS 9 liabilities

5

Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples

Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples

IAS 1 requires an entity to disclose information about assumptions it makes about the future that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The IASB is introducing seven new illustrative examples to supplement guidance on how an entity applies the requirements in IFRS Accounting Standards to report the effects of risks and other uncertainties in its financial statements. The examples are intended to address the following areas:

- Materiality judgements in determining whether to disclose information
- Assumptions and other sources of estimation uncertainty
- Aggregation and disaggregation

Transition requirements

The Illustrative Examples do not have an effective date, but the IASB expects an entity to be entitled to sufficient time to implement any changes to the information disclosed in its financial statements as a result of the issuance of the illustrative examples.

Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples

Illustrative examples
Materiality judgments leading to additional disclosure
Materiality judgments not leading to additional disclosure
Disclosure of assumptions: specific requirements (IAS 36)
Disclosure of assumptions: general requirements (IAS 1/IAS 8)
Disclosure about credit risk (IFRS 7)
Disclosure about decommissioning and restoration provisions (IAS 37)
Disclosure of disaggregated information (IFRS 18)

Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples

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 emission regulations 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 concluded that the CGU's recoverable amount is greater than its carrying amount and, therefore, recognises no impairment loss in the current reporting period. 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.

Considerations:

- Application of IFRS Accounting Standard - IAS 36
- Application of IAS 1

Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples

Disclosures
Applying paragraph 134(d)(i)–(ii) of IAS 36, the entity discloses: (a) that its key assumptions include future emission allowance cost assumptions, such as the future price of greenhouse gas emission allowances and future emission regulations; and (b) its approach to determining the values assigned to these key assumptions, including whether its assumptions about the future price of greenhouse gas emission allowances and future emission regulations are consistent with external sources of information and, if not, how and why they differ from such sources of information.

Sensitivity information
Applying paragraph 134(f) of IAS 36, 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—that is, whether such a change in assumption would result in an impairment loss. For example, the entity considers whether an impairment loss would result from a reasonably possible change in the entity's assumptions about the future price of greenhouse gas emission allowances. If so, the entity discloses: (a) the amount by which the CGU's recoverable amount exceeds its carrying amount; (b) the values assigned to the assumptions about the future price of greenhouse gas emission allowances; and (c) the amount by which these values must change, after incorporating any consequential effects of that change on the other variables used to measure the recoverable amount, in order for the CGU's recoverable amount to be equal to its carrying amount.

ESMA Decision – Climate risk disclosures in financial statements

Background

- In its non-financial statement, the issuer presented ‘Climate change related risks and opportunities’, including future environmental regulations and directives, supply and demand disruptions for transported commodities, and re-routing risks.
- In the financial statements, the issuer did not provide any further information in relation to climate-related matters

Decision

- The enforcer concluded that issuer’s disclosures in financial statements were not sufficient to meet the requirements of IAS 1 on significant accounting policies, judgements and sources of estimation uncertainty. The missing disclosures were considered a material departure from IFRS requirements
  - When assessing materiality, the enforcer considered qualitative and quantitative factors such as (i) the materiality of the amount of tangible assets, (ii) the issuer’s high exposure to climate risks, and (iii) the lack of consistency and coherence between the commitments disclosed in the non-financial section of the management report and the information disclosed in the financial statements.
- To comply with the requirements of IAS 1.122 and 125, the enforcer required the issuer to disclose:
  - The use of any climate-related factors as sources of estimation uncertainty or causes for significant judgements regarding the assets in the scope of IAS 16
  - Information about whether (i) the issuer considered climate change when assessing whether the expected useful lives of non-current assets and (ii) their estimated residual values should be revised and why.

6

Sustainability Updates

Sustainability Developments in Canada

Canadian Sustainability Standards Board (CSSB)

- In December 2024, the CSSB released Canada's inaugural sustainability disclosure standards
  - CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information*
  - CSDS 2, *Climate-related Disclosures*
- Key differences from IFRS S1 & S2 are as follows:

Features	IFRS	CSDS
Effective Date	January 1, 2024	January 1, 2025
CSDS 1 Transition Relief	**1 Year** January 1, 2025	**2 Years** January 1, 2027
CSDS 1 Time Lag between financial & sustainability disclosures	Year 1: Up to 9 months	Year 1: Up to 9 months Year 2 & 3: Up to 6 months
CSDS 2 Transition Relief on quantitative scenario analysis	None	3 Years January 1, 2028
CSDS 2 Scope 3 GHG Emissions	**1 Year** January 1, 2025	**3 years** January 1, 2028

Canadian Securities Administrators (CSA)

- In April 2025 announcement to pause developing new mandatory climate-related disclosure rules and amendments to diversity-related disclosure requirements.
- Despite the pause, issuers remain subject to existing Canadian continuous disclosure obligations, which require the reporting of material climate-related risks.
- The CSA encourages voluntary use of the CSSB's CSDS 1 and 2 standards, which align with international standards and aim to maintain Canadian competitiveness.

ISSB Exposure Drafts

Proposed amendments to GHG Emissions Disclosures

- In April 2025, in response to challenges faced by stakeholders in implementing the requirement of IFRS S2, the ISSB published the Exposure Draft Amendments to Greenhouse Gas (GHG) Emissions Disclosures.
- Intended to provide additional relief from specific requirements in IFRS S2 relating to the measurement and disclosure of GHG emissions as well as to clarify existing reliefs
- The amendments are aimed at reducing reporting complexity and costs.
- Comments were due June 27, 2025.

EY IFRS Sustainability Developments : LINK

Proposed Amendments:

- Allow entities to exclude certain Scope 3 Category 15 GHG emissions—such as those from derivatives, facilitated activities, and insurance—when reporting Scope 3 emissions.
- Permit commercial banks and insurers to use an alternative to the Global Industry Classification Standard (GICS) in specific cases when disclosing financed emissions.
- Clarify that entities may use a non-GHG Protocol method for measuring emissions—fully or partially—if required by a jurisdiction or exchange.
- Allow entities to apply alternative global warming potential (GWP) values, instead of the latest IPCC values, where mandated by a jurisdiction or exchange.

ISSB Exposure Drafts

Proposed amendments to SASB Standards & IFRS S2 Industry based Guidance

- In July 2025, the ISSB published the Exposure Draft Proposed Amendments to the SASB Standards and the Exposure Draft Proposed Amendments to the Industry-based Guidance on Implementing IFRS S2.
- The proposed amendments target maintaining consistent disclosures on the common topics among industries.
- Consequential amendments are being proposed to the IFRS S2 industry-based guidance.
- Comments for both EDs are due November 30, 2025.

EY IFRS Sustainability Developments : LINK

Proposed Amendments:

- The ISSB proposes comprehensive updates to nine priority SASB Standards (mainly in the Extractives and Food & Beverage sectors) and targeted amendments to 41 additional standards to ensure consistent disclosures on topics like GHG emissions, energy, water, labor, and safety.
- Amendments aim to enhance international applicability, improve interoperability with other frameworks (e.g., GRI, TNFD, EFRAG), and align SASB language and metrics with IFRS S1 and S2.
- Consequential amendments to IFRS S2 industry-based guidance are proposed to maintain alignment with revised climate-related content in the SASB Standards, minimizing reporting burdens and confusion.

ISSB Open Projects

BEES Research Project: The BEES project investigates how biodiversity, ecosystems, and ecosystem services impact corporate risks and opportunities. It considers alignment with frameworks like Taskforce on Nature-related Financial Disclosures (TNFD) and Global Reporting Initiative (GRI) to enhance interoperability and reduce reporting burdens.

Human Capital: The Human Capital project examines disclosures related to workforce size, composition, compensation, engagement, turnover, training, working conditions, and wellbeing across both a company's own workforce and its value chain.

Current Status: Both projects are in the research phase. The ISSB is building foundational knowledge and assessing feasibility for standard-setting. No decisions have been made yet, but direction-setting discussions are expected in the second half of 2025.

Transition Implementation Group (TIG)

Purpose of the TIG:

- The TIG supports the implementation of IFRS S1 and IFRS S2 by addressing stakeholder questions
- Focused on mitigating diversity in practice
- Provides a public forum for discussing application challenges and helps ensure consistent interpretation of the standards

Operating procedures:

- Stakeholders submit questions to the TIG mailbox where all submissions are logged
- The questions are screened against TIG's criteria including:
  - Relevance to the implementation of S1 and S2
  - Could lead to potential for diversity in practice
  - Pervasiveness for a wide group of stakeholders
- Selected questions are discussed in public meetings, with summaries and submission logs publicly available.

Topics discussed to date
1. Defining 'business activities'
2. Defining 'vulnerable'
3. Revision of preceding period estimated amounts
4. Comparative information for acquisitions/disposals
5. Mitigation actions/plans
6. Scope 3 Category 15 GHG emissions
7. Jurisdictional relief for GHG measurement
8. Use of GWP values from IPCC

7

IT Transformation: Risks and Process Considerations

IT Transformation: Risks and Process Considerations

1. IT transformation overview
2. Risks & common pitfalls
3. Management considerations
4. Transformation procedures and timelines

Overview: What are IT transformation considerations?

- Technological advances are making business processes and related data flows more complex. Combine that with record levels of IT spend – it results in a more complex IT environment. This is characterized by a growing number of applications and supporting technologies, increased use of service providers/outsourcing, and faster pace of change.
- The question is, has management considered managing business risks related to implementation and use of technology? Will internal control considerations be adequately considered in the implementation of a new technology or major upgrade of an existing system?

Overview: What types of transformations are relevant?

An implementation of, or an upgrade to, an ERP, an application or supporting infrastructure will change business processes and data flows, resulting in new risks. It will also introduce new capabilities that allow the entity to better leverage its investment in new technology and reduce risk by taking greater advantage of automated controls.

Here are some key IT transformations that our clients are going through or considering:

- System upgrades
- ERP implementations (SAP, Oracle)
- Internal modernization initiatives
- Migration of technology infrastructure from on-prem to cloud
- Access Management Tools
- Automation and AI
- Data Lakes

These transformations are driven by the need for businesses to remain competitive, adapt to changing market conditions, and meet evolving customer expectations.

Overview: Why are these relevant now?

Regulatory requirements and business trends

PCAOB Auditing Standard No. 12 and the successful need for critical ERP upgrades.

Complex Systems

Changes are more complex, typically integrating with multiple applications, cloud services, etc which creates potential for unauthorized access, security breaches, and/or data integrity issues.

Address implementation risk

Avoid potential control deficiencies and work with clients to provide leading practice recommendations for management consideration to address audit risks prior to go live/upgrade.

Improve quality

Provide objective insights and recommendations and avoid re-work post implementation.

Add value

Data integrity - Data migrated from the old system is complete, accurate and consistent.

Automation/Cloud Adoption

Organizations are automating processes and moving to cloud based platforms. Traditional manual controls may no longer apply.

Implementation risks and common pitfalls

System development life cycle

- Future state requirements are not fully defined at the right level of detail
- Lack of traceability between requirements and testing
- Ineffective issue and risk management procedure
- Ineffective governance, performance monitoring and benefits management
- Lack of focus on organizational change management to prepare impacted users for significant changes

Data conversion and migration

- Lack of a formal migration strategy or one that considers control requirements
- Migration approach driven by IT rather than the business
- Lack of adequate data validation and reconciliation controls
- Lack of quantifiable data and key metrics to assist with decision making

Interfaces

- Lack of collaboration between IT and the business to identify key control requirements and test procedures
- Interface and customizations that impact controls not typically addressed until system integrating testing or UAT
- Controls related to the integration of third-party systems often falls completely under the scope of IT

Application security

- Application security is not addressed early enough in the life cycle of the implementation
- Introduces security changes that must be considered (e.g., Fiori tiles). Further considerations should include security for cloud-based applications (e.g., Ariba, Hybris, etc.)
- Lack of a risk-based segregation of duties framework to facilitate segregation of duties testing
- Lack of technologies to test and monitor application security

Business process controls

- Process controls and optimization opportunities are often overlooked or addressed post implementation
- Lack of automated controls or an optimal mix of controls as control requirements are not identified/addressed
- Audit and risk functions not properly integrated to drive alignment and acceptance over internal controls
- Process controls not integrated into end-to-end testing.

IT general controls

- Change management and logical access controls not addressed timely
- Access to project and production environments is not properly controlled
- Area lacks project team focus, but primary focus for audit stakeholders

Management considerations

Focus area	Objectives against leading practices	Key activities
1 System development life cycle (SDLC)	Assess SDLC controls to determine whether the system is being implemented in a controlled manner.	▪ Review available project documentation (e.g., charter, organizational charts, plans, issue/risk logs, milestone reviews) ▪ Evaluate the SDLC controls employed as part of each phase of project activities (e.g., requirements gathering, testing, cutover)
2 Business process controls / Interfaces	Evaluate whether application controls have been enabled to mitigate key business process risks.	▪ Review available process and controls documentation (e.g., process flows, narratives, risk and control matrices, test scripts) ▪ Assess the traceability of controls throughout the project ▪ Assess system configurations associated with application controls ▪ Review of key reports and interface testing and requirements

3 Application security	Assess whether segregation of duties and privileged access risks have been addressed within the security design.	▪ Review and obtain an understanding of the security strategy
		▪ Assess segregation of duties and privileged access risks by:
		  ▪ Reviewing security design documentation
		  ▪ Assessing the configuration of access rights and assignments

4 Data Integrity	Assess data conversion controls over key activities such as data cleansing, extraction, transformation and reconciliation.	▪ Review the data conversion strategy and process ▪ Evaluate data conversion controls embedded within the process ▪ Walkthrough data conversion controls for select data elements (e.g., trial balances, open invoices)
5 IT general controls (ITGCs)	Assess the design of IT general controls and the supporting infrastructure.	▪ Understand the design of ITGCs in the target state environment ▪ Perform walkthroughs to evaluate the design of ITGCs for the application and supporting infrastructure

Transformation procedures overview and timeline considerations

A pre-implementation review approach can provide varying (i.e., scalable) levels of effort, aligned with the significance of the system on the Company's processes. Ideally, these would be considered 6-12 months prior to system go-live.

Client implementation phases

Plan and Design | Build | Testing | Deploy | Support

Design completed · *1st environment build* · *2nd environment build* · *80% design completion* · *Unit & Integration* · *User acceptance (UAT)* · ★ *Go-live*

Governance Review

- Assess System Development Life Cycle, which includes documenting our assessment of program governance including organizational readiness and risk assessment.
- Assess implementation of key documentation and milestones such as project charter, project plan, stakeholder involvement, KPIs.

Assessment of Control Design and Management Test Results

Assessment of Design Elements

- Procedures focused on assessing management's design of controls which will be added, removed or modified through the system change.
- Gain an understanding of data integrity, business process controls, automated controls, segregation of duties and application security.

Assessment of Management Test Results

- Procedures focused on reviewing results of management's testing of the system, including impacted controls.
- Review results from business process controls and reports testing for appropriateness, completeness and accuracy.
- Gain an understanding of the future state ITGCs landscape, assess internal control framework and review management/IT testing results.
- Gain an understanding of management's assessment of the applicable SOC reports and CUEC mapping to their control framework
- Review results from conversion and integration validations for appropriateness, completeness and accuracy.

Post Go-Live Audit Execution

Identify any design deficiencies or control gaps and provides management the opportunity to manage implementation risks and remediations on a timely basis. Once the system has gone live, the focus on:

- Finalizing data conversion testing as at the go-live date.
- Finalizing walkthroughs of business and IT process in the live environment and assessing changes (if any).
- Testing the operating effectiveness of controls in the new environment.

70% of the procedures performed prior to go-live

30% post go-live

APPENDIX A

IASB Workplan
(as of October 8, 2025)

IASB Workplan: Completed projects

Topic		Related Standard	Effective date
Management Commentary		Practice Statement 1	June 22, 2025
Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)		IFRS 9, IFRS 7	January 1, 2026
Power Purchase Agreements		IFRS 9, IFRS 7	January 1, 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	Cost Method (Amendments to IAS 7)	IAS 7	January 1, 2026
	Derecognition of Lease Liabilities (Amendments to IFRS 9)	IFRS 9	January 1, 2026
	Determination of a 'De Facto Agent' (Amendments to IFRS 10)	IFRS 10	January 1, 2026
	Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Guidance on implementing IFRS 7)	IFRS 7	January 1, 2026
	Gain or Loss on Derecognition (Amendments to IFRS 7)	IFRS 7	January 1, 2026
	Hedge Accounting by a First-time Adopter (Amendments to IFRS 1)	IFRS 1	January 1, 2026
	Introduction and Credit Risk Disclosures (Amendments to Guidance on implementing IFRS 7)	IFRS 7	January 1, 2026
	Transaction Price (Amendments to IFRS 9)	IFRS 9	January 1, 2026
Presentation and Disclosure in Financial Statements – Primary Financial Statements		IFRS 18	January 1, 2027
Subsidiaries without Public Accountability: Disclosures		IFRS 19	January 1, 2027
Updating IFRS 19 Subsidiaries without Public Accountability: Disclosures		IFRS 19	January 1, 2027
Second Comprehensive Review of the IFRS for SMEs Accounting Standard		IFRS for SMEs	January 1, 2027

IASB Workplan: Standard-Setting projects

Topic	Next milestone	Expected date
Amortised Cost Measurement	Exposure Draft	H2 2026
Business Combinations—Disclosures, Goodwill and Impairment	Decide Project Direction	H2 2026
Dynamic Risk Management	Exposure Draft	December 2025
Equity Method	Decide Project Direction	Q1 2026
Financial Instruments with Characteristics of Equity	Final Amendments	H2 2026
Rate-regulated Activities	IFRS Accounting Standard	H1 2026

IASB Workplan: Maintenance projects

Topic	Next milestone	Expected date
Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples	Final Illustrative Examples	
Provisions – Targeted Improvements	Decide Project Direction	December 2025
Translation to a Hyperinflationary Presentation Currency (IAS 21)	Final Amendment	November 2025

IASB Workplan: Research projects

Topic	Next milestone	Expected date
Intangible Assets	Decide Project Direction	H2 2026
Post-implementation Review of IFRS 16 Leases	Request for Information Feedback	Q1 2026
Statement of Cash Flows and Related Matters	Decide Project Direction	Q1 2026

Appendix B

AcSB - Recent IFRS Discussion Group Topics

Recent IFRS Discussion group topics (September 2024 to September 2025)

Topic	Meeting date
Application Issues with the Statement of Cash Flows Discuss common application issues associated with the preparation of the statement of cash flows	September 2025
IFRS 18: Classification of Foreign Exchange Differences Discuss the income statement classification of foreign exchange different under IFRS 18 *Presentation and Disclosure in Financial Statements*	September 2025
IFRS 18: Classification of Income and Expenses from "Other Assets" Discuss how to classify income and expenses form "Other Assets" as either operating or investing income. This classification depends on whether the assets generate a return individually and largely independently of the entity's other resources.	September 2025
IFRS 19: Subsidiaries Without Public Accountability Discuss key aspects of IFRS 19 *Subsidiaries Without Public Accountability*, including the eligibility requirements, the reduced disclosure requirements and other application considerations.	September 2025
IFRS 9: Amendments to the Derecognition of Financial Liabilities Discuss the application of the May 2024 amendment to IFRS 9 *Financial Instruments* related to the derecognition of financial liabilities settled using electronic payment systems and through other methods.	September 2025

Recent IFRS Discussion group topics (September 2024 to September 2025)

Topic	Meeting date
Financial reporting considerations related to tariffs Discuss various financial reporting issues related to tariffs that may impact an entity's annual or interim financial reporting	May 2025
IFRS 18: Disclosures about management-defined performance measures (MPMs) Discuss factors an entity might consider when determining whether a reported metric qualifies as an MPM under IFRS 18 Presentation and Disclosure in Financial Statements.	May 2025
IFRS 19: Subsidiaries without public accountability Discuss key aspects of IFRS 19 Subsidiaries without Public Accountability: Disclosures, including the eligibility requirements, the reduced disclosure requirements, and other application considerations	May 2025
IFRS 9: Accounting for Debt Modifications – Helpful Reminders Discuss various accounting considerations associated with the modification of debt arrangements in the scope of IFRS 9, Financial Instruments.	December 2024
Year-end Financial Reporting Reminders Discuss various financial reporting matters that entities should consider when preparing for their upcoming year-end.	December 2024

Recent IFRS Discussion group topics (September 2024 to September 2025)

Topic	Meeting date
IFRS 9 and IFRS 16: Distinguishing between a Lease Modification and an Extinguishment of a Lease Liability Discuss whether, following the amendment to paragraph 2.1(b)(ii) of IFRS 9, Financial Instruments, issued in July 2024, the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16, Leases, apply for lessees when there is a change in consideration payable.	September 2024
IFRS 18: Education Session Overview of the key requirements in IFRS 18, Presentation and Disclosure in Financial Statements.	September 2024
IFRS 18: Implementation Issues Discuss the implications of adopting IFRS 18 on an entity's financial statements, including early observations and application challenges, as well as system and process changes to consider as the effective date approaches.	September 2024
IFRS 9: Derecognition of Financial Liabilities Settled Using Electronic Payment Systems Discuss the scope of the May 2024 amendments to IFRS 9 pertaining to the timing of the de-recognition of financial liabilities that are settled using electronic payment systems.	September 2024
IFRS 8: Disclosure of Revenue and Expenses for Reportable Segments Discuss the IFRS Interpretations Committee's agenda decision published in July 2024 about how an entity applies the requirements in paragraph 23 of IFRS 8, Operating Segments, to disclose for each reportable segment specified amounts related to segment profit or loss by an entity. The discussion will primarily focus on the extent of disclosure required by paragraph 23(f) on material items of income and expense.	September 2024

Appendix C

IFRS 9 and IFRS 7 Amendments

IFRS 9 and IFRS 7 amendments

Amendments to the Classification and Measurement of Financial Instruments

Recognition and derecognition of financial assets and financial liabilities

- Clarify the existing requirements for the recognition and derecognition of financial assets and liabilities

Electronic Payment Systems

- Introduce an accounting policy election (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date

Contractual cash flow characteristics

- Clarify how to assess the contractual cash flow characteristics of financial assets that include ESG linked features and other similar features
- Clarify the treatment of non-recourse assets and contractually linked instruments (CLI)

New disclosures in IFRS 7

- Introduce new disclosures for financial instruments with contingent features and equity instruments classified at FVOCI

Effective date and transition

- Effective for annual reporting periods beginning on or after January 1, 2026.
- Applied retrospectively with no requirement to restate prior periods
- Early adoption permitted, for some or all elements of the amendments

IFRS 9 and IFRS 7 amendments

Recognition: Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of Financial Assets:

- Occurs when the entity's rights to the contractual cash flows expire or are transferred.
- Derecognition is based on the expiry of the right to receive cash.
- In the absence of having access to the cash, a confirmation from a debtor that a payment instruction has been initiated does not lead to the expiry of the right. It is only when the cash is received that such a right expires.

Derecognition of Financial Liabilities

- Occurs on the "settlement date", which is the date on which:
  - The obligations are discharged, cancelled or expire, or
  - The liability qualifies for derecognition due to modification or exchange on substantially different terms
- Unless the entity elects the electronic payment settlement option.

IFRS 9 and IFRS 7 amendments

Example: Cheque payment to settle financial liability

Company A (a customer) issues a cheque to Company B (a supplier) for $1,000, dated 27 December 2025 and mails it to settle a financial liability. The cheque is deposited on 31 December 2025 but only and clears from Company A's bank account and into Company B's bank account on 02 January 2026 i.e., not cleared at the reporting date. Both Company A and Company B have a financial year end of December 31.

27 Dec. 2025 — Mailing of the cheque - payment is released by Company A

30 Dec. 2025 — Mailed cheque received by Company B

31 Dec. 2025 — Financial year-end; Cheque deposited by Company B

2 January 2026 — Cheque clears – payment is completed

A common current practice

	Company A (customer)	Company B (supplier)
27 Dec. 2025 (mailing of cheque)	DR Trade payable 1,000 CR Cash 1,000	No entry
30 Dec. 2025 (deposit of cheque)	No entry	DR Cash 1,000 CR Receivable 1,000
2 Jan. 2026 (settlement date)	No entry	No entry

After the amendments

	Company A (customer)	Company B (supplier)
27 Dec. 2025 (mailing of cheque)	No entry	No entry
30 Dec. 2025 (deposit of cheque)	No entry	No entry
2 Jan. 2026 (settlement date)	DR Trade payable 1,000 CR Cash 1,000	DR Cash 1,000 CR Receivable 1,000

How will the amendments impact current practice?

- Change in practice for the recognition or derecognition of a financial asset or financial liability
- The amendments create a difference from US GAAP for in-transit payments

IFRS 9 and IFRS 7 amendments

Example:

Cheque payment to settle financial liability

27 Dec. 2025	30 Dec. 2025	31 Dec. 2025	2 January 2026
Mailing of the cheque - payment is released by Company A	Mailed cheque received by Company B	Financial year-end Cheque deposited by Company B	Cheque clears - payment is completed

Practical challenges to consider:

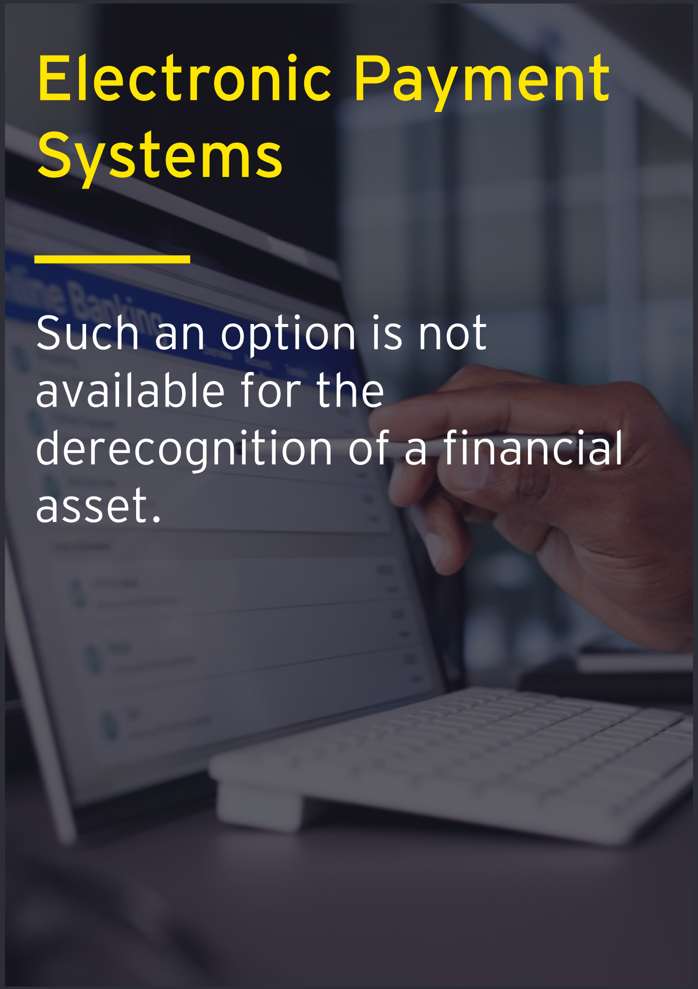
Banking system time lag between the deposit of a cheque and the recipient's ability to access the cash (i.e. bank hold period)

- Company A does not have the information to determine when the cash reaches Company B's bank account and when Company B gains access to the cash
- Company B will see the deposited cheque in their bank records, but may not have clarity as to when the bank hold is released and Company B gains access to the cash

Consideration of presentation and disclosure

- Company A should consider how to present / disclose cash balances
- Company B should consider how to present / disclose balances subject to hold

IFRS 9 and IFRS 7 amendments



Electronic Payment Systems

Such an option is not available for the derecognition of a financial asset.

Accounting policy election for derecognition of financial liabilities that are settled through an electronic payment system prior to the settlement date.

This election is available if all of the following criteria are met:

- The entity has no practical ability to withdraw, stop or cancel the payment instruction;
- The entity has no practical ability to access the cash to be used for settlement; and
- The settlement risk associated with the electronic payment system is insignificant:
  - Completion of the payment instruction follows a standard administrative process
  - Delivery time to counterparty is short

IFRS 9 and IFRS 7 amendments

Example : Electronic payment to settle financial liability

Company A (a customer) submits a payment through an electronic payment system to Company B (a supplier) for $1,000 on December 30, 2025, to settle its financial liability. At the time of payment instruction, Company A's bank balance is reduced. The payment will be credited to Company B's bank account in two business days and Company B receives notification of the incoming transfer on December 31, 2025. Both Company A and Company B have a financial year end of December 31.

30 Dec. 2025 — Payment instruction submitted by Company A - payment is initiated

31 Dec. 2025 — Receipt of notification of the incoming transfer

2 January 2026 — Electronic payment process is completed – payment is completed

Upon payment initiation (30 Dec. 2025):	Company A has no practical ability to cancel the payment	Company A has no practical ability to access the $1,000	Settlement risk associated with the payment system is insignificant

A common current practice

	Company A	Company B
30. Dec. 2025	DR Trade payable 1,000 CR Cash 1,000	No entry
31. Dec. 2025	No entry	DR Cash 1,000 CR Receivable from customer 1,000
2. Jan. 2026	No entry	No entry

After the amendments – election is used

	Company A	Company B
30. Dec. 2025	DR Trade payable 1,000 CR Cash 1,000	No entry
31. Dec. 2025	No entry	No entry
2. Jan. 2026	No entry	DR Cash 1,000 CR Receivable from customer 1,000

After the amendments – election is not used

	Company A	Company B
30. Dec. 2025	No entry	No entry
31. Dec. 2025	No entry	No entry
2. Jan. 2026	DR Trade payable 1,000 CR Cash 1,000	DR Cash 1,000 CR Receivable from customer 1,000

IFRS 9 and IFRS 7 amendments

Accounting and Process Implications of the Amendments:

Other practical challenges when applying the Amendments

- Bank reconciliations: Bank statements are generally prepared based on the trade date, while the amendments emphasize settlement date accounting
- Batch entries: A single journal entry may encompass multiple payments via different means, including cheque and electronic payment systems
- Companies may use multiple electronic payment systems (including for cross border payments), each of which will require assessment for election
- Applying the exception to only some but not all settlement systems/mechanisms may create more complexity
- Inter-company balances: Exercise of electronic payments option could lead to inconsistencies in the accounting for inter-company payables and receivables
- Accounting policy election introduces a new area of judgment in determining whether an entity has no practical ability to withdraw, stop or cancel the payment instruction

Assessment of electronic payment systems

- **Prepare an inventory** of electronic payment systems used, including a detailed description of each electronic payment system and the jurisdictions in which the payment systems operate
- **Understand the policies and rules** governing each payment system, particularly the cut-off times at which a payment instruction can no longer be withdrawn or canceled.
- **Analyze the specific settlement risk** associated with the electronic payment system, particularly for entities that operate multi-jurisdictionally or have cross- border payments.
- **Examine administrative processes**, focusing on the timeframe between when the entity loses the practical ability to withdraw, stop or cancel the payment instruction, and when the cash is actually delivered to the counterparty.
- **Examine financial reporting systems and processes**, such as bank reconciliations.

IFRS 9 and IFRS 7 amendments

Initial application of the IFRS 9 amendments in the statement of cash flows

Ex: Cheque payment to settle financial liability

Dec 27, 2025	Dec 30, 2025	Dec 31, 2025	Jan 2, 2026
Mailing of the cheque - payment is released by Company A	Mailed cheque received by Company B	Financial year-end Cheque deposited by Company B	Cheque clears - payment is completed

A common current practice

- On December 27, 2025, Company A derecognized its financial liability and adjusted its cash balances by $1,000 to reflect the cash payment when the cheque was mailed.
- In the cash flow statement, $1,000 was presented as a cash outflow from operating activities.(*)

After the amendments

- On January 1, 2026, Company A **changes its accounting policy** to instead record the cash outflow when the payment is settled (on Jan. 2, 2026)
- Company A applies the IFRS 9 amendments without restating its prior periods (IFRS 9.7.48). Therefore , the difference on application of the amendments is recognised on the date of initial application (Jan 1, 2026).
- On January 1, 2026, Company A **reverses the entry** to derecognise the trade payable and cash of $1,000.
- On January 2, 2026, **when the cheque is cleared**, Company A derecognises the trade payable and cash of $1,000 and $1,000 is presented as a cash outflow from operating activities.(*)

Statement of cash flows	2026	2025
Net cash (outflow) from / inflow from operating activities (*)	(1,000)	(1,000)
Net cash (outflow) from / inflow from investing activities	-	-
Net cash (outflow) from / inflow from financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	**(1,000)**	**(1,000)**
Cash and cash equivalents beginning of year (prior to adjustment for IFRS 9 amendments)	800	
Adjustment on initial application of IFRS 9 amendments (Jan. 1, 2026)	1,000	-
Cash and cash equivalents beginning of year	1.800	1.800
Cash and cash equivalents at end of year	800	800

IFRS 9.7.48 *An entity is not required to restate prior periods to reflect the application of these amendments. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight. If an entity does not restate prior periods, it shall recognise the effect of initially applying these amendments* ***as an adjustment to the opening balance of financial assets and financial liabilities*** *and* ***the cumulative effect****, if any, as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.*

IFRS 9 and IFRS 7 amendments

EY's Applying IFRS

Amendments to the classification and measurement of financial instruments

November 2024

EY | Building a better working world

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