

# Applying IFRS

Accounting considerations related to  
geopolitical events and uncertainty

March 2026



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## What you need to know

- Geopolitical concerns and economic uncertainty around the world continue to impact entities globally and may trigger a number of IFRS accounting considerations affecting both the annual and interim financial statements.
- Fluctuations in commodity prices, foreign exchange rates and rising inflation and interest rates may have significant consequences. A blockade of shipping lanes may disrupt the global supply chain, potentially severely restricting imports and exports of vital goods.
- The geopolitical situation is fluid and for entities that could be exposed to fluctuations in commodity prices and foreign exchange rates, as well as the possibility of a protracted economic downturn.

# 1. Overview

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Events around the world, including geopolitical instability and conflicts, continue to drive economic uncertainty that impacts entities globally. In turn, this raises many IFRS accounting considerations. Entities may be impacted by fluctuations in commodity prices, foreign exchange rates, restrictions to imports and exports, supply chain disruptions and possible slowdowns in global economies.

Inflation has fallen from recent highs but remains above target levels in many countries, while interest rates globally remain relatively high compared to historic levels for the past decade. Earlier rises in inflation led many central banks to raise interest rates and policy remains sensitive to persistent inflation. Ongoing conflicts and geopolitical tensions continue to contribute to volatility in energy and commodity markets, foreign exchange rates and other macroeconomic factors.

Entities that have debt continue to face increased borrowing costs and, potentially, higher refinancing costs in the future. Furthermore, many IFRS accounting standards use discounting to account for the time value of money in measuring non-current assets and liabilities (for example, the fair value measurement of investment properties using discounted cash flows). Considering the current market volatility, discount rates may rise in the near future and thus reduce the present value of assets and liabilities. This may affect a number of areas of financial reporting, including impairment calculations, provisions, retirement obligations, leases, financial instruments and revalued tangible and intangible assets. Entities need to apply judgement to ensure that assumptions used are consistent and reflect current market conditions.

Entities may also have contracts that are explicitly inflation-linked and this may mean assets and liabilities, such as, real estate leases, or inflation-linked bonds need to be adjusted for inflation. There are several IFRS accounting standards that specifically refer to inflation as one of the assumptions to be considered for measurement purposes. For example, inflation is particularly relevant in assessing asset impairments, which require estimates to be made about future revenue and expenditure. Inflation also affects many other areas of accounting, such as determining the residual value of property, plant and equipment and net realisable values of inventories. The measurement of provisions for obligations in the future (for example, decommissioning provisions), can also be significantly impacted by inflation.

The current economic and geopolitical uncertainty has increased the need for clear disclosure of uncertainties in the financial statements. In November 2025, the International Accounting Standards Board (IASB) issued *Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 - Disclosures about Uncertainties in the Financial Statements*, adding examples to several IFRS accounting standards related to impairment testing, credit risk, decommissioning and site restoration provisions, addressing topics such as materiality judgements, significant judgements and estimates, and aggregation

and disaggregation. The illustrative examples show how entities can apply existing requirements when reporting uncertainties in financial statements, highlighting the importance of considering both qualitative and quantitative factors when determining what is material to the primary users of financial statements and whether additional disclosures about uncertainties are required. While the examples use climate-related scenarios, they apply to all uncertainties including those arising because of geopolitical concerns and economic uncertainty. For more information about the amendments, refer to *IFRS Developments, Issue 244: Disclosures about Uncertainties in the Financial Statements*.<sup>1</sup>

This publication provides a reminder of some of the existing accounting requirements to be addressed when considering the impact of uncertain events.

The topics addressed in this publication are:

- Uncertain estimates and judgement disclosures (Section 2)
- Impairment of non-financial assets (Section 3)
- Fair value measurement (Section 4)
- Financial instruments (Section 5)
- Insurance recoveries (Section 6)
- Leases (Section 7)
- Onerous contracts (Section 8)
- Assets held for sale, discontinued operations and restructurings (Section 9)
- Inventories (Section 10)
- Revenue recognition (Section 11)
- Foreign currency movements and hyperinflation (Section 12)
- Investments in subsidiaries, associates and joint ventures (Section 13)
- Employee benefits (Section 14)
- Share-based payments (Section 15)
- Government grants (Section 16)
- Going concern (Section 17)
- Events after the reporting period (Section 18)
- Other financial statement presentation and disclosure requirements (Section 19)
- Interim reporting considerations (Section 20)

Further information about the topics addressed in this publication can be found in [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

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<sup>1</sup> Available on [ey.com/IFRS](https://www.ey.com/IFRS).

## 2. Uncertain estimates and judgement disclosures

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The financial statement disclosure requirements will vary depending on the magnitude of the financial impact of current events, for example, volatility in commodity prices, or changes in inflation and interest rates.

There may be additional risks during times of uncertainty that the carrying amounts of assets and liabilities require material adjustments within the next financial year. Similarly, entities need to carefully consider whether additional disclosures are necessary to help users of financial statements understand the judgement applied in the financial statements. IAS 1 *Presentation of Financial Statements* requires disclosure of information about the assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities, such as non-current assets subject to impairment, within the next financial year. The nature and extent of the information provided will vary according to the type of assumption and other circumstances, but may include:

- The nature of the assumption or other estimation uncertainty
- The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity
- The expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected
- An explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved

Entities need to consider the level of volatility when determining the relevant sensitivity disclosures. That is, in times of high volatility, a reasonably possible change in assumptions will generally involve more significant changes than in times of low volatility.

An entity may have appropriately analysed and concluded that it has limited quantitative exposure to a particular risk (e.g., dependence on commodities from a geopolitically unstable region). In such cases, it is required to assess whether the information related to the entity-specific and external factors considered in making its material judgement is subject to disclosure, taking into account the information needs of the primary users of the financial statements.

An entity is also required to disclose the judgements, apart from those involving estimations, that management has made in the process of applying its accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Further information about the requirements of IAS 1 is available in Chapter 3 of the 2026 edition of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

## 3. Impairment of non-financial assets

IAS 36 requires an entity to test all assets that are within its scope for potential impairment when indicators of impairment exist and test annually for goodwill, intangible assets not yet available for use and intangible assets with indefinite useful lives.

IAS 36 *Impairment of Assets* requires an entity to test all assets that are within its scope for potential impairment when indicators of impairment exist. In addition, goodwill, intangible assets not yet available for use and intangible assets with indefinite useful lives are tested for impairment annually.

In some events, there may be a risk of physical damage or restricted access to assets, as well as the risk of impairment due to a decrease in recoverable amounts. An asset is impaired when an entity is not able to recover its carrying value, either by using it or selling it.

### 3.1. Impairment indicators

Indicators of impairment may include both external and internal sources of information and could include:

- Significant changes in commodity prices or other market rates.
- Significant changes with an adverse effect on the entity that have taken place during the period, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- The carrying amount of the entity's net assets is more than its market capitalisation. For example, geopolitical risks may lead to decreasing stock prices, which again may indicate that the carrying value of the entity's net assets is higher than its market capitalisation.
- Evidence of obsolescence, theft, seizure or physical damage of an asset.

If there is an indication of impairment, an impairment test is performed in accordance with IAS 36. Further information is available in Chapter 21 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

The complete destruction of a non-current asset would result in the derecognition of that asset rather than an impairment. That is because the complete destruction of an asset means that no future economic benefits are expected either from its use or disposal (except for disposal benefits, e.g., from metal content in the scrap).

### 3.2. Measurement of impairment losses

When assessing impairment, entities are required to determine the recoverable amounts of the assets, being the higher of fair value less costs of disposal (FVLCD) and value in use (VIU). When measuring FVLCD, fair value is measured in accordance with IFRS 13 *Fair Value Measurement*, which is explained below. Costs of disposal are calculated in accordance with IAS 36. The estimation of the VIU involves estimating the future cash inflows and outflows that will be derived from the use of the asset and from its ultimate disposal and discounting the cash flows at an appropriate rate.

Geopolitical risks may result in an increase in interest rates and/or inflation rates. This may affect an entity's discount rate when using a discounted cash flow model, as it could impact current market assessments of the time value of money and the risks specific to the asset(s) or cash-generating unit(s) for which the future cash flow estimates have not been adjusted.

Significant uncertainty and judgement arise when considering how different scenarios may materialise, for instance, when assessing the probability and impact of future developments. When significant uncertainty and judgement exist, an expected cash flow approach, based on probability-weighted scenarios, may be more appropriate than a single best estimate for estimating VIU. In practice, this could mean probability weighting scenarios (i.e., a base case with upside and downside scenarios), as well as factoring in different pricing curves. Even when a probability-weighted scenario approach is used, an entity would still need to consider adjusting the discount rate for the general uncertainties and risks not reflected in the cash flows. In addition, as uncertainties increase, management may need to regularly reperform impairment tests to ensure the analysis remains current and the assumptions are up to date.

Since the remaining useful life for many assets is long term, entities are required to consider not just the immediate effect, but also the subsequent effect of the events referred to above, which may continue for an unknown period. For example, if the entity expects to abandon an item of property, plant or equipment at a future date, it will need to adjust the depreciable period and write down the carrying amount of the asset to its residual value (if any) over the period up to that date. An entity's decision to change the expected use of an asset could also affect the composition of the CGU and, if it does, significant judgement may be needed to determine the point in time when this change in the CGU determination is reflected.

### 3.3. Disclosure

The more uncertainty there is, the more important it is for entities to provide detailed disclosure of the assumptions taken, the (preferably external) evidence they are based on and whether a reasonably possible change in the key assumptions could result in recognising impairment losses (sensitivity analysis).

#### How we see it

Management is required to assert that “reasonable and supportable assumptions that reflect the conditions existing at the reporting date” were used for impairment testing. We expect that many of these assumptions are significantly affected by geopolitical risks and uncertainties. As such, entities need to consider providing detailed disclosures about the key assumptions and sensitivities.

## 4. Fair value measurement

IFRS 13 *Fair Value Measurement* provides a definition of fair value and guidance that applies in all circumstances. Importantly, fair value is a market-based measurement, not an entity-specific measurement. Therefore, the reporting entity's intentions (e.g., to hold an asset or liability in a market downturn) or entity-specific assumptions are not considered and, instead, market participants' assumptions are used. IFRS 13's fair value hierarchy requires valuation techniques to maximise the use of observable inputs from orderly transactions and minimise the use of unobservable inputs. Consequently, even if the market for an asset has become less liquid (that is, less active), relevant prices or inputs observed from orderly transactions in these markets still need to be considered.

When valuations are subject to significant measurement uncertainty and there is a wider range of possible estimates of fair value measurement (FVM), the entity is required to apply judgement to determine the point within that range that is most representative of FVM in the circumstances. This requires, amongst others, considering the impact of the risk of default of the counterparty on FVM. An example is the credit valuation adjustment (CVA) applied to the valuation of commodity derivative contracts, which can be impacted by a rise in commodity prices, which may trigger severe increases in margin calls for counterparties with negative positions (and, therefore, increase their risk of default or affect the liquidity position of the entity).

While volatility in the financial markets may suggest that the prices are aberrations and do not reflect fair value, it would not be appropriate for an entity to disregard market prices at the measurement date, unless those prices are from transactions that are not orderly.

#### 4.1. Orderly transactions

The definition of fair value contemplates an orderly transaction, which is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities and it is not a forced transaction (e.g., a forced liquidation or distress sale). While volatility in the financial markets may suggest that the prices are aberrations and do not reflect fair value, it would not be appropriate for an entity to disregard market prices at the measurement date, unless those prices are from transactions that are not orderly. Evidence of whether a transaction is orderly needs to be evaluated when deciding the weight that is placed on the transaction price when estimating FVM or market risk premiums. If the observed price is based on a transaction that is determined to be forced or disorderly, little, if any, weight is placed on it compared with other indications of value.

The determination of whether a transaction is orderly is made at the individual transaction level and requires the use of judgement based on the available evidence from all relevant factors. While market factors such as an imbalance in supply and demand and liquidity constraints can affect the prices at which transactions occur in a given market, such an imbalance does not automatically indicate that the parties to a transaction were not knowledgeable and willing market participants or that a transaction was not orderly. IFRS 13 makes clear that fair value is a market-based measurement, not an entity-specific measurement, and notes that the reporting entity's intention to hold an asset or liability in a market downturn is not relevant.

#### 4.2. Active markets

A significant decrease in the volume of transactions in a market does not automatically imply that a market is no longer active. However, it can influence which valuation technique(s) are used, how those techniques are applied and whether inputs are observable at the measurement date. Similarly, increased complexity and judgement in measuring fair value does not automatically imply that fair value can no longer be reliably measured.

IFRS 13's fair value hierarchy requires valuation techniques to maximise the use of observable inputs from orderly transactions and minimise the use of unobservable inputs. Consequently, even if the market for an asset has become less liquid, relevant prices or inputs observed from orderly transactions in this market still need to be considered. It would be inappropriate for an entity to default solely to a model's value based on unobservable inputs, such as an income approach that uses only an entity's own inputs (a Level 3

measurement), when Level 2 (observable) information, for instance, recent transacted prices, is available. Judgement is required in assessing the relevance of observable market data and whether they reflect orderly transactions, particularly in situations when there has been a significant decrease in market activity for an asset or liability.

Further information on measuring fair value under IFRS 13 is available in Chapter 15 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).



#### How we see it

IFRS 13 provides relevant guidance on FVM of assets and liabilities in markets that have experienced significant volatilities or reduction in volume or activity. The application of this guidance to arrive at a reasonable estimate of FVM requires significant management judgement and relies on the robustness of the entity's FVM determination and review processes.

In certain cases, the changes to the existing valuation techniques and valuation adjustments required in response to the current market conditions may warrant assistance from external valuation specialists with the necessary expertise, experience and market knowledge.

Providing transparency on the techniques, key assumptions and inputs used in determining fair value, including the sensitivities by providing disclosures required by IFRS 13, is an integral part of FVM and key to enhancing the usefulness of financial reporting.

## 5. Financial instruments

IFRS 9 *Financial Instruments* and IFRS 7 *Financial instruments: Disclosures* deal with the accounting for financial instruments and the related disclosures.

### 5.1. Impairment

Entities with lending activities will need to consider the requirements in IFRS 9 when measuring expected credit losses (ECLs) on loans and trade receivables made, or committed, to other entities and individuals, and financial guarantees granted. Inflation and high interest rates may adversely impact the ability of borrowers to repay their debts and could trigger impairment losses. Entities will also need to consider ECLs relating to bank deposits and debt securities (including those issued by governments).

Many entities may be adversely affected by shortages, or rising prices, for commodities such as oil or gas, or by a potential slowdown in the global economy. There may also be consequential impacts on the credit quality of entities along the supply chain.

Some exposures are likely to have significantly increased in credit risk and would need to be measured based on lifetime expected credit losses.

Also, some guarantee contracts held, including those considered integral to the terms of a loan, may not cover some losses incurred due to exclusion of particular events. Therefore, when calculating the ECL on guaranteed loans, the conditions of the guarantee need to be carefully assessed.

The impact of the current economic uncertainty is incorporated into the ECL in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. Calculating a probability-weighted amount does not necessarily require a complex analysis or a detailed simulation of a large number of scenarios, and the standard suggests that relatively simple modelling may be sufficient. For instance, the average ECLs of a large group of financial instruments with shared risk characteristics may be a reasonable estimate of the probability-weighted amount. In other situations, the identification of scenarios that specify the amount and timing of the cash flows for particular outcomes, and the estimated probability of those outcomes, will probably be needed. In those situations, the ECLs are required to reflect at least two outcomes in accordance with the IFRS 9 requirements.

Additionally, the impact of uncertainty could be reflected through management overlays. Entities need to avoid double-counting the effects of various assumptions applied in the individual assessment, macroeconomic scenarios and management overlays. Judgement will also need to be exercised with regard to the timing of the release of the overlays created as a result of the current economic environment. It is important that there is acceptable evidence to support management's judgements relating to these overlays, and where significant, these judgements are disclosed (see Disclosures below).

If the payment terms of loans are extended, the effect will have to be assessed to determine the impacts on the staging classification and the ECL estimate, as well as any other accounting impacts (see also Contract modifications below). For example, the extension may be as a result of a significant increase in credit risk (resulting in the classification of the asset as stage 2), or it may be considered a concession that would result in the classification of the asset as credit-impaired (i.e., stage 3), depending on facts and circumstances.

For further information on impairment of financial assets see Chapter 47 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

## 5.2. Hedge accounting

Entities looking to protect themselves from rising interest rates may enter into interest derivatives (such as interest rate swaps) to hedge interest rate risk related to forecast debt issuances or existing variable-rate debt. Similarly, entities may enter into non-interest derivatives (such as options or forward contracts) in order to hedge themselves against rising energy or commodity prices. Entities that seek to apply hedge accounting to these transactions will need to consider the requirements of IFRS 9 (and potentially IAS 39 *Financial instruments: Recognition and Measurement* (IAS 39)), in particular, the requirements to qualify for hedge accounting. If positions are unhedged, rising interest rates are likely to result in increased interest costs.

Entities that hold derivative instruments, in particular, interest rate derivatives, may experience substantial gains or losses, which could affect collateral requirements, liquidity, profit and loss, or OCI, and, consequently, equity. In addition to measurement consequences, there are also disclosure consequences, such as the requirement to disclose the quality of collateral held, or a maturity analysis for derivative financial liabilities. Similarly, the valuation of other derivatives, such as commodity derivatives, may also be affected. Changes in a derivative counterparty's credit risk, or an entity's own non-

Business transactions may be postponed or cancelled, or they may occur in significantly lower volumes than initially forecast. If an entity has designated a transaction such as the purchase or sale of goods or the expected issuance of debt, as a hedged forecast transaction in a cash flow hedge, it will need to consider whether the transaction is still a 'highly probable forecast transaction' in order to be able to continue to apply cash flow hedge accounting.

performance risk, could also affect fair value estimates of derivatives. The hedge effectiveness of derivatives that are designated as hedging instruments will also need to be assessed.

Business transactions may be postponed or cancelled in response to geopolitical uncertainty, or they may occur in significantly lower volumes than initially forecast. If an entity has designated a transaction such as the purchase or sale of goods, or the expected issuance of debt, as a hedged forecast transaction in a cash flow hedge, it will need to consider whether the transaction:

- i. is still a 'highly probable forecast transaction' in order to be able to continue to apply cash flow hedge accounting;

Or

- ii. is still 'expected to occur' in order to allow the amounts accumulated in the cash flow hedge reserve to remain and not be recycled immediately to profit and loss.

It is also possible that counterparties to hedging instruments, or hedged items, may have increased significantly in credit risk, such that credit risk may now dominate the hedge relationship so that hedge accounting is not permitted. Furthermore, any hedging relationship involving currencies with restrictions applicable to settlement in that currency, will have to be considered carefully.

For further information on hedge accounting see Chapter 49 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

### 5.3. Asset classification and business model assessment

As a result of the current economic conditions, entities may decide to dispose of investments classified at amortised cost under IFRS 9, possibly driven by a deterioration of the credit quality of the borrower of a financial asset. If the sale is due to an increase in credit risk, this could still be consistent with the business model objective of 'hold-to-collect', because the credit quality of the financial asset is relevant to the entity's ability to collect contractual cash flows. The sale of a financial asset because it no longer meets the credit criteria specified in the entity's documented investment policy could be an example of a sale that would be consistent with the 'hold-to-collect' business model.

An increase in the frequency and value of sales in a particular period is not necessarily inconsistent with the objective to hold financial assets in order to collect contractual cash flows if an entity can explain the reasons for those sales, and demonstrate why sales in the future will be lower in frequency or value. However, in the current environment, where inflationary and interest rate pressures may be ongoing, any sales for liquidity reasons need to be reviewed with increased scrutiny, as it may be difficult to prove that they will not be repeated in the future.

Importantly, reclassifications triggered by a change in the business model for managing financial assets are expected to be very infrequent and will occur only in the rare cases when an entity either begins, or ceases, to perform an activity that is significant to its operations and is demonstrable to external parties (for example, an acquisition, disposal or termination of a business line). In such cases, the reclassification is applied prospectively from the reclassification date,

which is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

Further information on the reclassification of financial assets is available in Chapter 44 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

## 5.4. Contract modifications

Affected entities may experience cash flow challenges as a result of disruptions in their operations, higher operating costs or lost revenues. Such entities may need to obtain additional financing, amend the terms of existing debt agreements, or obtain waivers if they no longer satisfy debt covenants. In such cases, they will need to consider the guidance provided in IFRS 9 to determine whether any changes to existing contractual arrangements represent a substantial modification, or, potentially, a contract extinguishment, which would have accounting implications in each case. For financial liabilities, an entity derecognises the liability if the cash flows are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires) or if the terms of the instrument have substantially changed.

IFRS 9 provides guidance on determining if a modification of a financial liability is substantial, which includes a comparison of the cash flows before and after the modification, discounted at the original effective interest rate (EIR), commonly referred to as the '10% test'. If the difference between these discounted cash flows is more than 10%, the instrument is derecognised. However, other qualitative factors could lead to derecognition irrespective of the 10% test (e.g., if a debt is restructured to include an embedded equity instrument).

For financial assets, while IFRS 9 contains a number of factors that need to be assessed, including whether the right to cash flows from the asset have expired, or if the entity has transferred its right to receive the cash flows from the asset, the '10% test' is not explicitly required. However, when developing accounting policies, entities may include qualitative considerations and, in some cases, include the '10% test'. Nonetheless, the IFRS Interpretations Committee has indicated<sup>2</sup> that applying the '10% test' in isolation would not always be appropriate, because of potential inconsistencies with the impairment requirements in IFRS 9.

Further information on contract modifications is available in Chapter 46 and Chapter 48 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

## 5.5. Own use exemption

Entities that have revised their expectations on purchases or sales of non-financial items due to the current economic environment, need to consider how these changes affect the classification and measurement of such contracts and whether they continue to meet the so called 'normal purchase or sale exception' in IFRS 9. If a contract that was originally entered into as a normal purchase or

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<sup>2</sup> [IFRIC Update, September 2012](#), available on the IFRS Foundation's website

sale ceases to be held for that purpose at a later date, it is subsequently accounted for as a financial instrument under FRS 9. However, if the contract was not originally held for own use, and was accounted for under IFRS 9, subsequently begins to be held for own use, then it remains within the scope of IFRS 9.

Further information on the own use exemption is available in Chapter 41 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

## 5.6. Disclosures

IFRS 7 requires entities to provide disclosures in their financial statements that enable users to evaluate:

- The significance of financial instruments for the entity's financial position and performance
- And
- The nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks. These risks include credit, liquidity and market risk

In times of geopolitical uncertainty, disclosures of these risks are particularly relevant to users of the financial statements, with specific emphasis on liquidity risk.

### ***Current vulnerability due to concentration and liquidity risks***

In the current economic environment entities may be exposed to:

- Concentrations of risk (for example, investments or cash and cash equivalents held with only a limited number of financial institutions)
- Or
- Liquidity or refinancing risk

This risk is reflected in the financial statement disclosures. For example, paragraph 34(c) of IFRS 7 requires that concentration of risk is disclosed if not otherwise apparent from other risk disclosures provided. Similarly, IFRS 7.B11F requires disclosures such as funding sources, and lines of credit that can be accessed to meet liquidity needs, or concentrations of liquidity risk in the assets held. Entities need to be mindful that this disclosure is consistent with their assessment of the going concern assumption, and in severe cases of liquidity risk, significant judgements made relating to the going concern assumption will need to be disclosed.

### ***Significant judgements and estimates***

Given the inherent level of uncertainty and the sensitivity of the judgements and estimates involved, the disclosure of the key assumptions and judgements is important. Key disclosures relating to ECLs include, for example, the values of the key macroeconomic inputs used in the multiple economic scenario analysis and the probability weighting of these scenarios, as well as the assumptions used to determine how the different challenges for specific sectors have been taken into account, and the effect of any management overlays.

In addition, IFRS 13 requires a number of disclosures designed to provide users of financial statements with additional transparency regarding:

- The extent to which fair value is used to measure assets and liabilities
- Valuation techniques, inputs and assumptions used in measuring fair value

- The effect of Level 3 fair value measurements (using significant unobservable inputs) on profit or loss (or other comprehensive income)

As a consequence of the volatility caused by the current environment, and the resulting impact on fair values, these disclosures are of particular importance. See section 4 Fair Value Measurement for further considerations relating to fair value measurement.

Further information on financial instrument disclosures is available in Chapter 50 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global®](#).

## 6. Insurance recoveries

Entities often enter into insurance policies to reduce or mitigate the risk of loss arising from damage to, or loss of, assets or other events. However, careful consideration of those policies will be required to determine whether losses directly or indirectly attributable to geopolitical events are covered by insurance.

IAS 37 prohibits the recognition of contingent assets. In such a situation, the recognition of the insurance recovery will only be appropriate when its realisation is virtually certain, in which case, the insurance recovery is no longer a contingent asset.

### 6.1. Recognition

The accounting for insurance claims will differ based on a variety of factors, including the nature of the claim, the amount of proceeds (or anticipated proceeds) and the timing of the loss and corresponding insurance recovery. In addition, any accounting for insurance proceeds will be affected by the evaluation of coverage for that specific type of loss in a given situation, as well as an analysis of the ability of the insurer to satisfy a claim.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* prohibits the recognition of contingent assets. In such a situation, the recognition of the insurance recovery will only be appropriate when its realisation is virtually certain, in which case, the insurance recovery is no longer a contingent asset. In the context of a potential insurance recovery, determining that there is a valid insurance policy for the incident and a claim will be settled by the insurer, may require evidence confirming that the insurer will be covering the claim.

### 6.2. Measurement

Once it is established that it is virtually certain that the entity will be compensated under a valid insurance policy, any uncertainty as to the amount receivable is reflected in the measurement of the claim. The amount of a provision is not reduced by any expected reimbursement. Instead, the reimbursement is treated as a separate asset and the amount recognised for the reimbursement asset is not permitted to exceed the amount of the provision.

### 6.3. Presentation

'Netting off' is not allowed in the statement of financial position, with any insurance reimbursement asset classified separately from any provision. However, the expense relating to a provision can be shown in the income statement net of any corresponding reimbursement, to the extent that they occur in the same reporting period.

In accordance with IAS 7 *Statement of Cash Flows*, cash flows from operating activities are described as cash flows from the principal revenue-producing activities of the entity and other activities that are not investing or financing

activities. If the insurance proceeds are related to business interruption, the corresponding cash flows are classified as operating cash flows.



#### How we see it

The terms and conditions of an insurance policy are often complex. In the context of a potential insurance recovery, determining that there is a valid insurance policy for the incident and a claim will be settled by the insurer, may require evidence confirming that the insurer will be covering the claim.

## 7. Leases

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Entities account for lease contracts in accordance with IFRS 16 *Leases*. Increased interest rates may affect lease accounting because they increase a lessee's incremental borrowing rate, which is used to measure the lease liability for new leases, certain lease modifications and other events that require remeasurement (see below). An increase in the lessee's incremental borrowing rate will result in the recognition of a lower lease liability if all other variables are constant. As the incremental borrowing rate is lease specific, geopolitical risks may impact each lease and entity differently.

Leased assets, such as aircraft, real estate, shipping vessels or telecommunications equipment, may be impacted by geopolitical events. There may be indications that a lease has been terminated or modified, that the lease related asset (e.g., the underlying asset for lessors of operating leases, or the right-of-use asset for lessees) may be impaired or that the lease related asset's useful life and residual value need to be reviewed.

Lessees are required to reassess the lease term and, therefore, the lease liability, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. For example, a lessee may decide to exit certain properties in a region subject to geopolitical turmoil and, thus, change its conclusion on whether it will exercise future lease renewal options on these properties. In other situations, the lessor and lessee may agree to amend the terms of the lease contract given the economic volatility, resulting in a lease modification. Further information on accounting for changes to lease contracts, including lease modifications, is available in Chapter 24 of [International GAAP® 2026 - The global perspective on IFRS](#).

Further, entities need to monitor any laws or regulations governing their contracts to determine whether there are any changes to their rights and obligations arising from any new government measures, which may result in changes to the accounting for lease contracts.

## 8. Onerous contracts

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A contract is considered onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. If an entity has a contract that is onerous, IAS 37 requires the entity to recognise and

measure the present obligation under the contract as a provision. IAS 37 specifies which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

Geopolitical risks may result in entities having to consider loss-making customer contracts that become onerous and other contracts, such as for the supply of materials, for which the costs have increased. Supply chains, especially for commodities, may be disrupted in global events. For example, when a manufacturing entity has contracts to sell goods at a fixed price and it cannot deliver the goods itself without procuring them from a third party at a significantly higher cost, the provision for the onerous contract will reflect the lower of the penalty for terminating the contract or the present value of the net cost of fulfilling the contract (i.e., the excess of the cost to procure the goods over the consideration to be received). Contracts need to be reviewed to determine if there are any special terms that may relieve an entity of its obligations (e.g., *force majeure*). Contracts that can be cancelled without paying compensation to the other party do not become onerous unless there is a constructive obligation.

## 9. Assets held for sale, discontinued operations and restructurings

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Entities may decide to sell or abandon certain assets or execute a restructuring plan as a result of geopolitical concerns and economic uncertainty.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* addresses the presentation and measurement of non-current assets and disposal groups that are expected to be recovered by disposal rather than through continuing use. Such assets and disposal groups are classified as held for sale and written down to the lower of carrying amount and fair value less costs to sell. Depreciation and amortisation cease and the assets are presented separately in the statement of financial position. Assets or disposal groups that are to be abandoned are not classified as held for sale, but results and cash flows from a disposal group that is to be abandoned may be presented as discontinued operations once it ceases to be used, if certain criteria are met. IFRS 5 also deals with the presentation and disclosure of discontinued operations.

Further information on IFRS 5 is available in Chapter 5 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

A restructuring is planned and controlled by management and materially changes either the scope of a business undertaken by an entity or the manner in which business is conducted. The following examples may fall within the definition of a restructuring:

- Sale or termination of a line of business
- Closure of a business location in a country or region or relocation of business activities from one country or region to another
- Changes in management structure, for example, eliminating a layer of management
- Fundamental reorganisations that have a material effect on the nature and focus of an entity's operations

Restructuring costs are recognised only when the general recognition criterion in IAS 37 is met, i.e., there is a present obligation (legal or constructive) as a result of a past event, in respect of which a reliable estimate of the probable cost can be made.

Restructuring costs are recognised only when the general recognition criterion in IAS 37 is met, i.e., there is a present obligation (legal or constructive) as a result of a past event, in respect of which a reliable estimate of the probable cost can be made. For constructive obligations to restructure, IAS 37 also requires that the entity has a detailed formal plan and has raised a valid expectation with the parties affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. In order for an announced plan to give rise to a constructive obligation, its implementation needs to begin as soon as possible and to be completed in a timeframe that makes significant changes to the plan unlikely.

Further information on IAS 37 is available in Chapter 27 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

## 10. Inventories

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IAS 2 *Inventories* generally requires entities to account for inventories at the lower of cost and net realisable value (NRV). Estimates of NRV may be subject to more estimation uncertainty currently, and determining the appropriate assumptions may require significant judgement. In some cases, entities may need to write off their inventories. For example, entities may need to dispose of goods they are unable to store or cannot sell. Other entities may have to determine whether to write down their inventories to NRV if they become wholly or partially obsolete, or if their selling prices have declined.

Some entities may have lower levels of production or an idle plant, for example, due to lower demand or forced closures. If production volumes are lower than usual, entities do not increase the amount of fixed overhead costs allocated to each unit of production. Rather, any unallocated overheads are recognised as an expense in the period in which they are incurred.

Disclosures about inventories, including the measurement bases used, assist users in understanding how transactions, events and conditions are reflected in the financial statements and the sensitivity to change. At a minimum, entities will need to disclose the amount of any write-down of inventories recognised in profit or loss in annual financial statements and, if significant, in interim financial statements. Further information on inventories is available in Chapter 23 of [International GAAP® 2026 - The global perspective on IFRS](#).

## 11. Revenue recognition

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Entities account for revenue from contracts with customers under IFRS 15 *Revenue from Contracts with Customers*.

Estimates of variable consideration in new and ongoing customer contracts will need to be evaluated, including reassessment of the constraint. Examples of variable consideration estimates that may have changed include expectations about returns of goods, contract volumes and whether an entity will meet contractual conditions for performance bonuses or penalties. Estimates made at contract inception are required to be updated throughout the term of the contract to depict conditions that exist at each reporting date, including any amounts that are constrained, to reflect revised expectations about the amount of consideration to which the entity expects to be entitled.

Changes to the transaction price that relate to a change in estimates of variable consideration (and are not the result of contract modifications, which

are discussed below) are generally allocated to the performance obligations in the contract on the same basis as their initial allocation.

This could result in either an increase or decrease in revenue in relation to a satisfied performance obligation or in cumulative revenue recognised for a partially satisfied over-time performance obligation. Entities using the variable consideration allocation exception are also required to consider whether they can continue to apply this exception.<sup>3</sup>

Uncertainties may prompt entities to modify contracts with customers. Customers and entities may be more likely to terminate contracts, which is also a form of contract modification under IFRS 15, or *force majeure* clauses may be triggered. Identifying whether a modification has occurred (whether explicit or implied by customary business practice) and determining how to account for it may require significant judgement. When an IFRS 15 contract is modified, an entity may also need to reassess the contract criteria in paragraph 9 of IFRS 15 for the modified contract, as well as the contract's duration (i.e., the period in which parties to the contract have present enforceable rights and obligations).

There may be an impact on customers' ability and intent to pay, and/or entities may be more willing to accept partial payment or extend payment terms. Entities will need to determine how to account for these circumstances. Specifically, entities will need to consider the effects on their IFRS 15 collectability assessments, estimates of variable consideration, the subsequent impairment measurement of any contract assets or trade receivables under the expected credit loss model in IFRS 9, as well as impairment of related contract cost assets and identification of significant financing components. In addition, entities entering into new contracts with customers will need to carefully consider their customers' ability and intent to pay.

Entities need to consider whether uncertainties or changes in business practices require their revenue disclosures to be enhanced. For example, if an entity estimates variable consideration (including application of the constraint), it is required to disclose information about the methods, inputs and assumptions used. Entities also need to disclose certain information about their performance obligations, including when performance obligations are satisfied in a bill-and-hold arrangement, and significant payment terms. Furthermore, entities need to consider the requirements to disclose the judgements and changes in judgements that significantly affect the determination of the amount and timing of revenue.

Further information on revenue is available in Chapter 28 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

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<sup>3</sup> If the criteria for its application are met, this exception requires variable consideration to be allocated entirely to a specific part of a contract, such as one or more (but not all) performance obligations in the contract (e.g., a bonus might be contingent on an entity transferring a promised good or service within a specified period of time) or one or more (but not all) distinct goods or services promised in a series of distinct goods or services that form part of a single performance obligation.

## 12. Foreign currency movements and hyperinflation

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### 12.1. Foreign currency

A lack of exchangeability might arise when a government imposes foreign exchange controls that prohibit the exchange of a currency or that limit the volume of foreign currency transactions, in response to macro-economic instability and balance-of-payments problems. In addition, the currencies of hyperinflationary economies often experience a lack of exchangeability. If a currency lacks exchangeability, it can be difficult to determine an appropriate exchange rate to use. Further information on foreign exchange, including lack of exchangeability, is available in Chapter 16 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

### 12.2. Hyperinflation

Given the high inflation rates in many areas, entities with foreign operations need to monitor inflation rates in the foreign countries in which they operate. If a foreign entity's local economy becomes hyperinflationary and the local currency is also the functional currency, the entity will need to apply IAS 29 *Financial Reporting in Hyperinflationary Economies*.

Our publication on hyperinflationary economies contains a list of countries that are considered hyperinflationary for IFRS purposes, as well as economies that are not currently hyperinflationary for IFRS purposes but should be monitored. The latest version can be downloaded at [ey.com/ifrs](http://ey.com/ifrs).

## 13. Investments in subsidiaries, associates and joint ventures

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Entities may have investments in subsidiaries, associates or joint ventures that operate in locations that are directly impacted by global events.

### 13.1. Investments in associates or joint ventures

The investor in an associate or joint venture considers whether the net investment in an associate or joint venture is impaired if there is objective evidence of impairment as a result of events that occurred after the initial recognition of the net investment that have an impact on the estimated future cash flows that can be reliably estimated. Losses expected because of future events are not recognised. Objective evidence that the net investment is impaired comprises observable data about loss events including: significant financial difficulty of the associate or joint venture; a breach of contract, such as a default or delinquency in payments by the associate or joint venture; the entity grants the associate or joint venture a concession that it would not otherwise consider; it becomes probable that the associate or joint venture will enter into bankruptcy or another financial reorganisation, or other events that indicate a significant deterioration in the associate's or joint venture's ability to generate cash flows, including outages that materially disrupt its operations.

Entities with associates and joint arrangements (including both joint operations and joint ventures) that are significantly affected, may also need to consider

whether the assessments of significant influence and joint control are still appropriate.

Further information is available in Chapter 12 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

### 13.2. Investments in subsidiaries

Entities with subsidiaries that are significantly affected will need to consider whether the facts and circumstances indicate that control should be reassessed.

Investments in subsidiaries are accounted for in accordance with IFRS 10 *Consolidated Financial Statements*. IFRS 10 clarifies that an investor is required to reassess whether it controls an investee if the facts and circumstances indicate that there are changes to one of the three elements of control, being power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. Entities with subsidiaries that are significantly affected will need to consider whether the facts and circumstances indicate that control needs to be reassessed. For example, a subsidiary may be subject to nationalisation, or the parent entity may lose its ability to have board representation, control of the board or even have difficulty with exercising physical control over some or all of the assets of the subsidiary.

Potential loss of control or significant influence may also occur because of sanctions or restricted access to the management of entities.

Further information is available in Chapter 7 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

### 13.3. Non-coterminous accounting periods

When geopolitical events delay the availability of financial information from subsidiaries, associates or joint ventures, entities assess the impact of those delays on the accounting for their interests. This includes considering the use of the most recent available financial information, the effect of any non-coterminous reporting dates (within the permitted three-month period), and whether material transactions or events occurring between the reporting dates have been reflected in the reported amounts.

### 13.4. Disclosures

Entities disclose information, where relevant, about the nature, risks and financial effects of their interests in other entities that are affected by geopolitical events. This includes explaining significant restrictions on the ability of those entities to transfer cash or access assets, the key risks and exposures arising from the interests, including exposure to losses, commitments or support arrangements.

Further information is available in Chapter 14 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

## 14 Employee benefits

When geopolitical risks result in higher inflation and interest rates, these may also impact the recognition and measurement of employee benefits in accordance with IAS 19 *Employee Benefits*. For example, higher bond yields used to determine discount rates may result in a decrease in pension plan obligations.

Management also needs to ensure that any changes to regulatory requirements or government policies in response to the effects of geopolitical risks are reflected in the accounting for employee benefits. This can be particularly challenging for entities operating in many countries.

### **14.1. Recognition of termination benefits**

Due to economic conditions, an entity may need to terminate employees' employment before the normal retirement date. In that case, an entity recognises termination benefits as a liability and an expense at the earlier of the following dates: when it can no longer withdraw the offer of those benefits; or when it recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. The standard notes that when an entity recognises termination benefits, it may also have to account for a plan amendment or a curtailment of other employee benefits.

### **14.2. Measurement of defined benefit plans**

IAS 19 requires that the present value of defined benefit obligations and the fair value of plan assets are determined frequently enough to ensure that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period. Much could depend on what is considered to be a 'material change'. However, this value is expressly intended to include changes in market prices (hence, requiring asset values to be those at the end of the reporting period) and interest rates, as well as changes to other actuarial assumptions (such as employee turnover or expected future salary increases). If there are significant changes to pension arrangements during the interim period (such as changes resulting from a material business combination or from a major redundancy programme), a new actuarial valuation is performed using the projected unit credit method. Further information on accounting for employee benefits is available in Chapter 31 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

## **15. Share-based payments**

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### **15.1. Valuation of share-based payment awards**

IFRS 2 *Share-based Payment* require entities that grant equity-settled share-based payment awards to employees and others providing similar services to be measured based on the fair value of the equity instruments at grant date. Fair value is based on market prices if available. In the absence of market prices, a valuation technique (e.g., option pricing model to value options granted) is used to estimate what the market price is on the measurement date in an arm's length transaction between informed and willing parties. The current economic environment may impact inputs to a valuation technique, such as the risk-free interest rate and expected volatility of the share price, that may require more judgement to determine and have a greater impact on the fair value than in periods of stable economic environment. Appendix B to IFRS 2 contains detailed guidance on estimating the fair value of equity instruments granted.

### **15.2. Modification and cancellation of awards**

Entities may amend the terms and conditions of share-based payment arrangements to keep employees and others providing similar services

incentivised in the current economic environment. If amendments (e.g., a change in the earnings target for performance-based awards or the exercise price) to the terms and conditions of an award change the fair value, vesting conditions or classification of an award, the entity is required to apply modification accounting. For equity-settled share-based payment awards, paragraph 27 of IFRS 2 requires that, at a minimum, the entity recognises the services received measured at grant date fair value (i.e., based on the original terms) unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. When the effect of the modification increases the value of the award to an employee (e.g., by increasing the number of equity instruments subject to the award or, in the case of an option, by reducing the exercise price), the incremental fair value is recognised as a cost. The incremental fair value is the difference between the fair value of the original award and that of the modified award, both measured at the date of modification. If entities or employees cancel any equity-settled share-based payment arrangements during the vesting period, the cancellation is accounted for as an acceleration of vesting and the entity, therefore, recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period. However, if a new equity instrument is granted and identified as a replacement for the cancelled award, the entity accounts for the granting of the replacement equity instruments in the same way as a modification of the original grant of equity instruments.

For cash-settled share-based payment awards, IFRS 2 provides guidance for modifications that change the classification of an award from cash-settled to equity-settled. The standard provides no specific guidance on other modification or cancellation of cash-settled awards because cash-settled awards are accounted for using a full fair value model. When modifications occur, the liability recognised at and after the point of modification will be based on its new fair value, with the effect of any movement in the liability recognised immediately. Similarly, if an award is settled, the liability will be derecognised, and any gain or loss on settlement is recognised immediately in profit or loss. When an award is cancelled, the liability will be derecognised, with a credit immediately recognised in profit or loss. Modifying or cancelling equity-settled or cash-settled share-based payment awards may have tax consequences. Further information on accounting for share-based payments is available in Chapter 30 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

## 16. Government grants

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IAS 20 *Accounting for Government Grants and Government Assistance* applies to the accounting for, and the disclosure of, government grants and to the disclosure of other forms of government assistance. The distinction between government grants and other forms of government assistance is important because the standard's recognition and measurement requirements only apply to the former. Government grants are a specific form of government assistance and relate to the transfers of resources to an entity in return for past or future compliance with certain conditions relating to the entity's operating activities. When a government implements measures to address the current geopolitical and economic uncertainty, entities may need to consider whether there have

been changes to government grants or other forms of government assistance that may impact the financial statements or require further disclosures.

## 17. Going concern

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The going concern assessment needs to be performed up to the date on which the financial statements are issued.

IAS 1 *Presentation of Financial Statements* requires management, when preparing financial statements, to make an assessment of an entity's ability to continue as a going concern, and whether the going concern assumption is appropriate. Furthermore, disclosures are required when the going concern basis is not used or when management is aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Disclosure is also required when the judgement applied in determining the existence of a material uncertainty is significant.

In assessing whether the going concern assumption is appropriate, the standard requires that all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period, needs to be taken into account. This assessment needs to be performed up to the date on which the financial statements are authorised for issue.

### 17.1. Judgement

Management is required to assess the entity's ability to continue as a going concern. In making the assessment, management may need to consider factors that relate to the entity's current and expected profitability, the timing of repayment of existing financing facilities and the potential sources of replacement financing. There may be a wide range of factors that can affect an entity's going concern assessment. Examples of factors that may need to be considered include:

- Loss of significant customer base/decrease in demand for products or services
- Loss of significant production sites/critical suppliers
- Inability to sell products through established channels
- Possible restrictions on activities (including financing activities)
- The effects of longer-term structural changes in the market, including supply chain disruption
- Impact of rising commodity prices

Management takes into consideration the existing and anticipated effects of geopolitical concerns and economic uncertainty on the entity's activities in its assessment of the appropriateness of the use of the going concern basis. For example, when an entity has a history of profitable operations and relies on external financing resources, but its operations have been suspended before or after the reporting date, management would need to consider a wide range of factors including expected impact on liquidity and profitability before it can satisfy itself that the going concern basis is still appropriate. IAS 1 requires management to take into account all available information about the future.

There might be rapid changes in the circumstances affecting management's assessment of the entity's ability to continue as a going concern. For this reason, management needs to consider all available information about the

future which was obtained after the reporting period up to the date that the financial statements are authorised for issue, including measures taken by governments and other entities in response to specific situations. That is, the financial statements are not prepared on a going concern basis if, before they are authorised for issue, circumstances were to deteriorate such that management no longer has a realistic alternative to ceasing trading, even if the assessment at the end of the reporting period supported the application of the going concern basis.

## 17.2. Disclosure

There may be material uncertainties that cast significant doubt on the entity's ability to operate under the going concern basis. When an entity prepares financial statements, it is required to disclose these material uncertainties in the financial statements in order to make clear to readers that the going concern assumption used by management is subject to such material uncertainties.

The IFRS Foundation document [Going concern - A focus on disclosure](#) highlights some of the points above regarding the requirements in IFRS that are relevant to an entity's assessment of its ability to continue as a going concern and the respective disclosures. This educational document is a helpful reminder of the assessments that management needs to make and key disclosures that may apply.



### How we see it

The degree of consideration needed, the conclusion reached, and the required level of disclosure in respect of the going concern assessment will depend on the facts and circumstances in each case, because not all entities will be affected in the same manner and to the same extent. Significant judgement may be required given the uncertainties referred to above. Continual updates to the assessments are required up to the date the financial statements are authorised for issue.

## 18. Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. IAS 10 *Events after the Reporting Period* makes a distinction between adjusting and non-adjusting events after the reporting period. The principal issues are how to determine which events after the reporting period are to be reflected in the financial statements as adjusting events and, for non-adjusting events, what additional disclosures need to be provided.

Determining whether events are adjusting or non-adjusting depends on whether the event provides evidence of conditions that existed at the end of the reporting period or is indicative of conditions that arose after the reporting period. This assessment will in, many cases, be highly judgemental, and entities need to, therefore, consider whether disclosures about this judgement are required.

If management concludes an event is a non-adjusting event, but the impact of it is material, the entity is required to disclose the nature of the event and an estimate of its financial effect. If an estimate cannot be made, then the entity is required to disclose that fact.

## 19. Other financial statement presentation and disclosure requirements

An entity's ability to meet the covenant requirements included in long-term loan arrangements may be affected. IAS 1 requires that, when an entity breaches a covenant on or before the period end, with the effect that the liability becomes payable on demand, it is classified as a current liability. If an entity is only required to comply with a covenant after the reporting period (i.e. a future covenant), that covenant does not affect whether the entity's right to defer settlement exists at the end of the reporting period, and therefore, the classification as current or non-current. Further guidance on the classification of liabilities as current or non-current can be found in Chapter 3 of [International GAAP® 2026 - The global perspective on IFRS | EY - Global](#).

### 19.1. Disclosure

The financial statement disclosure requirements will vary depending on the magnitude of the financial impact and the availability of information. Paragraph 31 of IAS 1 requires an entity to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS accounting standards is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance. Because there may be obligations or uncertainties that an entity may not have previously recognised or disclosed, an entity needs to consider whether to disclose additional information in the financial statements to explain the impact on areas that might include provisions and contingent assets/liabilities, in addition to asset impairments after the reporting period as discussed above.

In relation to the assumptions and estimation uncertainty associated with the measurement of various assets and liabilities in the financial statements, there may be additional risks that the carrying amounts of assets and liabilities may require material adjustments within the next financial year. Therefore, entities need to carefully consider whether additional disclosures are necessary in order to help users of financial statements understand the judgement applied in the financial statements. Such disclosure may include, for a financial statement item with a carrying amount that is more volatile currently, sensitivity analyses indicating how carrying amounts are impacted by the methods, assumptions and estimates underlying their calculation.



#### How we see it

Entities need to consider the magnitude of the impact caused by current risks to their businesses and adequately disclose the information about those assets and liabilities that are subject to significant estimation uncertainty, in order to provide users with a better understanding of the financial impact.

## 20. Interim reporting considerations

In accordance with IAS 34, an entity is required to include in its interim financial report, an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.

In accordance with IAS 34 *Interim Financial Statements*, an entity is required to include in its interim financial report, an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period. Also, an entity is required to include explanations regarding the nature and amount of items affecting assets, liabilities, equity, net income and cash flows that are unusual because of their nature, size or incidence. Information disclosed in relation to such events and transactions also includes updates of the relevant information provided in the most recent annual financial report.

IAS 34 sets out a number of required disclosures as well as a non-exhaustive list of events and transactions for which disclosures would be required if they are significant. For example, when significant, an entity needs to disclose changes in the business or economic circumstances that affect the fair value of its financial assets and financial liabilities, whether those assets or liabilities are recognised at fair value or amortised cost. In addition, an entity is also required to disclose any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period and transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments when significant.

Furthermore, although IAS 34 does not contain a detailed requirement to include sensitivity disclosures, as discussed above, if the range of reasonably possible changes in key assumptions has significantly changed since the end of the last annual reporting period, an update of relevant sensitivity disclosures may be required.

The standard presumes a user of an entity's interim financial report will have access to the most recent annual financial report of that entity. Therefore, it is unnecessary for the notes to an interim financial report to provide relatively insignificant updates to the information that was reported in the notes in the most recent annual financial report. However, in some cases, the information included in the last annual financial reports may no longer be relevant. Therefore, entities may have to provide updated disclosures or add information on topics discussed in this publication for interim financial reporting purposes.

While other standards specify disclosures required in a complete set of financial statements, if an entity's interim financial report includes only condensed financial statements, as described in IAS 34, then the disclosures required by those other standards are not mandatory. In light of these requirements and depending on the entity-specific facts and circumstances, higher-level disclosures may be sufficient in condensed interim financial statements. However, if disclosure is considered to be necessary in the context of an interim report, those other standards provide guidance on the appropriate disclosures for many of these items.

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