
Accounting Standards Advisory Forum meeting

Date **May 2025**

Project **Climate-related and Other Uncertainties in the Financial Statements**

Topic **Transition**

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Accounting Standards Advisory Forum, May 2025, Agenda Paper 1H

This paper was discussed at the International Accounting Standards Board's (IASB's) May 2025 meeting as Agenda Paper 14H. The agenda papers referred to in this paper are the other agenda papers for the IASB's May 2025 meeting.

Introduction and purpose

1. The purpose of this meeting is to provide the IASB with the staff's preliminary analysis of the feedback on the [Exposure Draft](#) *Climate-related and Other Uncertainties in the Financial Statements*, published in July 2024.
2. Agenda Paper 14 sets out the structure of the agenda papers for this meeting.
3. This paper provides the staff's preliminary analysis of the feedback related to transition and effective date.
4. We are not asking the IASB to make any decisions at this meeting. However, comments from IASB members on the preliminary analysis included in this paper will help us develop our recommendations for the direction of this project.

Structure of this paper

5. This paper includes:
- (a) background on transition and effective date (paragraphs 6–10); and
 - (b) a summary of the feedback on these considerations and the staff’s preliminary analysis of that feedback (paragraphs 11–23).

Transition and effective date

Background

6. Paragraphs BC46–BC49 of the Basis for Conclusions on the Exposure Draft explain the considerations regarding transition and effective date of the proposed illustrative examples. These paragraphs are reproduced in paragraphs 7–10.
7. Materials accompanying IFRS Accounting Standards, including illustrative examples, are not an integral part of those Standards and, as such, do not have an effective date or transition requirements.
8. The IASB expects that the illustrative examples might:
- (a) help entities make materiality judgements and provide information in financial statements that meets the needs of users of those financial statements; and
 - (b) provide additional insights into how to apply the disclosure requirements in IFRS Accounting Standards.
9. The IASB noted that an entity applies judgement in determining which information is material and, therefore, is required to be disclosed in its financial statements. An entity reassesses these judgements at each reporting date. Information that was previously immaterial might become material, or the other way around, as an entity’s circumstances or its external environment change.

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10. The IASB expects entities to be entitled to sufficient time to implement any changes to the information disclosed in their financial statements as a result of the issuance of the illustrative examples. Determining how much time is sufficient is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless, an entity would be expected to implement any change on a timely basis.

Summary of feedback and staff's preliminary analysis

Feedback summary

11. Some respondents provided feedback on transition and effective date. Most of these respondents appreciated the IASB's explanation that it expects entities to be entitled to sufficient time to implement any changes resulting from the issuance of the illustrative examples. However, a standard-setter asked the IASB to clarify what 'sufficient time' means.
12. Some respondents said that the expectation that entities would be entitled to sufficient time to implement any changes is similar to that regarding the implementation of agenda decisions published by the IFRS Interpretations Committee. An accountant suggested that the IFRS Foundation consider amending its *Due Process Handbook* to clarify whether this expectation extends to explanatory material contained in illustrative examples.
13. A few standard-setters suggested setting an effective date and transition requirements to ensure entities have sufficient time to respond to any changes resulting from issuing illustrative examples. In particular, one of these standard-setters said that ensuring entities have sufficient time is important because, in that standard-setter's view, some of the proposed illustrative examples provide interpretations that are different from existing practice.
14. However, a few regulators and a standard-setter suggested clarifying that entities should implement any changes to their reporting as soon as possible. In their view,

preparers will not face substantial challenges when implementing any changes resulting from issuing the illustrative examples.

15. A few respondents suggested clarifying that providing additional disclosures after considering the illustrative examples would not be considered the correction of an error.
16. A few respondents suggested that the IASB carefully consider when to issue any illustrative examples to avoid undue disruption to entities with varying reporting dates.

Staff's preliminary analysis

Sufficient time

17. We continue to agree with the explanations included in Basis for Conclusions for the Exposure Draft (reproduced in paragraphs 6–10 of this paper). If the IASB decides to issue the examples, we think it could carry these explanations forward to the Basis for Conclusion accompanying the examples. In particular, its explanations that:
 - (a) illustrative examples accompanying IFRS Accounting Standards do not change the requirements in the Standards and, as such, do not have an effective date or transition requirements; but
 - (b) because the illustrative examples might provide new insights into how to apply disclosure requirements in the Standards, entities should be entitled to sufficient time to implement any changes to the information disclosed in their financial statements as a result of the issuance of the illustrative examples.
18. In our view, it is unnecessary to amend the IFRS Foundation *Due Process Handbook* for the IASB to express its expectation that entities should be entitled to sufficient time to implement any changes to the information disclosed in their financial statements as a result of the issuance of the examples (for example, an entity may

need to obtain new information to make these changes).¹ Although the *Due Process Handbook* makes a similar observation in the context of changes resulting from explanatory material in an agenda decision, we think the same principle applies to changes resulting from the issuance of the examples.

19. As noted in paragraph 18, the notion of sufficient time already exists in the *Due Process Handbook* in the context of changes in accounting policies resulting from explanatory material included in agenda decisions. The notion of sufficient time has been applied for many years and, in our view, is already well understood in practice. However, to help address respondents' concerns, we think the IASB could expand its explanations in the Basis for Conclusions about how it considered this matter in developing the examples to include explanations similar to those in the paragraph 8.6 of the *Due Process Handbook*, specifically:
- (a) that determining how much time is sufficient to implement any changes to the information disclosed in financial statements as a result of the issuance of the illustrative examples is a matter of judgement that depends on an entity's particular facts and circumstances; and
 - (b) that an entity would nonetheless be expected to implement any such changes on a timely basis.

Correction of errors

20. Paragraph 5 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* defines prior period errors as:

... omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

¹ The Due Process Oversight Committee (DPOC) of the Trustees of the IFRS Foundation will consider feedback on [proposed amendments](#) to the *Due Process Handbook* during the second half of 2025. We have shared the respondent's comment to the IFRS Foundation governance team.

(a) was available when financial statements for those periods were authorised for issue; and

(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements...

21. We expect that in some cases the illustrative examples will provide additional insights that might change an entity's understanding of the principles and requirements in IFRS Accounting Standards and, in particular, how an entity makes judgements about whether information is material and should be provided in financial statements. Those additional insights might therefore constitute information that was not available to an entity before the publication of these examples. Because of these new insights, the entity might determine that it needs to change an accounting policy to provide additional disclosures. The entity might also provide additional disclosures as it reassesses its materiality judgements in the current reporting period considering these additional insights and any changes in its circumstances and external environment. In those cases, providing additional disclosures would not represent the correction of a prior period error.
22. Similarly to our explanation in paragraph 19, we think the IASB could expand its explanations in the Basis for Conclusions accompanying the examples to help address respondents' concerns.

Timing of publication

23. If the IASB decides to issue the examples, we expect it would be able to do so by the end of October 2025. Annual reporting periods vary across entities and jurisdictions, with year-end dates occurring throughout the calendar year. Therefore, it would be difficult to issue the examples at a time that would be convenient for all entities.

Question for the IASB

Question for IASB members

Do you have any comments on the staff's preliminary analysis included in this paper?