Year-End Financial Reporting Reminders

Extract, IFRS® Accounting Standards Discussion Group Report on the Meeting – December 9, 2025

YEAR-END FINANCIAL REPORTING REMINDERS

Background

The Group discussed several topics relating to the preparation of an entity's 2025 year-end financial statements.

Issue 1: CSA Staff Notice 51-366 Regulatory Concerns with Certain Asset or Business Combinations

Analysis

On July 3, 2025, the Canadian Securities Administrators (CSA) issued CSA Staff Notice 51-366 Regulatory Concerns with Certain Asset or Business Acquisitions. This Staff Notice addresses regulatory concerns about certain transactions when reporting issuers distribute many securities to acquire assets or businesses that appear to have little or no real value or operating history and are priced at what appear to be significantly inflated prices. This Staff Notice illustrates the key regulatory and investor protection concerns, including concerns with misleading disclosures that could constitute market manipulation. These types of transactions are primarily undertaken by venture issuers.

This Staff Notice describes attributes of acquisitions that securities regulators are typically concerned with. These include acquisitions when:

a. a significant number of securities are issued that have either no resale restrictions or a short hold period to acquire an asset or business having little or no actual value; and/or

b. an asset or business with little or no actual value or operating history is acquired at what appears to be a significantly inflated price. The reporting issuer (or acquirer) ascribes significant value to the asset or business acquired but then provides subsequent continuous disclosure that calls into question the reasonableness of the ascribed value and that indicates that the acquired business or asset:

   - has minimal carrying value;
   - is at a very early stage of development; or
   - was recently acquired by a vendor from a third party with the vendor having made significant expenditures to develop the asset or advance the business prior to selling to the reporting issuer.

Key regulatory concerns relate to whether:

a. the reporting issuer's continuous disclosure record is potentially misleading or contains a misrepresentation;

b. there is a lack of a reasonable basis for the value initially ascribed to the asset or business being acquired;

c. the reporting issuer has recorded all, or a substantial portion, of the consideration transferred as intangible assets or goodwill based on unreasonable and/or unsupportable assumptions and has impaired substantially all of the value assigned to the intangible assets or goodwill in a short period of time after the acquisition;

d. promotional campaigns about the acquisition are truthful and balanced; and

e. the ascribed value is based on reasonable and supportable valuations.

From a financial statement perspective, there is concern related to the entity issuing many securities and then recording of an impairment of goodwill or intangible assets shortly after completing the business combination or asset acquisition. This raises questions about the economic substance of these types of transactions and the appropriate application of the relevant accounting standards. The Staff Notice notes that the IFRS Accounting Standards that are generally most applicable to these types of transactions are IFRS 2 *Share-based Payment*, IFRS 3 *Business Combinations*, IAS 36 *Impairment of Assets*, and IAS 38 *Intangible Assets*. The Staff Notice states that reporting issuers should ensure they provide all the disclosures IFRS Accounting Standards require on these types of transaction in their financial statements.

The management discussion and analysis (MD&A) considerations should focus on providing sufficient discussion of the nature of goodwill or intangible assets, and any associated impairment losses. To meet the requirements of Ontario Securities Commission Form 51-102F1, and to ensure that disclosure is not misleading, the reporting entity should include sufficient MD&A disclosure to assist the reader in understanding the nature of the transaction and the effect on the reporting entity's continuing operations. If there is a significant impairment recorded shortly after the transaction, the MD&A should include an analysis of the impairment loss to supplement the disclosures in the financial statements. For example, this may include changes from the methodologies, key inputs or assumptions utilized in the purchase price allocation or impairment analysis at the acquisition date.

While this Staff Notice was issued to be applicable for reporting issuers, the issue is also relevant to non-registrants who enter these types of transactions.

Financial reporting considerations

Paragraph 37 of IFRS 3 states: "The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer." In business combinations or asset acquisitions with the attributes noted in the Staff Notice, determining the fair value of the equity interests issued may be a matter of judgment (e.g., when the equity instruments are not quoted in an active market).

Similarly, for an asset acquisition that does not represent a business combination, there may be considerations related to determining the fair value of the assets acquired, including the assumptions used in determining fair value. An entity might need to measure the asset acquired by reference to the fair value of the equity instruments granted if it cannot reasonably estimate the fair value of the asset acquired (paragraph 10 of IFRS 2).

Acquirers should assess whether experts are required to assist in the fair value determinations for the consideration transferred and for the determination of fair value of assets acquired, including identified intangible assets.

Paragraph 12 of IAS 36 lists indicators an entity is required to consider when assessing whether there is an indication that an asset may be impaired. These indicators apply to identifiable intangible assets recognized. In relation to external sources of information, one of the indicators is that the carrying amount of net assets of the entity is more than its market capitalization (paragraph 12(d)). An annual impairment test is also required for goodwill and indefinite lived intangible assets. Given the attributes of these business combinations and asset acquisitions, reporting issuers need to carefully consider the impairment indicators that may exist, after having applied appropriate judgment and consideration in the initial recognition of the business combination or asset acquisition.

Disclosure considerations

Entities might need to consider disclosing the following when they acquire assets or businesses:

- Qualitative description of the factors that make up the goodwill recognized (paragraph B64(e) of IFRS 3).
- Fair value of the acquisition-date consideration issued in these types of business combinations (paragraph B64(f) of IFRS 3) and when it includes significant management judgment, disclose those judgments (e.g., when the entity issues equity instruments that are not quoted in an active market).
- Disclosure considerations with respect to valuation estimation (IFRS 13 *Fair Value Measurement* and IFRS 2).

The Group's Discussion

The Group agreed with the analysis. Some Group members highlighted that determining whether a transaction is a business combination or an asset acquisition is an important first step that often requires the entity to apply judgment. They noted that this determination is important as different accounting requirements apply to business combinations and asset acquisitions.

One Group member highlighted that in the case of an asset acquisition when the acquirer issues shares as payment, the entity should apply the requirements in IFRS 2 to recognize and measure the transaction. In accordance with IFRS 2, the acquirer should measure the assets received and the corresponding increase in equity at the fair value of the assets received. This is based on the rebuttable presumption that the fair value of the goods or services received can be estimated reliably. If an entity rebuts this presumption (i.e., because it cannot estimate reliably the fair value of the assets received), it should measure the assets received, and the corresponding increase in equity, by reference to the fair value of the equity instruments granted.[1] Also, if an entity rebuts this presumption, paragraph 49 of IFRS 2 requires it to disclose that fact and explain why it rebutted the presumption.

Some Group members also noted that entities should carefully consider whether impairment indicators identified shortly after an asset acquisition or business combination provide evidence of conditions that existed at the acquisition date. One Group member highlighted that paragraph 45 of IFRS 3 requires the acquirer in a business combination to retrospectively adjust provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances existing at the acquisition date, for up to one year from the acquisition date.

Issue 2: Tax Update

Analysis

Tariffs

Throughout 2025, U.S. President Donald Trump issued and continues to issue executive orders that impose tariffs (or alter tariff rates) on certain goods imported from Canada. The Canadian federal government has responded with several retaliatory measures, which have been modified as the situation evolves, and by providing government support to certain Canadian business sectors.

Entities might need to consider the following financial reporting considerations because of the tariffs:

- New financial reporting controls and system updates might be required to track tariff payments due and to stay abreast of the changes to tariffs.
- There may be new impairment indicators for non-financial assets.
- There may be fair value measurement implications due to uncertainty with respect to inputs used for the determination of fair values.
- With tariff uncertainty, there may be greater potential for high inflation and a general economic downturn. Determining discount rates is critical and the way they were determined in the past may not be appropriate. Many IFRS Accounting Standards use discount rates in measurement and disclosure requirements

[1] For more details, refer to IFRS 2, including paragraphs 10-13A. Refer also to the IFRS Discussion Group Meeting Report, IFRS 2: Share-based Payments for an Asset Acquisition, September 25, 2019.

(e.g., IFRS 2, IFRS 16 *Leases*, IAS 19 *Employee Benefits*, IAS 36, and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

- Increased going concern risk due to a potential deterioration in economic conditions.

The Group discussed disclosure considerations as part of its discussion on Issue 4, Disclosures About Uncertainties in Financial Statements, in this report.

Pillar Two taxes

Pillar Two taxes, which apply to multinational enterprises (MNEs), were substantively enacted in Canada in June 2024 for fiscal years beginning on or after December 31, 2023. These taxes introduce a potential top-up tax for jurisdictions where MNEs operate with a tax rate below 15 per cent.

In May 2023, the IASB amended IAS 12 Income Taxes to add paragraph 4A, which only applies to qualified domestic minimum top-up taxes. Paragraph 4A states:

> This Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. Such tax law, and the income taxes arising from it, are hereafter referred to as 'Pillar Two legislation' and 'Pillar Two income taxes'. As an exception to the requirements in this Standard, an entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

At the same time, the IASB also introduced disclosure requirements for periods when Pillar Two legislation is enacted or substantively enacted but not yet in effect, and for periods when it is enacted and effective. The disclosure requirements are:

> International tax reform—Pillar Two model rules
>
> 88A An entity shall disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 4A).
>
> 88B An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes.
>
> 88C In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

At its meeting on September 21, 2022, the Group discussed the financial reporting implications of Pillar Two taxes. This discussion included a high-level overview of the Pillar Two rules. When it met on May 14, 2024, the Group discussed the implications of Pillar Two on the accounting for deferred tax assets. The discussion included the preliminary accounting considerations for deferred taxes arising from the GloBE Rules and the preliminary disclosure considerations.

The May 14, 2024, Meeting Report states some of the considerations that will affect financial reporting as a result of Pillar Two:

a. MNEs will need to monitor the enactment or substantive enactment of Pillar Two rules in all jurisdictions they operate in, including wholly owned or partially owned subsidiaries, joint ventures, flow-through entities, and permanent establishments.

b. They will need to assess whether transitional rules (i.e., safe-harbour provisions) apply which would deem the top-up taxes to be nil for jurisdictions that meet certain conditions.

The Meeting Report also provides an example and analysis of a fact pattern for an MNE. The analysis, with various views, relates to whether the impact of Pillar Two legislation should be considered in assessing recoverability of deferred tax assets for tax losses carried forward in a subsidiary located in a country where Pillar Two was enacted and is effective that year. The discussion raised awareness as to whether an entity considers Pillar Two rules when evaluating the recoverability of deferred tax assets. This is an evolving area with many jurisdictions still in the process of enacting or substantively enacting the legislation. The Group recommended that the AcSB continue to monitor developments, including discussions with other standard setters.

2025 Update

On June 28, 2025, the G7 announced in a press release that the members had reached a “shared understanding” on global minimum taxes (i.e., the OECD Pillar Two Rules) related to Pillar Two taxes in the United States that would take two actions.

First, it would allow a “side-by-side” system, in which U.S. tax laws would co-exist with the Pillar Two rules that other G7 member countries have implemented. This system would fully exclude U.S. parented corporate groups from the Income Inclusion Rule and the Undertaxed Profits Rule (UTPR) for their domestic and foreign profits. This recognizes that U.S. minimum tax rules apply to those groups.

Second, it would remove proposed U.S. tax code section 899 from the One Big Beautiful Bill Act (OBBBA). Proposed section 899 is a retaliatory provision to address what the United States considers to be “unfair” foreign taxes, by imposing higher taxes (e.g., incrementally increasing withholding tax rates) on taxpayers connected to a foreign country that has enacted taxes considered to be “extraterritorial” (e.g., the UTPR) or “discriminatory” (e.g., a digital services tax). This section could have heavily impacted foreign taxpayers with operations or investments in the United States. Section 899 was removed when the final bill was passed on July 4, 2025.

Financial reporting considerations

The processes and controls that entities have in place need to address the additional complexities that Pillar Two raises for income tax accounting. For example, determining “where the entity operates” (i.e., identifying partially owned subsidiaries, joint ventures, permanent establishments), assessing the status of Pillar Two tax in the jurisdictions the MNE operates, determining where top-up taxes would apply and the impact to the consolidation process may require entities to assess their processes and controls.

This will have reporting implications where it is applicable for foreign subsidiaries within consolidated financial statements. Entities may need to consider reporting controls and system updates to manage Pillar Two calculations and the implications to the consolidation process.

Disclosure considerations

When an entity has applied the exception in paragraph 4A of IAS 12, it should disclose this fact in the financial statements. For MNEs with subsidiaries where Pillar Two is enacted or substantively enacted but not yet in effect, the entity will need to have processes and controls in place to accumulate the information required to comply with paragraph 88C of IAS 12. This will include qualitative and quantitative information. The qualitative information shows how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposure to Pillar Two income taxes might exist. The quantitative information shows the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate (ETR) applicable to those profits; or an indication of possible change in the entity's ETR had the Pillar Two legislation been effect.

One Big Beautiful Bill Act

On July 4, 2025, U.S. President Trump signed into law the OBBBA, proposing approximately US$3.7 trillion in tax cuts over a 10-year period.

Most significantly, the OBBBA will reinstate and permanently extend three key provisions from the U.S. Tax Cuts and Jobs Act (TCJA):

- Reinstatement of accelerated depreciation: Reinstates 100 per cent bonus depreciation for qualified property acquired and placed in service after January 19, 2025, and added a 100 per cent first-year depreciation deduction for real property used in a production activity.
- Immediate expensing for domestic research end experimental (R&E) expenditures: Reverses the 2022 requirement under U.S. Internal Revenue Code Section 174, which mandated R&E expenses be capitalized and amortized.
- Inclusion of amortization and depreciation when calculating the limit on business interest deductions: Reinstates add back for depreciation, amortization, and depletion in the adjusted taxable income calculation for interest deductibility for tax years beginning after December 31, 2024.

The OBBBA also repeals or phases out energy tax credits created by the U.S. Inflation Reduction Act. The final bill was passed after the removal of section 899, discussed above.

The OBBBA does not fundamentally alter the definition of base erosion payments, the base erosion percentage, or the gross receipts threshold used in the Base Erosion and Anti-abuse Tax (BEAT).

BEAT imposes an updated minimum tax of 10.5 per cent on large corporations that make deductible payments to related foreign parties.

The key provisions of the TCJA that were reinstated will offer Canadian companies operating, investing, or with debt in the U.S. tax planning opportunities. The increased minimum tax rate for BEAT raises the minimum tax exposure and can result in double taxation and increased U.S. tax costs, especially for groups with significant intercompany payments.

Financial reporting considerations

The OBBBA may significantly change the amounts recognized for deferred taxes and the assessment of whether deferred tax assets are recoverable. Temporary differences and the recoverability of deferred tax assets should be estimated at the July 4, 2025, enactment date (e.g., future reduction in tax credits may result in increased ability to use existing deferred tax assets). The effective dates of the provisions in the OBBBA should be accurately reflected in deferred tax analyses prepared for reporting periods ending on or after July 4, 2025.

Disclosure considerations

Entities might need to disclose significant management judgments used in assessing recoverability of deferred tax assets. They might also need to disclose uncertainties regarding deferred tax assets or liabilities arising from planned or potential tax planning.

2025 Canadian Federal Budget

The November 4, 2025, Canadian federal budget included several tax enhancements, including measures allowing for:

- immediate expensing for manufacturing and processing buildings;
- increasing the expenditure limit for the Scientific Research and Experimental Development (SR&ED) program (expenditure limit for refundable 35 per cent tax credit has been increased to $6 million for taxation years beginning on or after December 16, 2024); and
- expanding several clean economy input tax credits.

It also included significant amendments to modernize Canada’s transfer pricing rules in attempts to better align Canada’s transfer pricing rules with international models that are more focused on the arm’s length principle. There were no changes to federal corporate tax rates.

The House of Commons approved the budget on November 17, 2025. However, as of the date that this meeting report was prepared, it was not enacted or substantively enacted. As the federal budget introduced changes for businesses related to capital cost allowance, SR&ED, some investment tax credits, and some flow-through shares, once the budget becomes a bill that is substantively enacted careful consideration should be paid for tax planning opportunities and the impact they have on an entity’s deferred taxes and uncertain tax positions.

Other 2025 Tax Considerations

As of March 31, 2025, the 2024 proposed change to the capital gains inclusion rate is no longer being implemented. Given the proposed changes were never considered substantively enacted there would be no accounting implications.

On August 15, 2025, the Department of Finance released draft legislative proposals to implement several measures and technical amendments set out in the 2024 *Fall Economic Statement* and the 2024 federal budget. These include significantly enhancing the SR&ED tax incentive program and providing certain elective exemptions from the excessive interest and financing expenses limitation (EIFEL) regime and making technical amendments to the EIFEL regime. As at September 30, 2025, the draft proposals have not been tabled as a bill in the House of Commons and, therefore, are not considered substantively enacted for IFRS Accounting Standards.

The Group's Discussion

The Group agreed with the analysis. One member highlighted that the Group discussed the financial reporting considerations related to tariffs at its meeting on May 14, 2025. They encouraged entities with significant cross-border activities to review that meeting report for a more detailed analysis of this topic.

Issue 3: IFRS 8 Operating Segments disclosure for each reportable segment

Analysis

In May 2025, the Autorité des marchés financiers published its *Summary of Oversight and Regulatory Activities*. This includes reminders of certain considerations presented in CSA Staff Notice 51-365 *Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2024 and March 31, 2023*, published on November 7, 2024, including the aggregation criteria for operating segments.

CSA Staff Notice 51-365 included observations related to the disaggregation of revenue and noted that the aggregation criteria for operating segments, which could lead to one reportable segment, does not exempt companies from providing the revenue disaggregation disclosure required by IFRS 15 *Revenue from Contracts with Customers*.

On July 29, 2024, the IFRS Interpretations Committee issued agenda decision "Disclosure of Revenues and Expenses for Reportable Segments." This decision related to the application of paragraph 23 of IFRS 8 *Operating Segments*. The Group discussed this in detail during its December 2024 year-end financial reporting reminders. This decision emphasizes the requirement to disclose "material items of revenue and expense" separately by reportable segment, even if the item is not unusual in nature.

Identifying segments

Paragraph 5 of IFRS 8 lists three criteria that need to be met for a component of an entity to be considered an operating segment. Paragraph 5(b) notes that an operating segment is a component of an entity whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance. Paragraph 5(c) also notes that discrete financial information on the component must be available.

Significant judgment may be required to apply these requirements. For example, an entity should consider what information is regularly reviewed by its board, the entity's organization chart (i.e., who reports to the CODM and what they are responsible for), the level at which budgets are prepared and reviewed, and the basis on which executive compensation is determined.

There should be consistency with how the business is described in the MD&A, regulatory filings, analyst reports, website, press releases, earnings calls, and investor presentations.

IFRS 8 does not define "discrete financial information". Companies should consider what revenue and profit information exists. Balance sheet information is not required to be available for the segment, nor do costs need to be allocated to the segment as if the component operated on a stand-alone basis.

Application of the aggregation criteria and/or the quantitative threshold assessment to identify reportable segments in the right order

The order of the steps to apply IFRS 8 can be complex and nuanced. In general terms, a reporting entity first identifies its "operating segments," determines whether operating segments can be aggregated, and then determines whether the operating segments meet the quantitative thresholds to be separately disclosed as "reportable segments." An entity is encouraged to consider the flowchart in IG7 of the implementation guidance which accompanies IFRS 8.

Paragraph 12 of IFRS 8 allows entities to aggregate two or more operating segments to form a single operating segment if aggregation is consistent with the core principle of IFRS 8, the segments have similar economic characteristics and are similar in each of the following respects:

a. the nature of the products and services;
b. the nature of the production processes;
c. the type or class of customer for their products and services;
d. the methods used to distribute their products or provide their services; and
e. if applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

Paragraph 13 of IFRS 8 notes that an entity should report separately information about an operating segment that meets any of the following quantitative thresholds:

a. Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments.

b. The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.

c. Its assets are 10 per cent or more of the combined assets of all operating segments.

Assessing whether the segments have “similar economic characteristics” involves judgment. Paragraph 12 of IFRS 8 provides the example that having similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar.

Other performance measures such as sales growth; operating cash flows; return on assets; earnings before interest, tax, depreciation and amortization; inventory turnover; or other standard industry measures may also be factors to assess whether similar economic characteristics exist. Entities should evaluate these factors from current, historical and “expected future performance” perspectives. Entities should also consider competitive, operating, and financial risks related to each business or industry type to determine whether similar economic characteristics exist. If operating segments are in different geographical areas, entities may need to evaluate factors, such as economic and political conditions, currency risks, and foreign exchange control regulations. An indicator that segments may not have similar economic characteristics in the long term is the anticipated impact of climate change. For instance, when the activities of one segment are the construction of infrastructure for extracting fossil fuels and the activities of another segment are the construction of infrastructure for renewable energy sources, the entity might expect them to exhibit different economic characteristics over the long term as businesses expect to transition away from fossil fuels due to their impact on climate change.

Companies may consider whether multiple operating segments that do not meet the quantitative threshold can be combined by applying the similar economic characteristics evaluation and meet the criteria in paragraph 12 of IFRS 8.

These assessments may require significant judgment.

Identifying material items of income and expense

Paragraph 23(f) of IFRS 8 notes that entities must disclose material items of income and expense disclosed in accordance with paragraph 97 of IAS 1 *Presentation of Financial Statements*. Entities must disclose this about each reportable segment if the amount is included in the measure of segment profit or loss reviewed by the CODM or is otherwise regularly provided to the CODM even if not included in that measure of segment profit or loss. Determining “material items of income and expense” is a matter of judgment based on the entity’s facts and circumstances and if information could reasonably be expected to influence the decisions of primary users of the financial statements.

Reassessment of operating segments

When a business changes its structure (e.g., a reorganization or new line of business or business acquisition), its way of reporting information (e.g., new enterprise resource planning system), or its CODM, it is required to reassess its operating segments.

If reportable segments change, they are reflected in the period the change occurs with a restatement of prior periods unless the change meets the exception in paragraph 29 of IFRS 8 (i.e., the necessary information is not available and the cost to develop it would be excessive).

Disclosures about how the business is organized and whether operating segments have been aggregated

Paragraph 32 of IFRS 8 notes that entities "shall report revenue from external customers for each product and service, or each group of similar products or services." Paragraph 33 notes that entities "shall report…revenues from external customers (i) attributed to entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues." Disclosures should be clear and explain how the business is organized and whether operating segments have been aggregated. Entities should assess the appropriateness of revenue disaggregation disclosures to ensure investors are able to understand how, the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Entities should ensure that they address all required disclosures in financial statements and that they review the information about entity wide disclosures (i.e., products and services, geographical areas and major customers) for completeness.

Impact

Entities should consider if changes to processes or controls are required to obtain the appropriate information to perform the appropriate assessments to comply with IFRS 8. This includes all the relevant information that the CODM receives, the definition of discrete financial information for the company and the evaluation of whether segments have similar economic characteristics, including a process to reassess changes within the business that could result in changed assessments.

Entities should also consider if changes to processes or controls are required to ensure the information that is to be disclosed in the financial statements is accurately and completely captured.

Significant judgment may be required in the application of the aggregation criteria to appropriately identify reportable segments. This judgment requires disclosure in the financial statements (see paragraph 22(aa) of IFRS 8).

The Group's Discussion

The Group agreed with the analysis. Several Group members highlighted the importance of an entity regularly reviewing their operating segments to ensure they continue to reflect the way the CODM manages the business. One Group member highlighted that a change in the CODM often results in a change in the way the business is managed, and that this should trigger an entity to review its operating segments. They also noted that financial statement users regularly review entities' operating segment disclosures to obtain key information for their analysis. One Group member noted that securities regulators often report on deficiencies they observe in these disclosures and encouraged entities to review these reports.

One Group member highlighted that paragraph 12 of IFRS 8 contains guidance on the aggregation criteria for operating segments. This paragraph notes that two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of IFRS 8, the segments have similar economic characteristics, and the segments are similar in each of the following respects:

a. the nature of the products and services;

b. the nature of the production processes;

c. the type or class of customer for their products and services;

d. the methods used to distribute their products or provide their services; and

e. if applicable, the nature of the regulatory environment (e.g., banking, insurance, or public utilities).

They noted that assessing whether aggregation is consistent with the core principle of IFRS 8, and whether the segments have similar economic characteristics are key elements of the analysis that entities often miss (i.e., they narrowly apply criteria (a) to (e) above without also considering the other elements of the analysis).

One Group member also highlighted that an entity's definition of its operating segments directly affects how it should test goodwill for impairment as goodwill must be tested at the level at which it is monitored, which cannot exceed an operating segment before aggregation.

Issue 4: Disclosures about uncertainties in financial statements

Analysis

On November 28, 2025, the 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. The examples set out fact patterns at a sufficiently high level to be applicable to a variety of entities operating in various industries. While the examples use climate as one type of uncertainty that may result in additional disclosures being made in the financial statements, the examples may be useful in making judgments about other uncertainties.

There is no effective date or transition requirements as illustrative examples accompany the authoritative text of IFRS Accounting Standards but do not add to or change those requirements. Entities are entitled to "sufficient time" to implement the necessary changes. In a March 2019 article on the IASB website, IASB Vice-Chair Sue Lloyd noted sufficient time depends on the accounting policy change and the reporting entity and that a rule of thumb the IASB had in mind was a matter of months rather than years.[2]

While these illustrative examples do not add to or change the requirements of IFRS Accounting Standards, they may cause entities to reconsider their approach to the presentation and disclosure of climate-related matters and other uncertainties in financial statements.

Six climate-related examples

The six climate-related examples illustrate the following disclosure requirements:

Example 1: In making judgments about whether additional disclosures would provide material information, entities should consider quantitative and qualitative factors that are both entity-specific and external to the entity.

Example 2: Disclosing information about key assumptions used in preparing the financial statements may be necessary to enable financial statement users to understand how climate-related uncertainties affect the recognition and measurement of assets and liabilities.

Example 3: Illustrates how an entity may be required to disclose its assumptions about the future, even if the specific disclosure requirements in other IFRS Accounting Standards require no such disclosure. The example focuses on “close-call” impairment disclosures.

Example 4: Illustrates disclosure of information about how climate-related risks affect an entity’s credit risk exposures and credit risk management practices, as well as factors to use in assessing the materiality of the information.

Example 5: Illustrates how an entity might disclose information about plant-decommissioning and site-restoration obligations, even if their effect on the carrying amount of these provisions is immaterial.

Example 6: Illustrates the principles of aggregation and disaggregation in IFRS 18 *Presentation and Disclosure in Financial Statements*, particularly related to the disaggregation of class of property, plant, and equipment based on dissimilar risk characteristics if necessary to provide material information.

Impact on non-climate-related uncertainties

The IASB observed that these examples may apply to uncertainties in general and that generalizing these examples would ensure that various types of uncertainties, including those yet to emerge, are captured.

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[2] This article discussed sufficient time to implement changes in accounting policies that result from agenda decisions published by the IFRS Interpretations Committee. However, the concept of sufficient time might equally apply to other guidance (such as illustrative examples) that clarify the application of existing requirements.

Entities need to consider financial reporting challenges resulting from economic disruptions and other uncertainties as they may have several effects, both expected and unexpected (e.g., supply chain disruptions as a result of geopolitical uncertainty, increased costs, price fluctuations, and shifts in market demand).

Non-climate examples include, but are not limited to:

- the evolving effects of tariffs, including retaliatory tariffs;
- reduced consumer spending as a result of regulatory and tax uncertainties;
- technology and supply chain uncertainties;
- shifts in consumer behaviour;
- geopolitical crises, such as armed conflicts;
- changing laws and regulations; and
- new technologies, such as artificial intelligence.

The Group's Discussion

The Group agreed with the analysis. Several Group members highlighted that the examples illustrate how to apply the guidance in paragraph 31 of IAS 1, which states, "An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance." They noted that the examples illustrate how to consider if additional disclosures would provide material information to financial statement users beyond those explicitly required by IFRS Accounting Standards.

One Group member noted that some of the examples highlight that disclosure might be required for assumptions used in preparing the financial statements that have a minimal impact in the current period, but that might significantly impact the entity's future performance. They also noted that entities should consider consistency between information disclosed in their financial statements and information disclosed in other publicly available reports, such as the MD&A.

One Group member noted that example 6 pertains to the application of the aggregation and disaggregation requirements in IFRS 18, which is effective for annual reporting periods beginning on or after January 1, 2027. Therefore, entities will only need to consider five of the examples when preparing their 2025 year-end financial statements. However, they encouraged entities to review example 6 as they prepare to adopt IFRS 18.

Several Group members noted that, following the issuance of these illustrative examples, they would expect most entities to begin reviewing their financial statement disclosures for their 2025 year-ends and consider if additional disclosures are required. They think most entities should be able to implement some of the necessary changes for 2025 because illustrative examples demonstrate the application of existing IFRS Accounting Standards, rather than providing new requirements. They also noted that staff of the IASB issued a near-final draft of the illustrative examples in July 2025 to give entities some time to review them prior to their final issuance. However, several Group members also noted that since the final examples were issued close to year-end, they think some entities might need more time to implement any necessary changes. They think this is consistent with the IASB's view that entities are entitled to sufficient time to implement changes.

Some Group members raised additional financial reporting considerations relating to the preparation of an entity's 2025 year-end financial statements:

- Entities should consider disclosing the status of their adoption of *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7) and IFRS 18. One member noted that the Group has had multiple discussions on both topics that it encouraged Canadians to review as they adopt these requirements (IFRS 9: December 2021, September 2022, September 2024 and September 2025; IFRS 18: September 2024, May 2025 and September 2025).
- Entities should consider application issues with the statement of cash flows that the Group discussed at its September 2025 meeting.
- Given recent volatility in several commodity prices (e.g., increases in the prices of gold and silver), entities in the extractive industry or other related businesses should consider the requirement in IAS 36 to reverse an impairment loss recognized in a prior period if there is any indication that the impairment loss recognized no longer exists or decreased.
- The IASB is exploring narrow-scope amendments to broaden the scope of investments in an associate or joint venture that can be measured using the fair value option. Entities should consider this potential scope increase when adopting IFRS 18 as the transition guidance in IFRS 18 allows entities to change their election for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss.

Overall, the Group's discussion raised awareness of year-end financial reporting reminders. No further actions were recommended to the AcSB.