Regulatory updates

Recent regulatory developments in financial reporting

Last update: October 2024

Contents

1 IFRS® – Accounting Standards 3

1.1 IFRS 18 'Presentation and Disclosure in Financial Statements' 3

1.2 IFRS 19 'Subsidiaries without Public Accountability: Disclosures' 3

1.3 Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments Disclosures': 'Supplier Finance Arrangements' 4

1.4 Amendments to IAS 1 'Presentation of Financial Statements': 'Non-current Liabilities with Covenants' 4

1.5 Amendments to IAS 1 'Presentation of Financial Statements': 'Classification of Liabilities as Current or Non-current' 5

1.6 Amendments to IFRS 16 'Leases': 'Lease Liability in a Sale and Leaseback' 5

1.7 Amendments to IAS 21 'The Effects from Changes in Foreign Exchange Rates': 'Lack of Exchangeability' 6

1.8 Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures': 'Amendments to the Classification and Measurement of Financial Instruments' 6

2 Swiss GAAP FER 7

2.1 Swiss GAAP FER 30 'Consolidated financial statements' 7

2.2 Swiss GAAP FER 28 'Government grants' 8

3 Swiss CO 9

3.1 Swiss corporate law reform 9

3.2 Opting out of a statutory audit 9

1 IFRS® – Accounting Standards

1.1 IFRS 18 ‘Presentation and Disclosure in Financial Statements’

The new IFRS 18 standard, ‘Presentation and Disclosure in Financial Statements’, will give investors more transparent and comparable information about companies’ financial performance. It will affect all companies applying IFRS Accounting Standards.

Status:
- Effective for annual reports beginning on or after 1 January 2027
- Earlier adoption permitted

IFRS 18 replaces IAS 1, ‘Presentation of Financial Statements’.

IFRS 18 introduces three sets of new requirements to improve companies’ reporting on financial performance and give investors a better basis for analysing and comparing companies:
a) Improved comparability in the statement of profit or loss (income statement)
b) Enhanced transparency of management-defined performance measures
c) More useful grouping of information in the financial statements

IFRS 18 will apply to reporting periods beginning on or after 1 January 2027 (earlier adoption is permitted) and will also apply to comparative information. The changes in presentation and disclosure required by IFRS 18 might entail system and process changes for many entities, so entities should focus on these aspects now in order to be ready for adoption.

1.2 IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’

The new IFRS 19 standard, ‘Subsidiaries without Public Accountability: Disclosures’, offers certain entities the option of benefiting from reduced disclosure requirements.

Status:
- Effective for annual reports beginning on or after 1 January 2027
- Earlier adoption permitted

IFRS 19 is a voluntary standard that may be applied only by subsidiaries (and sub-groups) that are not publicly accountable and whose ultimate or intermediate parent company prepares consolidated financial statements that comply with IFRS Accounting Standards. Financial institutions and entities that have either a debt or an equity listing are publicly accountable.

Entities applying IFRS 19 use the recognition, measurement and presentation requirements of IFRS Accounting Standards, but benefit from reduced disclosure requirements.

1.3 Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments Disclosures': 'Supplier Finance Arrangements'

The amendments stipulate new disclosure requirements for entities using supplier finance arrangements (SFAs).

Status: • Effective for annual reports beginning on or after 1 January 2024

The new disclosures will provide information about:
1. The terms and conditions of SFAs.
2. The carrying amount of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.
3. The carrying amount of the financial liabilities in (2) for which suppliers have already received payment from the finance providers.
4. The range of payment due dates for both the financial liabilities that are part of SFAs and comparable trade payables that are not part of such arrangements.
5. Non-cash changes in the carrying amounts of financial liabilities in (2).
6. Access to SFA facilities and concentration of liquidity risk with the finance providers.

The new disclosure requirements will be effective for annual reporting periods beginning on or after 1 January 2024. Relief from the following requirements will be available in the first year of application:
a) Disclosure of comparative information
b) Disclosure of specified opening balances
c) Interim financial statements

1.4 Amendments to IAS 1 'Presentation of Financial Statements': 'Non-current Liabilities with Covenants'

The amendment aims to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period.

Status: • Effective for annual reports beginning on or after 1 January 2024

The amendments clarify that covenants in loan arrangements with which an entity must comply after the reporting date would not affect the classification of a liability as current or non-current at the reporting date. However, those covenants with which an entity is required to comply on or before the reporting date would affect classification as current or non-current, even if the covenant is assessed after the entity's reporting date.

Furthermore, the amendments include additional disclosure requirements for loan arrangements classified as non-current liabilities whereby such liabilities are subject to covenants with which an entity is required to comply within twelve months of the reporting date.

1.5 Amendments to IAS 1 'Presentation of Financial Statements': 'Classification of Liabilities as Current or Non-current'

The amendment clarifies that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period.

Status: • Effective for annual periods beginning on or after 1 January 2024

The IASB has clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. The exception for convertible instruments that might be converted into equity has been restricted to apply only to those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.
- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).
- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. Management's expectations therefore do not affect classification.
- The right to defer exists only if the entity complies with all relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

1.6 Amendments to IFRS 16 'Leases': 'Lease Liability in a Sale and Leaseback'

The amendment clarifies how an entity accounts for a sale and leaseback after the date of transaction. Sale and leaseback transactions in which some or all of the lease payments are variable lease payments that do not depend on an index or rate are most likely to be affected.

Status: • Effective for annual reports beginning on or after 1 January 2024

The amendment clarifies how a seller-lessee measures the right-of-use asset arising from a leaseback and, as a result, how it should determine the gain or loss on a sale and leaseback transaction where the transaction qualifies as a 'sale' under IFRS 15, and the lease payments include variable lease payments that do not depend on an index or a rate. Applying the requirements of the amendment does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendment is applied retrospectively to transactions that were entered into after the initial application of IFRS 16. The accounting for such transactions could have a long-term material effect on a seller-lessee's financial statements.

1.7 Amendments to IAS 21 ‘The Effects from Changes in Foreign Exchange Rates’: ‘Lack of Exchangeability’

The amendments provide requirements to help determine whether one currency is exchangeable for another and the spot exchange rate to use if it is not.

Status:
- Effective for annual reports beginning on or after 1 January 2025
- Earlier adoption permitted

The amendments introduce requirements that should help entities to:
a) assess exchangeability between two currencies; and
b) determine the spot exchange rate when exchangeability is lacking.

One currency is not exchangeable into another if there is no way of obtaining the other currency (with a normal administrative delay) and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The new requirements introduce a framework under which an entity can determine the spot exchange rate at the measurement date if there is a lack of exchangeability between two currencies.

1.8 Amendments to IFRS 9 ‘Financial Instruments’ and IFRS 7 ‘Financial Instruments: Disclosures’: ‘Amendments to the Classification and Measurement of Financial Instruments’

The amendments provide clarifications to several areas, such as electronic cash transfer, assessing the SPPI criterion and requiring selected additional disclosures.

Status:
- Effective for annual reports beginning on or after 1 January 2026
- Earlier adoption permitted

The amendments introduce requirements that:
a) clarify the date of recognition and derecognition of certain financial assets and liabilities, with a new exception for certain financial liabilities settled through an electronic cash transfer system;
b) clarify and add further guidance for assessing whether a financial asset meets the ‘solely payments of principal and interest’ (SPPI) criterion;
c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance [ESG] targets); and
d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments in (b) are most relevant to financial institutions, but the other amendments are relevant to all entities.

2 Swiss GAAP FER

2.1 Swiss GAAP FER 30 'Consolidated financial statements'

The amendments to Swiss GAAP FER 30 close several gaps in the guidance relevant for consolidation aspects, including stepwise transactions and earn-outs.

Status:
- Effective for annual periods beginning on or after 1 January 2024

The revised standard mainly contains amendments and new guidance on the following topics:
- Entities shall recognise intangible assets in an acquisition that were not previously recognised by the acquired entity if they are relevant for the decision to acquire the entity. A waiver of recognition is possible only if goodwill is capitalised and amortised.
- If the useful life of goodwill cannot be determined, it is limited to five years; otherwise, a maximum of 20 years shall apply.
- Negative goodwill shall be accounted for consistently with positive goodwill. If goodwill is capitalised, the negative goodwill is released through profit and loss over a maximum of five years.
- Introduction of guidance for stepwise acquisitions and disposals:
  - Goodwill is determined separately for each acquisition step.
  - Assets acquired and liabilities assumed are measured at their fair value when control is obtained. Previously held equity interests are revalued through equity at this point in time.
  - Positive and negative goodwill are to be reflected in (stepwise) disposals.
  - Closure and liquidation of businesses are treated like disposals.
- Earn-out-related liabilities (contingent consideration) are remeasured against goodwill.
- Associated entities applying the equity method shall account for goodwill consistently with the policies applied for acquisitions/disposals of fully or proportionally consolidated entities.
- Treatment of accumulated foreign currency differences (CTA):
  - Reclassification of CTA, including those on equity-like loans to profit or loss, upon loss of control or significant influence
  - Proportionate allocation to minority interests with no effect on profit or loss in the case of stepwise disposals if control is retained
  - Choice to reclassify CTA on equity-like loans to profit or loss in the event of a repayment
- Disclosures in consolidated financial statements
- Guidance on first-time application and transitional provisions

For detailed insights, please refer to PwC's 'Manual for consolidated financial statements in accordance with Swiss GAAP FER 30', which is freely available at pwc.ch (Link).

2.2 Swiss GAAP FER 28 'Government grants'

Swiss GAAP FER 28 introduces guidance for accounting for and reporting on government grants. Non-profit organisations that apply Swiss GAAP FER 21 recognise and disclose government grants in accordance with Swiss GAAP FER 21.

Status: • Effective for annual periods beginning on or after 1 January 2024

- A government grant is direct or indirect, monetary or non-monetary compensation provided by a public institution for services provided or expenses incurred in the course of an entity's operating activities. The definition includes, among others, aid and subsidies. Benefits in the form of or effects resulting from taxes, government charges or levies do not fall within the scope of this recommendation.
- Government grants are recognised when there is reasonable assurance that the entity complies with any conditions attached to the grant and that their value can be estimated reliably.
- The standard distinguishes between government grants related to assets and those related to income:
  - Government grants related to assets are government grants whose primary condition is that the entity should construct or otherwise acquire long-term assets. They are treated as follows:
    - Balance sheet: offset against the asset or allocated to deferred income
    - Income statement: reduction of the depreciation charges or disclosed separately as income if presented as a gross amount in the balance sheet
    - Cash flow statement: investing activities
  - Government grants related to income are all government grants other than those related to assets. They are treated as follows:
    - Income statement: presented either separately or under 'Other operating income'
    - Government grants may be offset against the corresponding expenses only in objectively justified cases and if doing so does not result in a misleading presentation.
    - Cash flow statement: operating activities
  - If, contrary to the original assumption, a government grant becomes repayable, this fact must be accounted for as a change in accounting estimate recognised through profit and loss.
- An entity shall disclose the accounting principles, applied as well as further information regarding government grants, in the notes to the financial statements.
- The standard does not provide for transitional provisions. In accordance with the provisions of the FER framework, a revision of the accounting principles must therefore be conducted retrospectively with the adjustment of the prior year's figures.

3 Swiss CO

3.1 Swiss corporate law reform

Amendment of articles of incorporation and other legal documents	
Status:	• Transition period ending on 31 December 2024

The Swiss corporate law reform entered into effect on 1 January 2023. Companies have a two-year transition period, ending on 31 December 2024, to perform statutory procedures, such as an authorised capital increase still in place, and to amend other legal documents, such as subordination agreements, to comply with the requirements of the revised corporate law.

3.2 Opting out of a statutory audit

Prospective effect of opting out	
Status:	• Effective on 1 January 2025

With the consent of all shareholders, a company with fewer than ten employees (annual average full-time equivalents) that is not subject to an ordinary audit may opt out of the statutory audit requirement. The amendment to art. 727a CO requires companies to file a request for opting out and submit this, together with the most recent financial statements, to the commercial register before the start of a financial year.

This publication has been prepared for general guidance on matters of interest only and does not constitute professional advice. It does not take into account any objectives, the financial situation or needs of any recipient; any recipient should not act upon the information contained in this publication without obtaining independent professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2024 PricewaterhouseCoopers. All rights reserved. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.