

Regulatory updates

Recent regulatory developments in
financial reporting

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1 IFRS® – Accounting Standards

1.1 IFRS 18 ‘Presentation and Disclosure in Financial Statements’

The new Standard IFRS 18, ‘Presentation and Disclosure in Financial Statements’, will give investors more transparent and comparable information about companies’ financial performance. It will affect all companies using 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 also applies to comparative information. The changes in presentation and disclosure required by IFRS 18 might require system and process changes for many entities, so entities should focus on these aspects now in order to be ready for adoption.

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

The amendments provide requirements to help determine whether a currency is exchangeable for another one 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.

A currency is not exchangeable into another one 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.

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

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

Status:

- Effective for annual reports beginning on or after 1 January 2024
- Earlier adoption permitted

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. The following reliefs 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 issued in October 2022 clarify that covenants in loan arrangements which an entity must comply with only after the reporting date would not affect the classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

The amendments moreover include additional disclosure requirements for loan arrangements classified as non-current liabilities where that liability is subject to covenants which an entity is required to comply with within twelve months of the reporting date.

1.5 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
- Earlier adoption permitted

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. Therefore, management's expectations do not affect classification.
- The right to defer only exists 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 where some or all lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Status:

- Effective for annual reports beginning on or after 1 January 2024
- Earlier adoption permitted

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 the financial statements of a seller-lessee.

1.7 Amendments to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' 'Definition of Accounting Estimates'

The amendment clarifies how companies should distinguish between changes in accounting policies and changes in accounting estimates. Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

Status:

- Effective for annual periods beginning on or after 1 January 2023
- Earlier adoption permitted

The amendment clarifies how companies should distinguish between changes in accounting policies and changes in accounting estimates. Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

1.8 Amendments to IAS 1, 'Presentation of Financial Statements' 'Disclosure of Accounting Policies'

The amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies.

Status:

- Effective for annual periods beginning on or after 1 January 2023
- Earlier adoption permitted

The amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Paragraph 117B provides illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements.

Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

1.9 Amendments to IAS 12 'Income Taxes' 'International Tax Reform – Pillar Two Model Rules'

The amendments provide temporary relief from accounting for deferred taxes arising from the implementation of the Pillar Two model rules and introduce targeted disclosure requirements.

Status:

- Effective for annual reports beginning on or after 1 January 2023

The amendments will introduce:

- a) a temporary exception to the accounting for deferred taxes arising from jurisdictions implementing the global tax rules. This will help to ensure consistency in the financial statements while easing into the implementation of the rules; and
- b) targeted disclosure requirements to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

Companies can benefit from the temporary exception immediately but are required to provide the disclosures to investors for annual reporting periods beginning on or after 1 January 2023.

1.10 Amendments to IAS 12, 'Income Taxes' 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Status:

- Effective for annual periods beginning on or after 1 January 2023
- Earlier adoption permitted

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. These amendments might have a significant impact on the preparation of financial statements by companies that have substantial balances of right-of-use assets, lease liabilities, decommissioning, restoration and similar liabilities. The impact for those affected would be the recognition of additional deferred tax assets and liabilities.

1.11 Amendments to IFRS 17 'Insurance Contracts' 'Initial Application of IFRS 17 and IFRS 9 – Comparative Information'

The amendment applies to entities that initially apply IFRS 17. The amendment permits such entities to apply a classification overlay to some financial assets for which the entity does not restate comparative information for IFRS 9 upon initial application of IFRS 17.

Status:

- Effective for annual reports beginning on or after 1 January 2023
- Amendment should be applied at the same time as IFRS 17

Many insurers will apply both IFRS 17 and IFRS 9 for the first time for annual reporting periods beginning on or after 1 January 2023. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in one-time classification differences in the comparative information presented on initial application of IFRS 17. The amendment provides a transition option regarding such one-time classification differences. The amendment allows entities to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information on initial application of IFRS 17. The amendment is available for any financial assets, including those held in respect of an activity

that is unconnected to contracts within the scope of IFRS 17. The amendment applies to entities that initially apply IFRS 9 at the same time as they apply IFRS 17, as well as, under certain conditions, entities that had already applied IFRS 9 before the initial application of IFRS 17.

1.12 IFRS 17 'Insurance Contracts'

IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.

Status:

- Effective retrospectively for annual periods beginning on or after 1 January 2023
- Earlier application permitted

- IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- IFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts.
- Under IFRS 17, the general model requires entities to measure an insurance contract on initial recognition at the total fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are re-measured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.
- Aside from this general model, the standard provides a simplification, the premium allocation approach. This simplification is applicable for certain types of contracts, including those with a coverage period of one year or less.
- For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation to the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
- The new standard is effective for financial years beginning on or after 1 January 2023. Early application is permitted for entities that apply IFRS 9 'Financial Instruments', and IFRS 15 'Revenue from Contracts with Customers' at or before the date of initial application of IFRS 17. The standard shall be applied retrospectively in accordance with IAS 8, but also it contains a 'modified retrospective approach' and a 'fair value approach' for transition purposes, depending on the availability of data.

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- (contingent consideration) related liabilities 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 carried out 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.

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