



IASB PUBLISHES NEAR-FINAL DRAFT OF ILLUSTRATIVE EXAMPLES: DISCLOSURES ABOUT UNCERTAINTIES IN THE EXAMPLES

Background

In March 2023, the International Accounting Standards Board (IASB) decided to explore targeted actions to improve the reporting of the effects of climate-related risks in the financial statements. The IASB concluded that examples illustrating the application of IFRS® Accounting Standards to climate-related uncertainties would be most helpful in responding to the concerns of the stakeholders. After completing their deliberations, on 24 July 2025 the IASB issued a near-final staff draft of Disclosures about Uncertainties in the Financial Statements Illustrated using Climate-related Examples which would be included as examples in the relevant IFRS Accounting Standards. The final version of the illustrative examples is expected to be issued in October 2025 with accompanying bases for conclusion.

Materiality judgements

The IASB developed example 1 to respond to stakeholder concerns about a perceived disconnect between information about the effects of climate-related risks disclosed in the financial statements and information provided outside the financial statements (e.g. in sustainability reporting). This example aims to help entities to make materiality judgements as per IAS 1 Presentation of Financial Statements (IAS 1.31) and IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18.20).

EXAMPLE 1: SCENARIO 1 - ADDITIONAL DISCLOSURES NECESSARY				
Entity A operates in a capital-intensive industry and is exposed to significant climate related transition risks.	Few jurisdictions have adopted climate-related policies affecting entity's operations.	Entity A's climate-related transition plan would significantly affect its future operations.	General purpose financial report accompanying the financial statements included plans to reduce greenhouse gas emissions over the next decade.	The transition plan does not affect recognition or measurement of assets and liabilities and related income and expenses.
► Entity A concludes that IFRS Accounting Standards do not require disclosure of the effect (or lack of effect) of transition plan. Entity A also assesses that IAS 1.31 (and IFRS 18.20) requires an entity to consider whether to provide additional disclosures when compliance with the specific requirements in IFRS Accounting Standards is insufficient to enable users of financial statements to understand the effect of transactions and other events and conditions on the entity's financial position and financial performance. ► In making a judgement about whether such additional disclosures would provide material information, Entity A considers both quantitative and qualitative factors including: • Entity-specific qualitative factors: For example, the nature and extent of exposure to climate-related transition risks and the significance of the transition plan to its operations. • External qualitative factors: For example, whether the industry and jurisdictions in which the entity operates—including its market, economic, regulatory and legal environments—make the information likely to influence the decisions that primary users of the entity's financial statements make on the basis of those financial statements. ► Entity A also considers whether, without additional disclosures, information in its financial statements is inconsistent with corresponding information in the general-purpose financial reports accompanying the financial statements. For example, information about change in manufacturing methods and investment in more energy efficient technology might suggest that some of its assets might be impaired. ► Accordingly, Entity A discloses the reason why the transition plan had no effect on its financial position and financial performance for the current reporting period (e.g. no effect on the useful lives of the affected manufacturing facilities, existing inventory of raw materials will be fully consumed before the entity changes the raw materials used in its manufacturing process in accordance with the transition plan).				

Disaggregation

The following example illustrates the principles of aggregation and disaggregation in IFRS 18 Presentation and Disclosure in Financial Statements, particularly how an entity might disaggregate the information it provides in the notes about a class of property, plant and equipment on the basis of dissimilar risk characteristics if necessary to provide material information.

EXAMPLE 2. DISCLOSURE OF DISAGGREGATED INFORMATION IN THE NOTES			
The property, plant and equipment (PP&E) of an entity emits high amounts of greenhouse gas.	Investment has been made in alternative PP&E of the same class with lower emissions	Use of the high-emission PP&E continues.	These two types of PP&E have significantly different vulnerabilities to climate-related transition risks. For example, possible future regulations to reduce greenhouse gas emissions or changes in consumer demands could affect these two types of PP&E in significantly different ways.
► The entity considers the following and concludes that the two types of PP&E have sufficiently dissimilar risk characteristics and that disaggregating information about these types of PP&E would result in material information: • Size of the PP&E's carrying amount: The carrying amount of the two types of PP&E make up a large proportion of the entity's total assets. • Significance of climate-related transition risks to the entity's operations: The entity operates in an industry with a high degree of exposure to climate-related transition risks and those risks might significantly affect the way in which the entity will use each type of PP&E and recover their carrying amounts. • External climate-related qualitative factors: The industry and jurisdictions in which the entity operates make the information more likely to influence the decisions that primary users of the entity's financial statements make on the basis of the financial statements ► IFRS 18.41-42 require an entity to disaggregate items based on characteristics that are not shared whenever the resulting information is material. Further, IFRS 18.B110 explains that an entity uses its judgement to do this and includes examples of characteristics to consider, which include the risks associated with an item. ► Considering the above, the entity disaggregates information provided in the notes about the PP&E between the two types of PP&E.			

Beyond climate

The IASB observed that these near-final examples may apply not only to uncertainties arising from climate-related risks but to uncertainties in general. Generalising these examples would ensure that various types of uncertainties, including those yet to emerge, are captured.

Retaliatory tariffs and interim financial reporting

A number of financial reporting implications may arise due to tariffs imposed by certain jurisdictions and restrictive trade policies (see BDO's IFR Bulletin 2025/03 Accounting in times of uncertainty - the effects of volatile 2025 tariffs). If the effect of tariffs and general macroeconomic conditions have changed since the end of the entity's last annual reporting period, entities may need to provide disclosures in interim financial statements prepared as per IAS 34 Interim Financial Reporting.

EXAMPLE 3: EVOLVING EFFECTS OF TARIFFS				
Cars Limited imports steel from a supplier situated in Country X.	Vehicles manufactured by Cars Limited are sold in many jurisdictions including Country X.	During the current quarter, Country X levied additional tariffs on the import of vehicles	Retaliatory tariffs on import of steel were levied by the country where Cars Limited is based.	Cars Limited started to explore mitigating plans
► Cars Limited concluded that evolving effects arising due to imposition of retaliatory tariffs are material to the interim financial statements due to the following reasons: • Significant global development since the last annual financial statement: The imposition of retaliatory tariffs is a significant global development. Tariff may make it challenging for businesses to plan, disrupt the global supply chain, increase costs and cause shifts in market demand. • High level of subjectivity and complexity about future events: The tariff policy is evolving and is highly uncertain. The high level of subjectivity and complexity about future events (over medium and long term) affects the assumptions used in the preparation of interim condensed financial statements. • Significance to the entity's operations: Country X is where a supplier of a key raw material (e.g. steel) is based and it is also a large market for the entity's product. Thus, Cars Limited has a high degree of exposure to tariffs related risks and those risks might significantly affect the financial performance and financial position in the current period and the future. For example, the assessment of whether inventories are carried at the lower of cost and net realisable value as required by IAS 2 would require Cars Limited to make assumptions about the effects of tariff policies. ► For events or transactions that are considered to be significant to an understanding of the interim financial statements, IAS 34.15C require an explanation of the transaction together with an update of the relevant information which was included in most recent annual financial statements. ► Considering the above requirements, Cars Limited made entity specific disclosures in the interim financial statements including disclosures about the effects of tariffs on financial position and financial performance.				

Reduced consumer spending

Certain sectors may be significantly affected as a result of regulatory and tax uncertainties, technology and supply chain uncertainties and shifts in consumer behaviour. These factors may create significant uncertainties which require disclosure in the financial statements.

EXAMPLE 4: MATERIAL UNCERTAINTY IN RELATION TO GOING CONCERN			
GameX Limited is a diversified gaming and sports media platform.	Semiconductors and logistics bottlenecks have increased costs for consoles, GPUs, and virtual reality headsets, limiting the uptake of high-end gaming and delays in the transitions to next-generation platforms.	GameX Limited is experiencing reduced subscription renewals, and slower uptake of newly released products.	Uncertainty around the levy of indirect tax and litigation around 'games of skill vs. chance' have created volatile conditions, making future growth necessary to continue operations uncertain.
► GameX Limited notes the following uncertainties relating to its current and future operations: • Dependent on discretionary consumer spending: During economic downturns, households reduce non-essential expenditures, which include GameX Limited's primary goods and services. • Inflation and cost pressures: Economic uncertainties also increase operational costs for gaming companies, such as labour costs, cloud computing, and marketing expenses.			

- Regulatory and taxation uncertainties: The online gaming industry is facing regulatory scrutiny due to concerns around gambling, addiction, and taxation. Data privacy laws globally raise compliance costs for gaming platforms handling vast amounts of user data.
 - Overall investment climate: The sector is capital-intensive, especially for entities that are reliant on venture funding or IPOs. Gaming companies experience heightened volatility, even when operational performance remains stable, due to broader tech sector sentiment.
- ▶ As required by IAS 1.25 (IAS 8.6K), Gamex assesses its ability to continue as a going concern considering the above-noted uncertainties and all other relevant information.
- ▶ Gamex concludes that the going concern assumption is appropriate, however, IAS 1.25 (IAS 8.6K) requires entities to disclose the material uncertainties relating to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.
- ▶ Accordingly, Gamex Limited discloses information about the material uncertainties (both quantitative and qualitative in nature) including the following:
- Assumptions made about uncertain future events, such as regulatory requirements and consumer demand;
 - Information on estimation techniques used in assessing the ability of the entity to continue as a going concern, such as stress testing and/or scenario analysis;
 - The effect of any events after the reporting period relating to the noted uncertainties;
 - Mitigating factors and the entity's strategy to address material uncertainties.

Next steps

The near-final examples do not add to or change any of the requirements of IFRS Accounting Standards, however, they may cause entities to reconsider the disclosures included in financial statements relating to climate-related risks as well as other uncertainties, which may include (but are not limited to):

- ▶ The effects of tariffs and changing global economic circumstances;
- ▶ Geopolitical crises, such as armed conflicts;
- ▶ Changing laws and regulations; and
- ▶ New technologies, such as artificial intelligence.

The IASB has made the near-final examples available prior to the release of the final amendments to allow entities sufficient time to consider the effects of the examples, as many entities will prepare and release 31 December annual financial statements shortly after the final amendments are expected to be published in October 2025.

The near final examples may encourage discussion between finance teams, sustainability specialists, risk managers, and boards, fostering integrated thinking within organisations, such as how all various risks and uncertainties may affect financial reporting. By illustrating how the effects of climate change and other uncertainties may result in material information being disclosed in the financial statements, the IASB has highlighted that connected reporting between 'traditional' financial reporting and sustainability and other risks is inherent in preparing financial statements in accordance with IFRS Accounting Standards.

Entities should review their financial statements and consider the disclosures necessary to provide material information to users of financial statements in light of the near-final climate examples. Regulators and enforcers are expected to continue focusing on the effects of climate-related risks in financial statements, as well as other uncertainties.

This article was summarised from the BDO IFR Bulletin 2025/06 published in September 2025. If you have any questions about the information in this newsletter, please speak to your usual BDO contact or get in touch with BDO in Thailand's IFRS team at ifrsthailand@bdo.th.

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