



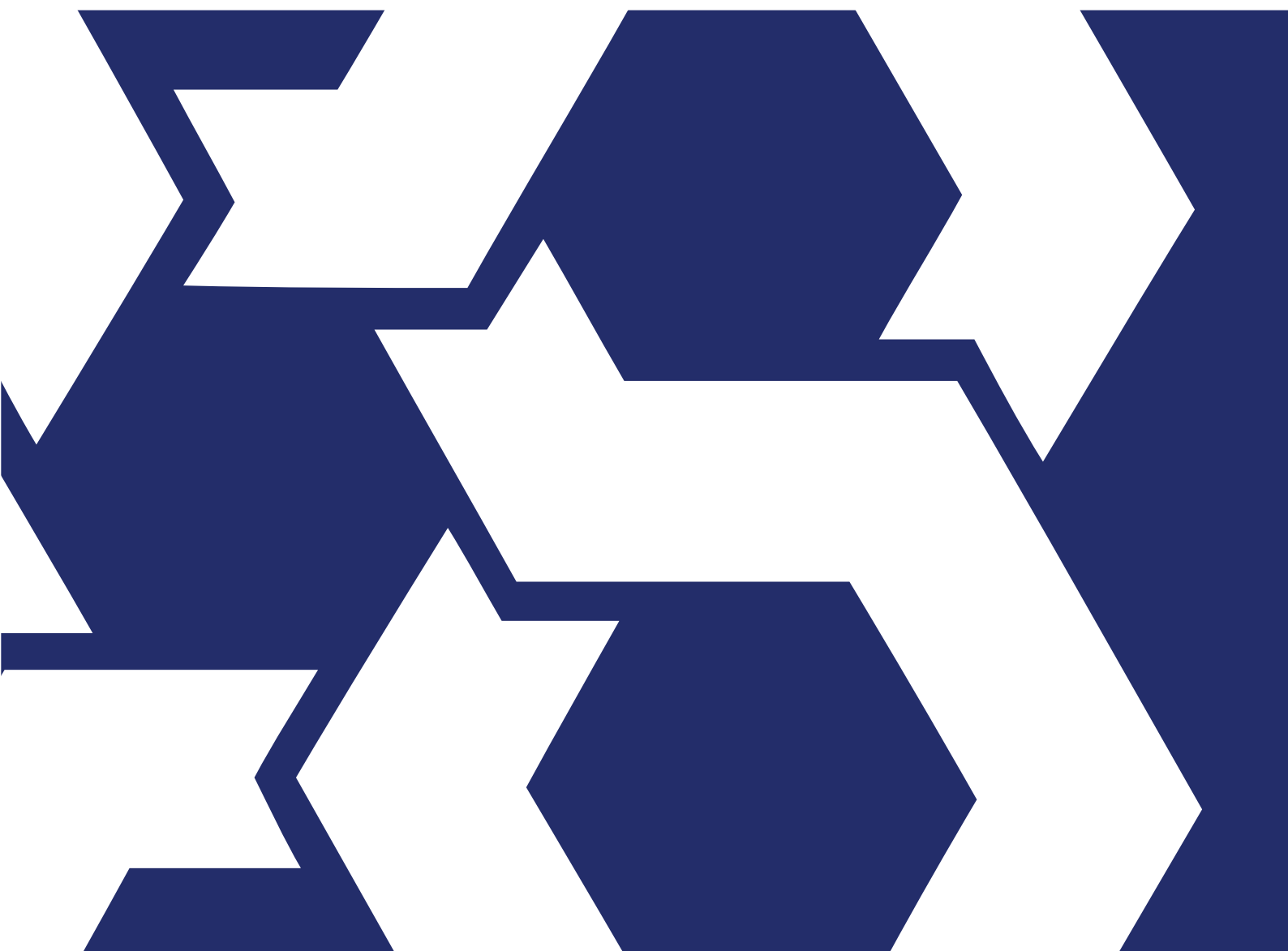
IFRS[®]
Accounting

November 2025

**Amendments to Illustrative Examples on IFRS 7, IFRS 18,
IAS 1, IAS 8, IAS 36 and IAS 37**

IFRS[®] Accounting Standard

Disclosures about Uncertainties in the Financial Statements



International Accounting Standards Board

Disclosures about Uncertainties in the Financial Statements

Illustrative examples

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Introduction

- IN1 This document sets out amendments to the guidance accompanying several IFRS Accounting Standards, including IFRS 18 *Presentation and Disclosure in Financial Statements* and IAS 1 *Presentation of Financial Statements*. These amendments add to that guidance examples that illustrate how an entity applies the requirements in the Standards to report the effects of uncertainties in its financial statements.
- IN2 IFRS 18 replaces IAS 1 and is effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted. This document sets out amendments to the guidance accompanying IFRS Accounting Standards applicable in:
- (a) periods in which an entity applies IFRS 18—these amendments are included in the main body of the document; and
 - (b) periods before an entity applies IFRS 18—these amendments are included in Appendix A.

Amendments to guidance on IFRS Accounting Standards

IFRS 18 *Presentation and Disclosure in Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2027. This section includes the amendments to the guidance on IFRS Accounting Standards applicable for periods in which an entity applies IFRS 18. Appendix A includes the amendments to the guidance on IFRS Accounting Standards applicable for periods before an entity applies IFRS 18.

Illustrative Examples on IFRS 18 Presentation and Disclosure in Financial Statements

Paragraph IE3 is amended. Added text is underlined and deleted text is struck through. Paragraphs IE18–IE42 and their related headings are added. Added text in those paragraphs is not underlined for ease of reading. Grey text is included for ease of reference.

Introduction

- ...
- IE3 The examples are structured in four~~three~~ parts:
- ...
- (d) Part IV—disclosures about the effects of uncertainties. The examples in this part illustrate how an entity applies particular requirements in IFRS 18 to report the effects of uncertainties in its financial statements.
- ...

Part IV—Disclosures about the effects of uncertainties

Example IV-1—Materiality judgements applying paragraph 20 of IFRS 18

- IE18 This example illustrates how an entity applies the requirement in paragraph 20 of IFRS 18 and makes materiality judgements in the context of financial statements.* This example illustrates two scenarios: one scenario in which these judgements lead to additional disclosures beyond those specifically required by IFRS Accounting Standards and a second scenario in which they do not.

Scenario 1—Materiality judgements leading to additional disclosures

Background

- IE19 Entity A is a manufacturer that operates in a capital-intensive industry. The entity is exposed to significant climate-related transition risks and operates in jurisdictions that have adopted climate-related policies that affect the entity's operations. The entity has developed a climate-related transition plan to

* IFRS Practice Statement 2 *Making Materiality Judgements* also provides non-mandatory guidance on making materiality judgements when preparing general purpose financial statements in accordance with IFRS Accounting Standards.

manage its climate-related transition risks. The plan is strategically important for the entity and is expected to significantly affect its future operations.

- IE20 Entity A discloses information about its transition plan in a general purpose financial report accompanying the financial statements, including detailed information about how it plans to reduce its greenhouse gas emissions over the next 10 years. The entity explains that it plans to reduce these emissions by making future investments in more energy-efficient technology and changing some of its raw materials and manufacturing methods. The entity discloses no other information about its climate-related transition plan in its general purpose financial reports.

Application

Considering the specific requirements in IFRS Accounting Standards

- IE21 In preparing its financial statements, Entity A assesses the effect of its climate-related transition plan on its financial position and financial performance. The entity determines that its transition plan has no effect on the recognition or measurement of its assets and liabilities and related income and expenses for the current reporting period because, for example:
- (a) the transition plan did not affect the useful lives of the affected manufacturing facilities. These facilities will not be replaced until the end of their current useful lives.
 - (b) the entity's 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. The carrying amount of the raw materials is recoverable.
 - (c) the recoverable amounts of the affected cash-generating units (CGUs), after reflecting the effects of the transition plan where required by IAS 36 *Impairment of Assets*, exceed their carrying amounts.
 - (d) the transition plan did not affect the timing or amount of expenditure required to settle the entity's decommissioning and site-restoration obligations.
- IE22 Entity A also assesses whether specific requirements in IFRS Accounting Standards—such as those in IAS 2 *Inventories*, IAS 16, IAS 36 or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*—require it to disclose information about the effect (or lack of effect) of its transition plan on its financial position and financial performance. The entity determines that they do not.

Considering the requirement in paragraph 20 of IFRS 18

- IE23 Paragraph 20 of IFRS 18 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.
- IE24 An entity applies paragraph 20 of IFRS 18, for example, when reviewing its draft financial statements to determine whether all material information has been provided in those financial statements. This review gives the entity an opportunity to 'step back' and consider the information it provides in its financial statements from a wider perspective and in aggregate. This review might involve considering whether, without additional disclosures, information in its financial statements might appear inconsistent with information in its general purpose financial reports accompanying those financial statements.
- IE25 As part of the assessment in paragraph IE24, an entity draws on its knowledge and experience of its transactions and other events and conditions to identify whether all information that is material in the context of its financial statements taken as a whole has been provided in those financial statements. The entity considers primary users' common information needs – rather than the needs of individual users.
- IE26 In applying paragraph 20 of IFRS 18, Entity A applies judgement to determine whether additional disclosures to enable users of its financial statements to understand the effect (or lack of effect) of its transition plan on its financial position and financial performance would provide material information. That is, the entity considers whether omitting this information could reasonably be expected to influence the decisions that primary users of its financial statements make on the basis of those financial statements.
- IE27 In making a judgement about whether such additional disclosures would provide material information, Entity A considers both quantitative and qualitative factors. Although the transition plan had no effect on the entity's financial position and financial performance for the current reporting period, the entity considers qualitative factors including:
- (a) *entity-specific qualitative factors* – for example, Entity A considers:
 - (i) the nature and extent of its exposure to climate-related transition risks. The entity has significant exposure to climate-related transition risks and its transition plan contributes to mitigating those risks.
 - (ii) the significance of its transition plan to its operations. The entity's transition plan is strategically important for, and is expected to significantly affect, its future operations.

DISCLOSURES ABOUT UNCERTAINTIES IN THE FINANCIAL STATEMENTS

- (b) *external qualitative factors*—for example, Entity A considers whether the industry and jurisdictions in which it operates—including its market, economic, regulatory and legal environments—make the information more likely to influence the decisions that primary users of the entity’s financial statements make on the basis of those financial statements. The entity determines that they do because of the significance of climate-related transition risks to the business models of entities operating in the same industry and the climate-related policies adopted by the jurisdictions in which the entity operates.

IE28 Entity A also considers whether, without additional disclosures, information in its financial statements might appear inconsistent with information about its transition plan in its general purpose financial reports accompanying those financial statements. For example, information about the entity’s plans to change its manufacturing methods and invest in more energy-efficient technology might suggest that some of its assets might be impaired.

IE29 After considering its particular facts and circumstances, including those described in paragraphs IE27–IE28, Entity A determines that additional disclosure to explain the lack of effect of its transition plan on its financial position and financial performance for the current reporting period would provide material information in the context of its financial statements taken as a whole. For example, the entity might explain why its transition plan had no effect on its financial position and financial performance for the current reporting period by disclosing the reasons explained in paragraph IE21.

Scenario 2—Materiality judgements not leading to additional disclosures

Background

IE30 Entity B is a service provider that operates in an industry that has a low level of greenhouse gas emissions and has limited exposure to climate-related transition risks. The entity discloses in a general purpose financial report accompanying its financial statements that it has a low level of greenhouse gas emissions, explaining that, if possible, it uses renewable energy and avoids exposure to high-emission activities. The entity also explains how it plans to keep emissions low by maintaining its current greenhouse gas emissions policy.

IE31 Entity B’s greenhouse gas emissions policy is not expected to significantly affect its future operations. The entity discloses no other information about its greenhouse gas emissions policy in its general purpose financial reports.

Application*Considering the specific requirements in IFRS Accounting Standards*

- IE32 In preparing its financial statements, Entity B applies the recognition and measurement requirements in IFRS Accounting Standards. Applying those requirements, the entity determines that its greenhouse gas emissions policy has no effect on the recognition and measurement of its assets and liabilities and related income and expenses for the current reporting period.
- IE33 Entity B also assesses whether specific requirements in IFRS Accounting Standards require it to disclose information about the effect (or lack of effect) of its greenhouse gas emissions policy on its financial position and financial performance. The entity determines that they do not.

Considering the requirement in paragraph 20 of IFRS 18

- IE34 In applying paragraph 20 of IFRS 18 (see paragraphs IE23–IE25), Entity B applies judgement to determine whether additional disclosures to enable users of its financial statements to understand the effect (or lack of effect) of its greenhouse gas emissions policy on its financial position and financial performance would provide material information. That is, the entity considers whether omitting this information could reasonably be expected to influence the decisions that primary users of its financial statements make on the basis of those financial statements.
- IE35 In making that judgement, Entity B considers both quantitative and qualitative factors. The entity determines that there are no indications that an explanation about the lack of effect of its greenhouse gas emissions policy on its financial position and financial performance for the current reporting period might be material information in the context of its financial statements taken as a whole because, for example:
- (a) its greenhouse gas emissions policy is not expected to significantly affect its future operations; and
 - (b) it operates in an industry that has a low level of greenhouse gas emissions and has limited exposure to climate-related transition risks.
- IE36 Therefore, Entity B determines that additional disclosure to explain the lack of effect of its greenhouse gas emissions policy on its financial position and financial performance for the current reporting period would not provide material information in the context of its financial statements taken as a whole. The entity therefore provides no such disclosures.

Example IV-2—Disclosure of disaggregated information in the notes

IE37 This example illustrates requirements in paragraphs 41–42 and B110 of IFRS 18. Specifically, it illustrates how an entity might disaggregate the information it provides in the notes about a class of property, plant and equipment (PP&E) on the basis of dissimilar risk characteristics if necessary to provide material information.

Background

IE38 The entity owns PP&E with long useful lives whose use results in high amounts of greenhouse gas emissions. The entity has invested in alternative PP&E of the same class with lower greenhouse gas emissions, but it still uses the high-emission PP&E for a large part of its operations. The entity operates in an industry with a high degree of exposure to climate-related transition risks. The two types of PP&E make up a large portion of the entity's total assets.

IE39 The entity concludes that 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 demand could affect these two types of PP&E in significantly different ways, including:

- (a) how long the entity would be able to use them;
- (b) how their residual values would be affected; and
- (c) whether the entity would be able to recover their carrying amounts.

Application

IE40 Paragraphs 41–42 of IFRS 18 include principles for aggregating and disaggregating information in financial statements. In particular, these paragraphs require an entity to disaggregate items based on characteristics that are not shared whenever the resulting information is material. Paragraph B110 of IFRS 18 explains that an entity uses its judgement to do this and includes examples of such characteristics, which include the risks associated with an item.

IE41 After considering its particular facts and circumstances, the entity determines that the two types of PP&E have sufficiently dissimilar risk characteristics that disaggregating information about these types of PP&E would result in material information. The entity reaches this conclusion after considering, among other factors:

- (a) *the size of the PP&E's carrying amount*—the carrying amount of the two types of PP&E makes up a large proportion of the entity's total assets;

- (b) *the 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; and
- (c) *external climate-related qualitative factors*—the industry and jurisdictions in which the entity operates (including its market, economic, regulatory and legal environments) 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.

IE42 Applying paragraphs 41–42 and B110 of IFRS 18, the entity disaggregates information it provides in the notes about the PP&E between the two types of PP&E whenever the resulting disaggregated information is material. For example, the entity determines that disaggregating the carrying amount of the related class of PP&E between these two types of PP&E would provide material information.

Guidance on implementing IFRS 7 Financial Instruments: Disclosures

Paragraph IG22A and its related heading are added. Added text is not underlined for ease of reading. Grey text is included for ease of reference.

Nature and extent of risks arising from financial instruments (paragraphs 31–42 and B6–B28)

...

Credit risk (paragraphs 35A–36, B8A–B10)

...

Disclosures related to the effects of particular risks

IG22A This example illustrates requirements in paragraphs 35A–36 of IFRS 7. In particular, it illustrates how an entity might disclose:

- (a) information about the effects of particular risks on its credit risk exposures and credit risk management practices; and
- (b) information about how these practices relate to the recognition and measurement of expected credit losses.

Background

The entity is a financial institution that provides a range of products to various types of customers. As part of its credit risk management practices, the entity considers the effects of various risks on its credit risk exposures, including climate-related risks. The entity identifies two portfolios of loans for which climate-related risks have a significant effect on its credit risk exposures, requiring it to monitor and take action to mitigate credit risk arising from its customers' exposure to climate-related risks. Those portfolios are:

- (a) loans to agricultural customers for which climate-related events such as droughts could affect the borrowers' ability to repay their loans; and
- (b) loans to corporate real estate customers that are secured by properties in low-lying areas subject to flood risk.

continued...

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Application

Paragraphs 35A–36 of IFRS 7 include disclosure requirements about credit risk arising from financial instruments. In considering these requirements, the entity determines that information about the effects of climate-related risks on its exposure to credit risk on the two identified portfolios is material. The entity reaches this conclusion after considering, among other factors:

- (a) *the size of the portfolios*—the two portfolios make up a large portion of the entity’s overall lending portfolio.
- (b) *the significance of the effects of climate-related risks*—climate-related risks have a significant effect on the entity’s exposure to credit risk compared with other factors affecting that exposure. The effects depend on factors such as loan maturities and the nature, likelihood and magnitude of the climate-related risks.
- (c) *external climate-related qualitative factors*—the market, economic, regulatory and legal environments in which the entity operates, as well as climate-related developments (for example, an increase in the occurrence and severity of weather-related events and long-term shifts in climatic patterns), 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.

Applying the requirements in paragraphs 35A–36 of IFRS 7, the entity considers what information to provide about the effects of climate-related risks on its exposure to credit risk on the two identified portfolios. This information might include, for example:

- (a) an explanation of the entity’s credit risk management practices related to climate-related risks and how those practices relate to the recognition and measurement of expected credit losses.
- (b) an explanation of how the entity incorporated climate-related risks in the inputs, assumptions and estimation techniques it used to apply the requirements in Section 5.5 of IFRS 9. This explanation might include, for example, information about how the entity incorporated those risks in the modelling of expected credit losses or information about the use of judgement-based adjustments (also referred to as ‘post-model adjustments’ or ‘management overlays’).
- (c) information about collateral held as security and other credit enhancements. This information might include, for example, information about properties held as collateral that are subject to flood risk and whether that risk is insured.
- (d) information about concentrations of climate-related risks if not apparent from other disclosures the entity makes. This information might include, for example, the carrying amount of the two identified portfolios.

Guidance on implementing IAS 8 Basis of Preparation of Financial Statements

Paragraphs 6.1–6.9 and their related headings are added. Added text in those paragraphs is not underlined for ease of reading.

Example 6 – Disclosures about assumptions

- 6.1 This example illustrates the requirements in paragraphs 31A and 31E of IAS 8. In particular, it illustrates how an entity:
- (a) might be required to disclose information about assumptions it makes about the future even if the specific disclosure requirements in other IFRS Accounting Standards require no such disclosure;
 - (b) identifies the assumptions about which it is required to disclose information; and
 - (c) determines what information about these assumptions it is required to disclose.

Background

- 6.2 The entity operates in a capital-intensive industry. The entity is exposed to climate-related transition risks that might affect its ability to recover the carrying amount of some of its non-current assets. The entity has no goodwill or intangible assets with indefinite lives.
- 6.3 At the end of the current reporting period, there are indications that some of the entity's non-current assets might be impaired. Because the entity concludes it is not possible to estimate the recoverable amount of the individual assets, it tests the cash-generating unit (CGU) to which they belong for impairment. The entity concludes that the CGU's recoverable amount is greater than its carrying amount and, therefore, recognises no impairment loss. In determining the CGU's recoverable amount, the entity makes several assumptions related to the climate-related transition risks to which it is exposed. Such assumptions include assumptions about future:
- (a) legal and regulatory developments;
 - (b) consumer demand;
 - (c) commodity prices; and
 - (d) costs of acquiring greenhouse gas emission allowances.

Application

Considering the specific requirements in IFRS Accounting Standards

- 6.4 IAS 36 *Impairment of Assets* does not require an entity to disclose information about the assumptions used in determining a CGU's recoverable amount if the CGU includes no goodwill or intangible assets with indefinite lives and the entity recognises no impairment loss for that CGU during the current reporting period. However, the entity considers whether paragraph 31A of IAS 8 requires it to disclose information about these assumptions.

Considering the requirements in paragraph 31A of IAS 8

- 6.5 Paragraph 31A of IAS 8 requires an entity to disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. That paragraph also requires an entity to disclose details of the nature and the carrying amount at the end of the reporting period of those assets and liabilities.
- 6.6 The entity concludes that some of the assumptions it made in determining the CGU's recoverable amount have a significant risk of resulting in a material adjustment to the carrying amount of the non-current assets within the next financial year. These include assumptions about uncertainties that will not be resolved within the next financial year but that have a significant risk of resulting in a material adjustment to the carrying amount of those assets if the entity were to revise those assumptions in the next financial year. The entity reaches this conclusion after considering:
- (a) *the size of the CGU's carrying amount*—the CGU makes up a large portion of the entity's total assets. Therefore, a relatively small adjustment to the CGU's carrying amount might result in a material impairment loss.
 - (b) *the subjectivity or complexity of the judgements management made in determining the assumptions*—the judgements involve a high level of subjectivity and complexity because they reflect management's expectations about highly uncertain future events that will take place over the medium and long term, such as government actions to limit the effects of climate change and the timing of such actions. This high level of subjectivity and complexity increases the risk that the assumptions might change due to new information or new developments.
 - (c) *the risk that new information or new developments in the next financial year might result in changes to the assumptions*—frequent new climate-related market, economic, regulatory and legal developments increase the risk that the entity might have to review its assumptions within the next financial year (including assumptions about medium- and long-term uncertainties). The higher the likelihood of new information or new

DISCLOSURES ABOUT UNCERTAINTIES IN THE FINANCIAL STATEMENTS

developments in the next financial year, the higher the likelihood that an entity might have to revise its assumptions.

- (d) *the sensitivity of the CGU's carrying amount to changes in the assumptions* – the carrying amount of the CGU is highly sensitive to the assumptions. Relatively small changes in these assumptions could result in a reduction in the CGU's recoverable amount and a material impairment loss.

6.7 Applying paragraph 31A of IAS 8 to the assumptions identified in paragraph 6.6, the entity discloses:

- (a) information about these assumptions; and
- (b) details of the nature and carrying amount of the CGU's non-current assets at the end of the reporting period.

6.8 Paragraph 31E of IAS 8 requires an entity to provide these disclosures in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information an entity provides vary according to the nature of the assumption and other circumstances.

6.9 The entity therefore determines the nature and extent of the information it provides to meet the objective described in paragraph 31E of IAS 8 for the assumptions it identified. For example, the entity discloses qualitative and quantitative information about the assumptions – including the nature of the assumptions, the sensitivity of the non-current assets' carrying amount to these assumptions and the reasons for the sensitivity – if doing so is necessary to meet that objective.

Illustrative Examples on IAS 36 Impairment of Assets

Paragraphs IE90–IE95, their related headings and the italicised text are added. Added text is not underlined for ease of reading.

Example 10 Disclosure of assumptions related to uncertainties

This example illustrates the requirements in paragraphs 134(d)(i)–(ii) and 134(f) of IAS 36. In particular, it illustrates how an entity discloses information about the key assumptions it uses to determine the recoverable amounts of assets.

Background

- IE90 The entity's operations result in a high amount of greenhouse gas emissions. The entity is subject to greenhouse gas emission regulations in some of the jurisdictions in which it operates. Those regulations require the entity to acquire emission allowances for some of its emissions, resulting in costs (emission allowance costs).^{*} The entity expects such regulations to become more widespread in the future.
- IE91 The entity has allocated a significant amount of goodwill to one of its cash-generating units (CGUs) and tests that CGU for impairment at least annually. The entity has concluded that the CGU's recoverable amount is greater than its carrying amount and, therefore, recognises no impairment loss in the current reporting period. The entity has determined that its assumptions about future emission allowance costs are key assumptions—that is, they are among the assumptions to which the CGU's recoverable amount is most sensitive.

Application

Reasonable and supportable assumptions

- IE92 The entity measures the value in use of the CGU when testing it for impairment. Applying paragraphs 33–38 of IAS 36 in measuring the CGU's value in use, the entity bases its cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist in the future. These assumptions include assumptions about future emission allowance costs.
- IE93 The assumptions about future emission allowance costs include assumptions about the future price of emission allowances and future emission regulations. However, these assumptions do not reflect risks already reflected in the discount rate.

^{*} This example illustrates only the entity's consideration of emission allowance costs when testing an asset for impairment and its disclosure of information about related key assumptions. The example does not cover, for example, other costs an entity might incur in managing climate-related risks.

Disclosures

Key assumptions and approach used to determine the values assigned to them

- IE94 Applying paragraph 134(d)(i)–(ii) of IAS 36, the entity discloses:
- (a) that its key assumptions include future emission allowance cost assumptions, such as the future price of greenhouse gas emission allowances and future emission regulations; and
 - (b) its approach to determining the values assigned to these key assumptions, including whether its assumptions about the future price of greenhouse gas emission allowances and future emission regulations are consistent with external sources of information and, if not, how and why they differ from such sources of information.

Sensitivity information

- IE95 Applying paragraph 134(f) of IAS 36, the entity also considers whether a reasonably possible change in a key assumption would cause the CGU's carrying amount to exceed its recoverable amount—that is, whether such a change in assumption would result in an impairment loss. For example, the entity considers whether an impairment loss would result from a reasonably possible change in the entity's assumptions about the future price of greenhouse gas emission allowances. If so, the entity discloses:
- (a) the amount by which the CGU's recoverable amount exceeds its carrying amount;
 - (b) the values assigned to the assumptions about the future price of greenhouse gas emission allowances; and
 - (c) the amount by which these values must change, after incorporating any consequential effects of that change on the other variables used to measure the recoverable amount, in order for the CGU's recoverable amount to be equal to its carrying amount.

Guidance on implementing IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Example 2A and the introductory text in italics are added. Added text is not underlined for ease of reading. Grey text is included for ease of reference.

D Examples: disclosures

...

The example below illustrates the requirements in paragraph 85 of IAS 37. In particular, it illustrates how an entity might disclose information about plant decommissioning and site-restoration obligations even if their effect on the carrying amount of the entity's plant decommissioning and site-restoration provision is immaterial.

Example 2A Decommissioning and site-restoration obligations

Background

The entity is a manufacturer and has plant decommissioning and site-restoration obligations for its facilities. The entity assumes it will continue to maintain and operate some of its facilities for an extremely long time. Consequently, the costs required to settle the obligations related to these facilities will be incurred so far into the future that, when discounted to their present value, their effect on the carrying amount of the entity's plant decommissioning and site-restoration provision is immaterial. However, the costs to settle the obligations relating to these facilities will be high and there is a significant and increasing risk that the entity might be required to close the facilities earlier than it expects. This risk stems from efforts to transition to a lower-carbon economy, which might include shifting consumer demand for the entity's products and possible regulatory and policy actions to reduce greenhouse gas emissions in the jurisdictions in which the entity operates.

Application

Paragraph 85 of IAS 37 requires an entity to disclose information for each class of provision. The entity concludes that, although some of its plant decommissioning and site-restoration obligations have an immaterial effect on the carrying amount of its plant decommissioning and site-restoration provision (see the 'Background' section), information about these obligations is material. The entity reaches this conclusion after considering, among other factors:

continued...

DISCLOSURES ABOUT UNCERTAINTIES IN THE FINANCIAL STATEMENTS

...continued

- (a) *the size of the costs required to settle the obligations* – the costs of settling the obligations are high;
- (b) *the risk of early settlement* – the risk that the entity might be required to settle the obligations earlier than expected is significant and is increasing; and
- (c) *external climate-related qualitative factors* – the industry and jurisdictions in which the entity operates (including the entity's market, economic, regulatory and legal environments) make the information about the obligations more likely to influence the decisions that primary users of the entity's financial statements make on the basis of the financial statements.

In applying paragraph 85 of IAS 37, the entity discloses information about its plant decommissioning and site-restoration provision. This information includes information about the obligations that have an immaterial effect on the carrying amount of the provision. The information the entity discloses includes:

- (a) a brief description of the nature of the obligations and the expected timing of the outflows of economic benefits required to settle them.
- (b) an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, the entity also discloses the major assumptions made concerning future events. These assumptions could include assumptions about the future use of each of the entity's main facilities – for example, when the entity expects to close the facilities.

Approval by the IASB of *Disclosures about Uncertainties in the Financial Statements* issued in November 2025

Disclosures about Uncertainties in the Financial Statements was approved for issue by all 12 members of the International Accounting Standards Board.

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Amendments to the bases for conclusions on IFRS Accounting Standards

This section sets out the amendments to the bases for conclusions on IFRS Accounting Standards applicable for periods in which an entity applies IFRS 18. Appendix B sets out the amendments to the bases for conclusions on IFRS Accounting Standards applicable for periods before an entity applies IFRS 18.

Basis for Conclusions on IFRS 18 Presentation and Disclosure in Financial Statements

Paragraphs BC428–BC451 and their related headings are added. Added text is not underlined for ease of reading.

Disclosures about Uncertainties in the Financial Statements (November 2025)

BC428 In November 2025, the IASB issued *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples to the guidance accompanying several IFRS Accounting Standards. The objective of those examples is to illustrate how an entity applies the requirements in the Standards to report the effects of uncertainties in its financial statements.

Background

BC429 In March 2021, the IASB published the Request for Information *Third Agenda Consultation*. Stakeholders who responded to that consultation expressed concerns that information about the effects of climate-related risks in the financial statements was sometimes insufficient or appeared to be inconsistent with information entities provided outside the financial statements, particularly information reported in other general purpose financial reports. To respond to those concerns, the IASB added to its work plan a project to explore targeted actions to improve the reporting of the effects of climate-related risks in the financial statements.

BC430 After starting the project, the IASB decided to change the project's objective to cover uncertainties in general. The principle-based nature of IFRS Accounting Standards meant that any actions the IASB were to take as part of the project would apply not only to uncertainties arising from climate-related risks but to uncertainties in general.

BC431 The IASB researched the nature and causes of stakeholders' concerns about reporting the effects of uncertainties in the financial statements. The research showed that IFRS Accounting Standards were generally sufficient in requiring an entity to disclose information about the effects of uncertainties in the financial statements. However, entities faced some challenges in applying the Standards.

BC432 The IASB decided to develop examples illustrating how, and in what circumstances, applying the requirements in IFRS Accounting Standards might result in an entity disclosing information about the effects of uncertainties in the financial statements. The examples illustrate requirements in IFRS 18, IFRS 7, IAS 8, IAS 36 and IAS 37.

Overall considerations in developing illustrative examples

Which requirements to illustrate?

- BC433 The IASB noted that the effects of uncertainties are pervasive across financial statements and an entity might apply many requirements in IFRS Accounting Standards in reporting these effects. Stakeholder concerns related mostly to the application of disclosure requirements in the Standards. Therefore, the IASB concluded that the examples would be most helpful if they focused on illustrating the application of those requirements. The IASB also decided to focus on disclosure requirements that were among the most relevant for reporting the effects of uncertainties in the financial statements and that were more likely to respond to stakeholder concerns (see paragraph BC429).
- BC434 The IASB also noted that, by their nature, examples cannot illustrate:
- (a) the application of all requirements in IFRS Accounting Standards that might be applicable to a specified fact pattern;
 - (b) all facts and circumstances an entity would consider in making materiality judgements; or
 - (c) all material information an entity is required to disclose in a specified fact pattern.

What types of uncertainties and fact patterns to illustrate?

- BC435 The IASB noted that stakeholders were mainly concerned about the reporting of the effects of climate-related uncertainties. Therefore, the IASB concluded that examples illustrating the application of IFRS Accounting Standards to climate-related uncertainties would be most helpful in responding to these concerns.
- BC436 Many respondents to the draft illustrative examples exposed for comment suggested the IASB develop more examples to illustrate other types of uncertainties. Some of these respondents were concerned that the emphasis on climate-related uncertainties could suggest a lower threshold for disclosing information about these uncertainties compared with other uncertainties. However, the IASB noted that the principles and requirements illustrated using climate-related fact patterns apply equally to other types of uncertainties. The IASB also noted that:
- (a) an entity assesses whether information about the effects of climate-related uncertainties is material in the same way it assesses information about the effects of any other uncertainty; and
 - (b) the entity provides such information only if it concludes that the information is material based on its particular facts and circumstances.

BC437 The IASB also noted that an entity would assess whether information is material:

- (a) *in the context of the objective of the financial statements*—the objective of financial statements is to provide information about an entity's assets, liabilities, equity, income and expenses that is useful to primary users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources. An entity is required to disclose information about the effects of uncertainties, including climate-related uncertainties, only if providing that information is necessary to meet the objective of the financial statements. Information judged to be material for financial statements will typically differ from information judged to be material for other general purpose financial reports (such as sustainability-related financial disclosures) because these reports have different objectives from financial statements and provide different types of information about a reporting entity in accordance with the applicable reporting requirements.
- (b) *in the context of the needs of primary users of financial statements*—the primary users of financial statements are existing and potential investors, lenders and other creditors. Other parties might also find financial statements useful. However, financial statements are not primarily directed to these other parties.

BC438 The IASB also noted that:

- (a) uncertainties affect many industries, in various ways and to varying extents. Accordingly, the IASB decided to set out fact patterns at a sufficiently high level to make the examples applicable to a variety of entities operating in various industries.
- (b) the examples illustrate how an entity applies the requirements in IFRS Accounting Standards in specified fact patterns. However, the application of those requirements in other fact patterns could result in an entity disclosing information similar to that illustrated in the examples.

What is the best format for the examples?

BC439 The IASB considered whether to publish the examples as educational materials, issue them as illustrative examples accompanying IFRS Accounting Standards, or include them in the Standards. The IASB decided to issue the examples as illustrative examples accompanying IFRS Accounting Standards. Although illustrative examples are not an integral part of the Standards and therefore might not be translated or endorsed in some jurisdictions, the IASB concluded that illustrative examples:

- (a) are easily accessible because they are included alongside other guidance accompanying the Standards;

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- (b) are used by preparers in applying the Standards and are helpful to auditors and regulators in supporting their audit and enforcement activities; and
- (c) allow for greater flexibility in their content and format than if the examples were to be included in the Standards.

Objectives and rationale for each example

Materiality judgements and the disclosure of additional information

- BC440 The IASB developed Example IV-1 of the *Illustrative Examples on IFRS 18* to respond to stakeholder concerns about apparent inconsistencies between information about the effects of climate-related risks disclosed in the financial statements and information provided outside the financial statements. Stakeholders said they observed extensive discussion about climate-related matters outside the financial statements, but little or no information about the effects of those matters in the financial statements.
- BC441 The IASB noted that this situation might arise if an entity applying IFRS Accounting Standards focuses on quantitative factors when assessing the materiality of information—instead of both quantitative and qualitative factors. Therefore, the IASB decided to illustrate how an entity considers qualitative factors in making materiality judgements. Scenario 1 illustrates a situation in which an entity makes additional disclosures in the financial statements by applying paragraph 20 of IFRS 18 after using judgement and considering its specific circumstances, including matters disclosed in other general purpose financial reports. To respond to stakeholder concerns that the consideration of qualitative factors could lead to excessive disclosures, the IASB also developed Scenario 2, which illustrates a situation in which the entity determines that additional disclosures are unnecessary.
- BC442 When the IASB exposed the draft illustrative examples for comment, many respondents were concerned that Scenario 1 went beyond the requirements in paragraph 20 of IFRS 18. These respondents said that this scenario implied that an entity is required to identify and disclose information about a broad range of uncertainties and anticipate the information needs of a wide range of users of financial statements. These respondents said that, despite the illustrations in Scenario 2, Scenario 1 would lead to voluminous boilerplate disclosures that might obscure material information instead of providing it. They were also concerned that entities would be required to create new processes and controls, which would be burdensome for entities and their auditors.
- BC443 In response to these concerns, the IASB clarified in Example IV-1 that an entity considers whether additional disclosures would provide material information in the context of the financial statements taken as a whole. The IASB also clarified that an entity focuses on the common information needs of primary users and is not expected to anticipate the information needs of individual users.

- BC444 The IASB also noted that:
- (a) an entity would provide additional disclosures by applying paragraph 20 of IFRS 18 only if the information is material. Those additional disclosures should be made in a way that would not obscure other material information.
 - (b) an entity probably already identifies the uncertainties to which it is exposed as part of its existing risk management processes and controls. The entity would judge whether information about the effects of those uncertainties is material in the same way it makes other materiality judgements. Therefore, the IASB would not expect an entity to create new processes and controls to identify the uncertainties to which it is exposed and consider whether information about the effects of those uncertainties might be material.

Assumptions and other sources of estimation uncertainty

- BC445 The IASB decided to develop several examples to illustrate how applying the requirements in IFRS Accounting Standards would result in an entity disclosing information about assumptions it makes about the future and other sources of estimation uncertainty. Research indicated that information about assumptions is often necessary to enable users of financial statements to understand how uncertainties affected the recognition and measurement of assets and liabilities. The examples illustrate disclosure requirements in IFRS 7, IAS 8, IAS 36 and IAS 37.*

Disaggregation

- BC446 The IASB developed Example IV-2 of the *Illustrative Examples on IFRS 18* to illustrate how applying the principles of aggregation and disaggregation might result in an entity disaggregating information it provides in the notes about a class of property, plant and equipment based on dissimilar risk characteristics. The IASB concluded that disaggregating information could provide material information about the effects of uncertainties, such as in the fact pattern illustrated in the example.
- BC447 The IASB noted that the example illustrates the disaggregation of the carrying amount of property, plant and equipment as an example of an item of information whose disaggregation would provide material information. However, the disaggregation principles in IFRS 18 require an entity to disaggregate other information provided in the notes, including other information about property, plant and equipment, whenever the resulting disaggregated information is material.

* See paragraphs BC56B–BC56D of the *Basis for Conclusions on IFRS 7 Financial Instruments: Disclosures*, paragraphs BC31AE–BC31AG of the *Basis for Conclusions on IAS 8 Basis of Preparation of Financial Statements*, paragraphs BC209R–BC209S of the *Basis for Conclusions on IAS 36 Impairment of Assets* and paragraphs BC22–BC23 of the *Basis for Conclusions on IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

Effects analysis

- BC448 The IASB concluded that the benefits of the illustrative examples outweigh the costs because it expected:
- (a) the illustrative examples to result in improved information for users of financial statements about the effects of uncertainties.
 - (b) entities to incur limited costs in understanding the implications of the examples and in making changes to the information they disclose in their financial statements. In particular, the IASB expected that entities would not need to create new processes and controls to identify which information to disclose (see paragraph BC444(b)) and the information needed for any new disclosures was likely to be available from applying the recognition and measurement requirements in IFRS Accounting Standards.

Effective date and transition

- BC449 Materials accompanying IFRS Accounting Standards, including illustrative examples, are not an integral part of those Standards and, as such, do not have an effective date or transition requirements.
- BC450 The IASB expected that the illustrative examples might:
- (a) help entities make materiality judgements and provide information in financial statements that meets the needs of users of those financial statements. An entity applies judgement in determining which information is material and, therefore, is required to be disclosed in its financial statements. An entity reassesses these judgements at each reporting date. Information that was previously immaterial might become material, or the other way around, as an entity's circumstances or its external environment change.
 - (b) provide additional insights into how to apply the disclosure requirements in IFRS Accounting Standards. These additional insights might change an entity's understanding of the disclosure requirements in IFRS Accounting Standards. Therefore, these additional insights might constitute information that was not available to an entity before the publication of the illustrative examples. Because of these new insights, the entity might determine that it needs to change the disclosures it provides.
- BC451 The IASB expected entities to be entitled to sufficient time to implement any changes to the information disclosed in their financial statements as a result of the illustrative examples. Determining how much time is sufficient is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless, an entity would be expected to implement any change on a timely basis.

Basis for Conclusions on IFRS 7 Financial Instruments: Disclosures

Paragraphs BC56B–BC56D and the related heading are added. Added text is not underlined for ease of reading. Grey text is included for ease of reference.

Disclosures about the nature and extent of risks arising from financial instruments (paragraphs 31–42 and B6–B28)

...

Credit risk (paragraphs 36–38, B9 and B10)

...

Disclosures about Uncertainties in the Financial Statements (November 2025)

- BC56B In November 2025, the IASB issued *Disclosures about Uncertainties in the Financial Statements*, which added the example in paragraph IG22A of the *Guidance on implementing IFRS 7*. Paragraphs BC429–BC451 of the *Basis for Conclusions on IFRS 18 Presentation and Disclosure in Financial Statements* include the IASB’s overall considerations in developing this illustrative example.
- BC56C The IASB developed the example in paragraph IG22A to illustrate the disclosure of information about the effects of particular risks on an entity’s credit risk exposures and credit risk management practices, as well as information about how these practices relate to the recognition and measurement of expected credit losses. The IASB noted that an entity’s exposure to credit risk is affected by many risks, but specific information about the effects of particular risks might be material in some circumstances. To help an entity to assess whether information would be material in its circumstances, the IASB decided to illustrate factors an entity might consider in making this assessment.
- BC56D Some respondents to the draft illustrative example exposed for comment were concerned that the example could be interpreted as requiring entities to separately quantify and disclose the effects of climate-related risks on the measurement of expected credit losses. The IASB noted that the assessment of credit risk is based on a multifactor and holistic analysis. The IASB also noted that the recognition and measurement of expected credit losses are based on reasonable and supportable information that is available without undue cost or effort at the reporting date. Therefore, an entity:
- (a) is not required to provide quantitative information about any individual factors if such information is not used in the recognition and measurement of expected credit losses; and

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- (b) provides information based on its current practices relating to the recognition and measurement of expected credit losses.

Basis for Conclusions on IAS 8 Basis of Preparation of Financial Statements

Paragraphs BC31AE–BC31AG and the related heading are added. Added text is not underlined for ease of reading. Grey text is included for ease of reference.

Disclosure of selection and application of accounting policies (paragraphs 27A–27I and 31A–31I)

...

Disclosure of major sources of estimation uncertainty

...

Disclosures about Uncertainties in the Financial Statements (November 2025)

- BC31AE In November 2025, the IASB issued *Disclosures about Uncertainties in the Financial Statements*, which added Example 6 to the *Guidance on implementing IAS 8*. Paragraphs BC429–BC451 of the *Basis for Conclusions on IFRS 18 Presentation and Disclosure in Financial Statements* include the IASB’s overall considerations in developing this illustrative example.
- BC31AF The IASB developed Example 6 to illustrate the requirements in paragraphs 31A and 31E of IAS 8 to disclose information about assumptions an entity makes about the future and other major sources of estimation uncertainty. In particular, the example:
- (a) illustrates that paragraph 31A applies to assumptions about uncertainties that will be resolved only after the end of the next financial year. The IASB concluded that this example would help an entity to determine whether to disclose information about assumptions related to events or conditions that might occur in the medium or long term.
 - (b) illustrates how an entity determines what information to disclose about those assumptions in applying paragraph 31E. The IASB concluded that this example would help to explain that an entity is required to disclose information that meets the objective in that paragraph and that disclosing quantitative information might be necessary to meet that objective.
- BC31AG Some respondents to the draft illustrative example exposed for comment said:
- (a) there were different views about whether paragraph 31A applied to assumptions about uncertainties that will be resolved only after the end of the next financial year (see paragraph BC31AF(a)). These respondents suggested amending the requirements in that paragraph to clarify their application. The IASB concluded that amending these

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requirements was unnecessary and that the example appropriately illustrates their application to assumptions about longer-term uncertainties. The fact that the example might provide additional insights into the application of these requirements does not mean standard-setting is necessary.

- (b) the example illustrates a situation in which the specific requirements in IAS 36 *Impairment of Assets* do not require an entity to disclose information about assumptions. In these respondents' view, this situation indicated a deficiency in IAS 36 that the IASB should correct through standard-setting instead of relying on the requirements in paragraph 31A of IAS 8. The IASB concluded that the fact that the requirements in paragraph 31A might apply when the specific disclosure requirements in IAS 36 do not apply does not suggest the disclosure requirements in IAS 36 are deficient.

Basis for Conclusions on IAS 36 Impairment of Assets

Paragraphs BC209R–BC209S and the related heading are added. Added text is not underlined for ease of reading.

Changes as a result of Disclosures about Uncertainties in the Financial Statements (November 2025)

- BC209R In November 2025, the IASB issued *Disclosures about Uncertainties in the Financial Statements*, which added Example 10 to the *Illustrative Examples on IAS 36*. Paragraphs BC429–BC451 of the *Basis for Conclusions on IFRS 18 Presentation and Disclosure in Financial Statements* include the IASB’s overall considerations in developing this illustrative example.
- BC209S The IASB developed Example 10 to illustrate the disclosure of assumptions used in measuring the recoverable amount of assets. The IASB decided to illustrate the disclosure of assumptions about future emission allowance costs for greenhouse gas emissions because entities operating in various industries are subject to greenhouse gas emission regulations and information about the assumptions used in estimating the related costs could be material. These assumptions are among those an entity might have to make in estimating future cash flows to measure the recoverable amount of an asset (or cash-generating unit). Although the example illustrates the disclosure of assumptions about the costs of acquiring allowances for greenhouse gas emissions, the principles and requirements illustrated in the example apply equally to assumptions related to other uncertainties.

Basis for Conclusions on IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Paragraphs BC22–BC23 and the related heading are added. Added text is not underlined for ease of reading.

Disclosures about Uncertainties in the Financial Statements (November 2025)

- BC22 In November 2025, the IASB issued *Disclosures about Uncertainties in the Financial Statements*, which added Example 2A to Section D of the *Guidance on implementing IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. Paragraphs BC429–BC451 of the *Basis for Conclusions on IFRS 18 Presentation and Disclosure in Financial Statements* include the IASB’s overall considerations in developing this illustrative example.
- BC23 The IASB developed Example 2A to illustrate disclosures about uncertainties related to the amount or timing of outflows required to settle plant decommissioning and site-restoration obligations. In particular, the IASB decided to illustrate a situation in which information about some obligations is material, even if their effect on the carrying amount of the entity’s plant decommissioning and site-restoration provision is immaterial.

Appendix A—Amendments to guidance on IFRS Accounting Standards applicable for periods before an entity applies IFRS 18

This section sets out the amendments to the guidance on IFRS Accounting Standards applicable for periods before an entity applies IFRS 18.

Example 6 is added to the *Guidance on implementing IAS 8* Basis of Preparation of Financial Statements for periods after an entity applies IFRS 18. This example is added as Example IV-2 to the *Guidance on implementing IAS 1* Presentation of Financial Statements for periods before an entity applies IFRS 18.

Example IV-2 is added to the *Illustrative Examples on IFRS 18* Presentation and Disclosure in Financial Statements. This example is not added to the *Guidance on implementing IAS 1* because that example illustrates requirements in IFRS 18.

List of amendments

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Guidance on implementing IAS 1 Presentation of Financial Statements

Paragraph IG2 is amended. Added text is underlined and deleted text is struck through. Paragraphs IG12–IG39 and their related headings are added. Added text in those paragraphs is not underlined for ease of reading.

IG2 The guidance is in ~~three~~ two sections. Paragraphs IG3–IG6 provide examples of the presentation of financial statements. Paragraphs IG7–IG9 have been deleted. Paragraphs IG10 and IG11 provide examples of capital disclosures. Paragraphs IG12–IG39 provide examples illustrating how an entity applies particular requirements in IAS 1 to report the effects of uncertainties in its financial statements.

...

Part IV: Disclosures about the effects of uncertainties

Example IV-1—Materiality judgements applying paragraph 31 of IAS 1

IG12 This example illustrates how an entity applies the requirement in paragraph 31 of IAS 1 and makes materiality judgements in the context of financial statements.* This example illustrates two scenarios: one scenario in which these judgements lead to additional disclosures beyond those specifically required by IFRS Accounting Standards and a second scenario in which they do not.

Scenario 1—Materiality judgements leading to additional disclosures

Background

IG13 Entity A is a manufacturer that operates in a capital-intensive industry. The entity is exposed to significant climate-related transition risks and operates in jurisdictions that have adopted climate-related policies that affect the entity's operations. The entity has developed a climate-related transition plan to manage its climate-related transition risks. The plan is strategically important for the entity and is expected to significantly affect its future operations.

IG14 Entity A discloses information about its transition plan in a general purpose financial report accompanying the financial statements, including detailed information about how it plans to reduce its greenhouse gas emissions over the next 10 years. The entity explains that it plans to reduce these emissions

* IFRS Practice Statement 2 *Making Materiality Judgements* also provides non-mandatory guidance on making materiality judgements when preparing general purpose financial statements in accordance with IFRS Accounting Standards.

by making future investments in more energy-efficient technology and changing some of its raw materials and manufacturing methods. The entity discloses no other information about its climate-related transition plan in its general purpose financial reports.

Application

Considering the specific requirements in IFRS Accounting Standards

IG15 In preparing its financial statements, Entity A assesses the effect of its climate-related transition plan on its financial position and financial performance. The entity determines that its transition plan has no effect on the recognition or measurement of its assets and liabilities and related income and expenses for the current reporting period because, for example:

- (a) the transition plan did not affect the useful lives of the affected manufacturing facilities. These facilities will not be replaced until the end of their current useful lives.
- (b) the entity's 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. The carrying amount of the raw materials is recoverable.
- (c) the recoverable amounts of the affected cash-generating units (CGUs), after reflecting the effects of the transition plan where required by IAS 36 *Impairment of Assets*, exceed their carrying amounts.
- (d) the transition plan did not affect the timing or amount of expenditure required to settle the entity's decommissioning and site-restoration obligations.

IG16 Entity A also assesses whether specific requirements in IFRS Accounting Standards—such as those in IAS 2 *Inventories*, IAS 16 *Property, Plant and Equipment*, IAS 36 or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*—require it to disclose information about the effect (or lack of effect) of its transition plan on its financial position and financial performance. The entity determines that they do not.

Considering the requirement in paragraph 31 of IAS 1

IG17 Paragraph 31 of IAS 1 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.

IG18 An entity applies paragraph 31 of IAS 1, for example, when reviewing its draft financial statements to determine whether all material information has been provided in those financial statements. This review gives the entity an opportunity to 'step back' and consider the information it provides in its financial statements from a wider perspective and in aggregate. This review

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might involve considering whether, without additional disclosures, information in its financial statements might appear inconsistent with information in its general purpose financial reports accompanying those financial statements.

- IG19 As part of the assessment in paragraph IG18, an entity draws on its knowledge and experience of its transactions and other events and conditions to identify whether all information that is material in the context of its financial statements taken as a whole has been provided in those financial statements. The entity considers primary users' common information needs—rather than the needs of individual users.
- IG20 In applying paragraph 31 of IAS 1, Entity A applies judgement to determine whether additional disclosures to enable users of its financial statements to understand the effect (or lack of effect) of its transition plan on its financial position and financial performance would provide material information. That is, the entity considers whether omitting this information could reasonably be expected to influence the decisions that primary users of its financial statements make on the basis of those financial statements.
- IG21 In making a judgement about whether such additional disclosures would provide material information, Entity A considers both quantitative and qualitative factors. Although the transition plan had no effect on the entity's financial position and financial performance for the current reporting period, the entity considers qualitative factors including:
- (a) *entity-specific qualitative factors*—for example, Entity A considers:
 - (i) the nature and extent of its exposure to climate-related transition risks. The entity has significant exposure to climate-related transition risks and its transition plan contributes to mitigating those risks.
 - (ii) the significance of its transition plan to its operations. The entity's transition plan is strategically important for, and is expected to significantly affect, its future operations.
 - (b) *external qualitative factors*—for example, Entity A considers whether the industry and jurisdictions in which it operates—including its market, economic, regulatory and legal environments—make the information more likely to influence the decisions that primary users of the entity's financial statements make on the basis of those financial statements. The entity determines that they do because of the significance of climate-related transition risks to the business models of entities operating in the same industry and the climate-related policies adopted by the jurisdictions in which the entity operates.
- IG22 Entity A also considers whether, without additional disclosures, information in its financial statements might appear inconsistent with information about its transition plan in its general purpose financial reports accompanying those financial statements. For example, information about the entity's plans to change its manufacturing methods and invest in more energy-efficient technology might suggest that some of its assets might be impaired.

- IG23 After considering its particular facts and circumstances, including those described in paragraphs IG21–IG22, Entity A determines that additional disclosure to explain the lack of effect of its transition plan on its financial position and financial performance for the current reporting period would provide material information in the context of its financial statements taken as a whole. For example, the entity might explain why its transition plan had no effect on its financial position and financial performance for the current reporting period by disclosing the reasons explained in paragraph IG15.

Scenario 2—Materiality judgements not leading to additional disclosures

Background

- IG24 Entity B is a service provider that operates in an industry that has a low level of greenhouse gas emissions and has limited exposure to climate-related transition risks. The entity discloses in a general purpose financial report accompanying its financial statements that it has a low level of greenhouse gas emissions, explaining that, if possible, it uses renewable energy and avoids exposure to high-emission activities. The entity also explains how it plans to keep emissions low by maintaining its current greenhouse gas emissions policy.
- IG25 Entity B's greenhouse gas emissions policy is not expected to significantly affect its future operations. The entity discloses no other information about its greenhouse gas emissions policy in its general purpose financial reports.

Application

Considering the specific requirements in IFRS Accounting Standards

- IG26 In preparing its financial statements, Entity B applies the recognition and measurement requirements in IFRS Accounting Standards. Applying those requirements, the entity determines that its greenhouse gas emissions policy has no effect on the recognition and measurement of its assets and liabilities and related income and expenses for the current reporting period.
- IG27 Entity B also assesses whether specific requirements in IFRS Accounting Standards require it to disclose information about the effect (or lack of effect) of its greenhouse gas emissions policy on its financial position and financial performance. The entity determines that they do not.

Considering the requirement in paragraph 31 of IAS 1

- IG28 In applying paragraph 31 of IAS 1 (see paragraphs IG17–IG19), Entity B applies judgement to determine whether additional disclosures to enable users of its financial statements to understand the effect (or lack of effect) of its greenhouse gas emissions policy on its financial position and financial performance would provide material information. That is, the entity considers whether omitting this information could reasonably be expected to influence

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the decisions that primary users of its financial statements make on the basis of those financial statements.

IG29 In making that judgement, Entity B considers both quantitative and qualitative factors. The entity determines that there are no indications that an explanation about the lack of effect of its greenhouse gas emissions policy on its financial position and financial performance for the current reporting period might be material information in the context of its financial statements taken as a whole because, for example:

- (a) its greenhouse gas emissions policy is not expected to significantly affect its future operations; and
- (b) it operates in an industry that has a low level of greenhouse gas emissions and has limited exposure to climate-related transition risks.

IG30 Therefore, Entity B determines that additional disclosure to explain the lack of effect of its greenhouse gas emissions policy on its financial position and financial performance for the current reporting period would not provide material information in the context of its financial statements taken as a whole. The entity therefore provides no such disclosures.

Example IV-2—Disclosures about assumptions

IG31 This example illustrates the requirements in paragraphs 125 and 129 of IAS 1. In particular, it illustrates how an entity:

- (a) might be required to disclose information about assumptions it makes about the future even if the specific disclosure requirements in other IFRS Accounting Standards require no such disclosure;
- (b) identifies the assumptions about which it is required to disclose information; and
- (c) determines what information about these assumptions it is required to disclose.

Background

IG32 The entity operates in a capital-intensive industry. The entity is exposed to climate-related transition risks that might affect its ability to recover the carrying amount of some of its non-current assets. The entity has no goodwill or intangible assets with indefinite lives.

IG33 At the end of the current reporting period, there are indications that some of the entity's non-current assets might be impaired. Because the entity concludes it is not possible to estimate the recoverable amount of the individual assets, it tests the CGU to which they belong for impairment. The entity concludes that the CGU's recoverable amount is greater than its carrying amount and, therefore, recognises no impairment loss. In determining the CGU's recoverable amount, the entity makes several assumptions related to the climate-related transition risks to which it is exposed. Such assumptions include assumptions about future:

- (a) legal and regulatory developments;
- (b) consumer demand;
- (c) commodity prices; and
- (d) costs of acquiring greenhouse gas emission allowances.

Application

Considering the specific requirements in IFRS Accounting Standards

- IG34 IAS 36 does not require an entity to disclose information about the assumptions used in determining a CGU's recoverable amount if the CGU includes no goodwill or intangible assets with indefinite lives and the entity recognises no impairment loss for that CGU during the current reporting period. However, the entity considers whether paragraph 125 of IAS 1 requires it to disclose information about these assumptions.

Considering the requirements in paragraph 125 of IAS 1

- IG35 Paragraph 125 of IAS 1 requires an entity to disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. That paragraph also requires an entity to disclose details of the nature and the carrying amount at the end of the reporting period of those assets and liabilities.
- IG36 The entity concludes that some of the assumptions it made in determining the CGU's recoverable amount have a significant risk of resulting in a material adjustment to the carrying amount of the non-current assets within the next financial year. These include assumptions about uncertainties that will not be resolved within the next financial year but that have a significant risk of resulting in a material adjustment to the carrying amount of those assets if the entity were to revise those assumptions in the next financial year. The entity reaches this conclusion after considering:
- (a) *the size of the CGU's carrying amount*—the CGU makes up a large portion of the entity's total assets. Therefore, a relatively small adjustment to the CGU's carrying amount might result in a material impairment loss.
 - (b) *the subjectivity or complexity of the judgements management made in determining the assumptions*—the judgements involve a high level of subjectivity and complexity because they reflect management's expectations about highly uncertain future events that will take place over the medium and long term, such as government actions to limit the effects of climate change and the timing of such actions. This high level of subjectivity and complexity increases the risk that the assumptions might change due to new information or new developments.

DISCLOSURES ABOUT UNCERTAINTIES IN THE FINANCIAL STATEMENTS

- (c) *the risk that new information or new developments in the next financial year might result in changes to the assumptions*—frequent new climate-related market, economic, regulatory and legal developments increase the risk that the entity might have to review its assumptions within the next financial year (including assumptions about medium- and long-term uncertainties). The higher the likelihood of new information or new developments in the next financial year, the higher the likelihood that an entity might have to revise its assumptions.
 - (d) *the sensitivity of the CGU's carrying amount to changes in the assumptions*—the carrying amount of the CGU is highly sensitive to the assumptions. Relatively small changes in these assumptions could result in a reduction in the CGU's recoverable amount and a material impairment loss.
- IG37 Applying paragraph 125 of IAS 1 to the assumptions identified in paragraph IG36, the entity discloses:
 - (a) information about these assumptions; and
 - (b) details of the nature and carrying amount of the CGU's non-current assets at the end of the reporting period.
- IG38 Paragraph 129 of IAS 1 requires an entity to provide these disclosures in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information an entity provides vary according to the nature of the assumption and other circumstances.
- IG39 The entity therefore determines the nature and extent of the information it provides to meet the objective described in paragraph 129 of IAS 1 for the assumptions it identified. For example, the entity discloses qualitative and quantitative information about the assumptions—including the nature of the assumptions, the sensitivity of the non-current assets' carrying amount to these assumptions and the reasons for the sensitivity—if doing so is necessary to meet that objective.

Guidance on implementing IFRS 7 Financial Instruments: Disclosures

Paragraph IG22A and its related heading are added. Added text is not underlined for ease of reading. Grey text is included for ease of reference.

Nature and extent of risks arising from financial instruments (paragraphs 31–42 and B6–B28)

...

Credit risk (paragraphs 35A–36, B8A–B10)

...

Disclosures related to the effects of particular risks

IG22A This example illustrates requirements in paragraphs 35A–36 of IFRS 7. In particular, it illustrates how an entity might disclose:

- (a) information about the effects of particular risks on its credit risk exposures and credit risk management practices; and
- (b) information about how these practices relate to the recognition and measurement of expected credit losses.

Background

The entity is a financial institution that provides a range of products to various types of customers. As part of its credit risk management practices, the entity considers the effects of various risks on its credit risk exposures, including climate-related risks. The entity identifies two portfolios of loans for which climate-related risks have a significant effect on its credit risk exposures, requiring it to monitor and take action to mitigate credit risk arising from its customers' exposure to climate-related risks. Those portfolios are:

- (a) loans to agricultural customers for which climate-related events such as droughts could affect the borrowers' ability to repay their loans; and
- (b) loans to corporate real estate customers that are secured by properties in low-lying areas subject to flood risk.

continued...

...continued

Application

Paragraphs 35A–36 of IFRS 7 include disclosure requirements about credit risk arising from financial instruments. In considering these requirements, the entity determines that information about the effects of climate-related risks on its exposure to credit risk on the two identified portfolios is material. The entity reaches this conclusion after considering, among other factors:

- (a) *the size of the portfolios* – the two portfolios make up a large portion of the entity's overall lending portfolio.
- (b) *the significance of the effects of climate-related risks* – climate-related risks have a significant effect on the entity's exposure to credit risk compared with other factors affecting that exposure. The effects depend on factors such as loan maturities and the nature, likelihood and magnitude of the climate-related risks.
- (c) *external climate-related qualitative factors* – the market, economic, regulatory and legal environments in which the entity operates, as well as climate-related developments (for example, an increase in the occurrence and severity of weather-related events and long-term shifts in climatic patterns), 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.

Applying the requirements in paragraphs 35A–36 of IFRS 7, the entity considers what information to provide about the effects of climate-related risks on its exposure to credit risk on the two identified portfolios. This information might include, for example:

- (a) an explanation of the entity's credit risk management practices related to climate-related risks and how those practices relate to the recognition and measurement of expected credit losses.
- (b) an explanation of how the entity incorporated climate-related risks in the inputs, assumptions and estimation techniques it used to apply the requirements in Section 5.5 of IFRS 9. This explanation might include, for example, information about how the entity incorporated those risks in the modelling of expected credit losses or information about the use of judgement-based adjustments (also referred to as 'post-model adjustments' or 'management overlays').
- (c) information about collateral held as security and other credit enhancements. This information might include, for example, information about properties held as collateral that are subject to flood risk and whether that risk is insured.
- (d) information about concentrations of climate-related risks if not apparent from other disclosures the entity makes. This information might include, for example, the carrying amount of the two identified portfolios.

Illustrative Examples on IAS 36 Impairment of Assets

Paragraphs IE90–IE95, their related headings and the italicised text are added. Added text is not underlined for ease of reading.

Example 10 Disclosure of assumptions related to uncertainties

This example illustrates the requirements in paragraphs 134(d)(i)–(ii) and 134(f) of IAS 36. In particular, it illustrates how an entity discloses information about the key assumptions it uses to determine the recoverable amounts of assets.

Background

- IE90 The entity's operations result in a high amount of greenhouse gas emissions. The entity is subject to greenhouse gas emission regulations in some of the jurisdictions in which it operates. Those regulations require the entity to acquire emission allowances for some of its emissions, resulting in costs (emission allowance costs).^{*} The entity expects such regulations to become more widespread in the future.
- IE91 The entity has allocated a significant amount of goodwill to one of its cash-generating units (CGUs) and tests that CGU for impairment at least annually. The entity has concluded that the CGU's recoverable amount is greater than its carrying amount and, therefore, recognises no impairment loss in the current reporting period. The entity has determined that its assumptions about future emission allowance costs are key assumptions—that is, they are among the assumptions to which the CGU's recoverable amount is most sensitive.

Application

Reasonable and supportable assumptions

- IE92 The entity measures the value in use of the CGU when testing it for impairment. Applying paragraphs 33–38 of IAS 36 in measuring the CGU's value in use, the entity bases its cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist in the future. These assumptions include assumptions about future emission allowance costs.
- IE93 The assumptions about future emission allowance costs include assumptions about the future price of emission allowances and future emission regulations. However, these assumptions do not reflect risks already reflected in the discount rate.

^{*} This example illustrates only the entity's consideration of emission allowance costs when testing an asset for impairment and its disclosure of information about related key assumptions. The example does not cover, for example, other costs an entity might incur in managing climate-related risks.

Disclosures

Key assumptions and approach used to determine the values assigned to them

- IE94 Applying paragraph 134(d)(i)–(ii) of IAS 36, the entity discloses:
- (a) that its key assumptions include future emission allowance cost assumptions, such as the future price of greenhouse gas emission allowances and future emission regulations; and
 - (b) its approach to determining the values assigned to these key assumptions, including whether its assumptions about the future price of greenhouse gas emission allowances and future emission regulations are consistent with external sources of information and, if not, how and why they differ from such sources of information.

Sensitivity information

- IE95 Applying paragraph 134(f) of IAS 36, the entity also considers whether a reasonably possible change in a key assumption would cause the CGU's carrying amount to exceed its recoverable amount—that is, whether such a change in assumption would result in an impairment loss. For example, the entity considers whether an impairment loss would result from a reasonably possible change in the entity's assumptions about the future price of greenhouse gas emission allowances. If so, the entity discloses:
- (a) the amount by which the CGU's recoverable amount exceeds its carrying amount;
 - (b) the values assigned to the assumptions about the future price of greenhouse gas emission allowances; and
 - (c) the amount by which these values must change, after incorporating any consequential effects of that change on the other variables used to measure the recoverable amount, in order for the CGU's recoverable amount to be equal to its carrying amount.

Guidance on implementing IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Example 2A and the introductory text in italics are added. Added text is not underlined for ease of reading. Grey text is included for ease of reference.

D Examples: disclosures

...

The example below illustrates the requirements in paragraph 85 of IAS 37. In particular, it illustrates how an entity might disclose information about plant decommissioning and site-restoration obligations even if their effect on the carrying amount of the entity's plant decommissioning and site-restoration provision is immaterial.

Example 2A Decommissioning and site-restoration obligations

Background

The entity is a manufacturer and has plant decommissioning and site-restoration obligations for its facilities. The entity assumes it will continue to maintain and operate some of its facilities for an extremely long time. Consequently, the costs required to settle the obligations related to these facilities will be incurred so far into the future that, when discounted to their present value, their effect on the carrying amount of the entity's plant decommissioning and site-restoration provision is immaterial. However, the costs to settle the obligations relating to these facilities will be high and there is a significant and increasing risk that the entity might be required to close the facilities earlier than it expects. This risk stems from efforts to transition to a lower-carbon economy, which might include shifting consumer demand for the entity's products and possible regulatory and policy actions to reduce greenhouse gas emissions in the jurisdictions in which the entity operates.

Application

Paragraph 85 of IAS 37 requires an entity to disclose information for each class of provision. The entity concludes that, although some of its plant decommissioning and site-restoration obligations have an immaterial effect on the carrying amount of its plant decommissioning and site-restoration provision (see the 'Background' section), information about these obligations is material. The entity reaches this conclusion after considering, among other factors:

continued...

DISCLOSURES ABOUT UNCERTAINTIES IN THE FINANCIAL STATEMENTS

...continued

- (a) *the size of the costs required to settle the obligations* – the costs of settling the obligations are high;
- (b) *the risk of early settlement* – the risk that the entity might be required to settle the obligations earlier than expected is significant and is increasing; and
- (c) *external climate-related qualitative factors* – the industry and jurisdictions in which the entity operates (including the entity's market, economic, regulatory and legal environments) make the information about the obligations more likely to influence the decisions that primary users of the entity's financial statements make on the basis of the financial statements.

In applying paragraph 85 of IAS 37, the entity discloses information about its plant decommissioning and site-restoration provision. This information includes information about the obligations that have an immaterial effect on the carrying amount of the provision. The information the entity discloses includes:

- (a) a brief description of the nature of the obligations and the expected timing of the outflows of economic benefits required to settle them.
- (b) an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, the entity also discloses the major assumptions made concerning future events. These assumptions could include assumptions about the future use of each of the entity's main facilities – for example, when the entity expects to close the facilities.

Appendix B—Amendments to the bases for conclusions on IFRS Accounting Standards applicable for periods before an entity applies IFRS 18

This section sets out the amendments to the bases for conclusions on IFRS Accounting Standards applicable for periods before an entity applies IFRS 18.

List of amendments

<i>Basis for Conclusions on IAS 1</i> Presentation of Financial Statements	51
<i>Basis for Conclusions on IFRS 7</i> Financial Instruments: Disclosures	58
<i>Basis for Conclusions on IAS 36</i> Impairment of Assets	60
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Basis for Conclusions on IAS 1 Presentation of Financial Statements

Paragraphs BC107–BC130 and their related headings are added. Added text is not underlined for ease of reading.

Disclosures about Uncertainties in the Financial Statements (November 2025)

BC107 In November 2025, the IASB issued *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples to the guidance accompanying several IFRS Accounting Standards. The objective of those examples is to illustrate how an entity applies the requirements in the Standards to report the effects of uncertainties in its financial statements.

Background

BC108 In March 2021, the IASB published the Request for Information *Third Agenda Consultation*. Stakeholders who responded to that consultation expressed concerns that information about the effects of climate-related risks in the financial statements was sometimes insufficient or appeared to be inconsistent with information entities provided outside the financial statements, particularly information reported in other general purpose financial reports. To respond to those concerns, the IASB added to its work plan a project to explore targeted actions to improve the reporting of the effects of climate-related risks in the financial statements.

BC109 After starting the project, the IASB decided to change the project's objective to cover uncertainties in general. The principle-based nature of IFRS Accounting Standards meant that any actions the IASB were to take as part of the project would apply not only to uncertainties arising from climate-related risks but to uncertainties in general.

BC110 The IASB researched the nature and causes of stakeholders' concerns about reporting the effects of uncertainties in the financial statements. The research showed that IFRS Accounting Standards were generally sufficient in requiring an entity to disclose information about the effects of uncertainties in the financial statements. However, entities faced some challenges in applying the Standards.

BC111 The IASB decided to develop examples illustrating how, and in what circumstances, applying the requirements in IFRS Accounting Standards might result in an entity disclosing information about the effects of uncertainties in the financial statements. The examples illustrate requirements in IAS 1, IFRS 7, IAS 36 *Impairment of Assets* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Overall considerations in developing illustrative examples

Which requirements to illustrate?

- BC112 The IASB noted that the effects of uncertainties are pervasive across financial statements and an entity might apply many requirements in IFRS Accounting Standards in reporting these effects. Stakeholder concerns related mostly to the application of disclosure requirements in the Standards. Therefore, the IASB concluded that the examples would be most helpful if they focused on illustrating the application of those requirements. The IASB also decided to focus on disclosure requirements that were among the most relevant for reporting the effects of uncertainties in the financial statements and that were more likely to respond to stakeholder concerns (see paragraph BC108).
- BC113 The IASB also noted that, by their nature, examples cannot illustrate:
- (a) the application of all requirements in IFRS Accounting Standards that might be applicable to a specified fact pattern;
 - (b) all facts and circumstances an entity would consider in making materiality judgements; or
 - (c) all material information an entity is required to disclose in a specified fact pattern.

What types of uncertainties and fact patterns to illustrate?

- BC114 The IASB noted that stakeholders were mainly concerned about the reporting of the effects of climate-related uncertainties. Therefore, the IASB concluded that examples illustrating the application of IFRS Accounting Standards to climate-related uncertainties would be most helpful in responding to these concerns.
- BC115 Many respondents to the draft illustrative examples exposed for comment suggested the IASB develop more examples to illustrate other types of uncertainties. Some of these respondents were concerned that the emphasis on climate-related uncertainties could suggest a lower threshold for disclosing information about these uncertainties compared with other uncertainties. However, the IASB noted that the principles and requirements illustrated using climate-related fact patterns apply equally to other types of uncertainties. The IASB also noted that:
- (a) an entity assesses whether information about the effects of climate-related uncertainties is material in the same way it assesses information about the effects of any other uncertainty; and
 - (b) the entity provides such information only if it concludes that the information is material based on its particular facts and circumstances.

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BC116 The IASB also noted that an entity would assess whether information is material:

- (a) *in the context of the objective of the financial statements*—the objective of financial statements is to provide information about an entity's assets, liabilities, equity, income and expenses that is useful to primary users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources. An entity is required to disclose information about the effects of uncertainties, including climate-related uncertainties, only if providing that information is necessary to meet the objective of the financial statements. Information judged to be material for financial statements will typically differ from information judged to be material for other general purpose financial reports (such as sustainability-related financial disclosures) because these reports have different objectives from financial statements and provide different types of information about a reporting entity in accordance with the applicable reporting requirements.
- (b) *in the context of the needs of primary users of financial statements*—the primary users of financial statements are existing and potential investors, lenders and other creditors. Other parties might also find financial statements useful. However, financial statements are not primarily directed to these other parties.

BC117 The IASB also noted that:

- (a) uncertainties affect many industries, in various ways and to varying extents. Accordingly, the IASB decided to set out fact patterns at a sufficiently high level to make the examples applicable to a variety of entities operating in various industries.
- (b) the examples illustrate how an entity applies the requirements in IFRS Accounting Standards in specified fact patterns. However, the application of those requirements in other fact patterns could result in an entity disclosing information similar to that illustrated in the examples.

What is the best format for the examples?

BC118 The IASB considered whether to publish the examples as educational materials, issue them as illustrative examples accompanying IFRS Accounting Standards, or include them in the Standards. The IASB decided to issue the examples as illustrative examples accompanying IFRS Accounting Standards. Although illustrative examples are not an integral part of the Standards and therefore might not be translated or endorsed in some jurisdictions, the IASB concluded that illustrative examples:

- (a) are easily accessible because they are included alongside other guidance accompanying the Standards;

- (b) are used by preparers in applying the Standards and are helpful to auditors and regulators in supporting their audit and enforcement activities; and
- (c) allow for greater flexibility in their content and format than if the examples were to be included in the Standards.

Objectives and rationale for each example

Materiality judgements and the disclosure of additional information

- BC119 The IASB developed Example IV-1 of the *Illustrative Examples on IAS 1* to respond to stakeholder concerns about apparent inconsistencies between information about the effects of climate-related risks disclosed in the financial statements and information provided outside the financial statements. Stakeholders said they observed extensive discussion about climate-related matters outside the financial statements, but little or no information about the effects of those matters in the financial statements.
- BC120 The IASB noted that this situation might arise if an entity applying IFRS Accounting Standards focuses on quantitative factors when assessing the materiality of information—instead of both quantitative and qualitative factors. Therefore, the IASB decided to illustrate how an entity considers qualitative factors in making materiality judgements. Scenario 1 illustrates a situation in which an entity makes additional disclosures in the financial statements by applying paragraph 31 of IAS 1 after using judgement and considering its specific circumstances, including matters disclosed in other general purpose financial reports. To respond to stakeholder concerns that the consideration of qualitative factors could lead to excessive disclosures, the IASB also developed Scenario 2, which illustrates a situation in which the entity determines that additional disclosures are unnecessary.
- BC121 When the IASB exposed the draft illustrative examples for comment, many respondents were concerned that Scenario 1 went beyond the requirements in paragraph 31 of IAS 1. These respondents said that this scenario implied that an entity is required to identify and disclose information about a broad range of uncertainties and anticipate the information needs of a wide range of users of financial statements. These respondents said that, despite the illustrations in Scenario 2, Scenario 1 would lead to voluminous boilerplate disclosures that might obscure material information instead of providing it. They were also concerned that entities would be required to create new processes and controls, which would be burdensome for entities and their auditors.
- BC122 In response to these concerns, the IASB clarified in Example IV-1 that an entity considers whether additional disclosures would provide material information in the context of the financial statements taken as a whole. The IASB also clarified that an entity focuses on the common information needs of primary users and is not expected to anticipate the information needs of individual users.

DISCLOSURES ABOUT UNCERTAINTIES IN THE FINANCIAL STATEMENTS

- BC123 The IASB also noted that:
- (a) an entity would provide additional disclosures by applying paragraph 31 of IAS 1 only if the information is material. Those additional disclosures should be made in a way that would not obscure other material information.
 - (b) an entity probably already identifies the uncertainties to which it is exposed as part of its existing risk management processes and controls. The entity would judge whether information about the effects of those uncertainties is material in the same way it makes other materiality judgements. Therefore, the IASB would not expect an entity to create new processes and controls to identify the uncertainties to which it is exposed and consider whether information about the effects of those uncertainties might be material.

Assumptions and other sources of estimation uncertainty

- BC124 The IASB decided to develop several examples to illustrate how applying the requirements in IFRS Accounting Standards would result in an entity disclosing information about assumptions it makes about the future and other sources of estimation uncertainty. Research indicated that information about assumptions is often necessary to enable users of financial statements to understand how uncertainties affected the recognition and measurement of assets and liabilities. The examples illustrate disclosure requirements in IAS 1 (see paragraphs BC125–BC126), IFRS 7, IAS 36 and IAS 37.*
- BC125 The IASB developed Example IV-2 of the *Illustrative Examples on IAS 1* to illustrate the requirements in paragraphs 125 and 129 of IAS 1 to disclose information about assumptions an entity makes about the future and other major sources of estimation uncertainty. In particular, the example:
- (a) illustrates that paragraph 125 applies to assumptions about uncertainties that will be resolved only after the end of the next financial year. The IASB concluded that this example would help an entity to determine whether to disclose information about assumptions related to events or conditions that might occur in the medium or long term.
 - (b) illustrates how an entity determines what information to disclose about those assumptions in applying paragraph 129. The IASB concluded that this example would help to explain that an entity is required to disclose information that meets the objective in that paragraph and that disclosing quantitative information might be necessary to meet that objective.

* See paragraphs BC56B–BC56D of the *Basis for Conclusions on IFRS 7 Financial Instruments: Disclosures*, paragraphs BC209R–BC209S of the *Basis for Conclusions on IAS 36 Impairment of Assets* and paragraphs BC22–BC23 of the *Basis for Conclusions on IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

BC126 Some respondents to the draft illustrative examples exposed for comment said:

- (a) there were different views about whether paragraph 125 applied to assumptions about uncertainties that will be resolved only after the end of the next financial year (see paragraph BC125(a)). These respondents suggested amending the requirements in that paragraph to clarify their application. The IASB concluded that amending these requirements was unnecessary and that the example appropriately illustrates their application to assumptions about longer-term uncertainties. The fact that the example might provide additional insights into the application of these requirements does not mean standard-setting is necessary.
- (b) the example illustrates a situation in which the specific requirements in IAS 36 do not require an entity to disclose information about assumptions. In these respondents' view, this situation indicated a deficiency in IAS 36 that the IASB should correct through standard-setting instead of relying on the requirements in paragraph 125 of IAS 1. The IASB concluded that the fact that the requirements in paragraph 125 of IAS 1 might apply when the specific disclosure requirements in IAS 36 do not apply does not suggest the disclosure requirements in IAS 36 are deficient.

Effects analysis

BC127 The IASB concluded that the benefits of the illustrative examples outweigh the costs because it expected:

- (a) the illustrative examples to result in improved information for users of financial statements about the effects of uncertainties.
- (b) entities to incur limited costs in understanding the implications of the examples and in making changes to the information they disclose in their financial statements. In particular, the IASB expected that entities would not need to create new processes and controls to identify which information to disclose (see paragraph BC123(b)) and the information needed for any new disclosures was likely to be available from applying the recognition and measurement requirements in IFRS Accounting Standards.

Effective date and transition

BC128 Materials accompanying IFRS Accounting Standards, including illustrative examples, are not an integral part of those Standards and, as such, do not have an effective date or transition requirements.

DISCLOSURES ABOUT UNCERTAINTIES IN THE FINANCIAL STATEMENTS

- BC129 The IASB expected that the illustrative examples might:
- (a) help entities make materiality judgements and provide information in financial statements that meets the needs of users of those financial statements. An entity applies judgement in determining which information is material and, therefore, is required to be disclosed in its financial statements. An entity reassesses these judgements at each reporting date. Information that was previously immaterial might become material, or the other way around, as an entity's circumstances or its external environment change.
 - (b) provide additional insights into how to apply the disclosure requirements in IFRS Accounting Standards. These additional insights might change an entity's understanding of the disclosure requirements in IFRS Accounting Standards. Therefore, these additional insights might constitute information that was not available to an entity before the publication of the illustrative examples. Because of these new insights, the entity might determine that it needs to change the disclosures it provides.
- BC130 The IASB expected entities to be entitled to sufficient time to implement any changes to the information disclosed in their financial statements as a result of the illustrative examples. Determining how much time is sufficient is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless, an entity would be expected to implement any change on a timely basis.

Basis for Conclusions on IFRS 7 Financial Instruments: Disclosures

Paragraphs BC56B–BC56D and the related heading are added. Added text is not underlined for ease of reading. Grey text is included for ease of reference.

Disclosures about the nature and extent of risks arising from financial instruments (paragraphs 31–42 and B6–B28)

...

Credit risk (paragraphs 36–38, B9 and B10)

...

Disclosures about Uncertainties in the Financial Statements (November 2025)

- BC56B In November 2025, the IASB issued *Disclosures about Uncertainties in the Financial Statements*, which added the example in paragraph IG22A of the *Guidance on implementing IFRS 7*. Paragraphs BC108–BC130 of the *Basis for Conclusions on IAS 1 Presentation of Financial Statements* include the IASB’s overall considerations in developing this illustrative example.
- BC56C The IASB developed the example in paragraph IG22A to illustrate the disclosure of information about the effects of particular risks on an entity’s credit risk exposures and credit risk management practices, as well as information about how these practices relate to the recognition and measurement of expected credit losses. The IASB noted that an entity’s exposure to credit risk is affected by many risks, but specific information about the effects of particular risks might be material in some circumstances. To help an entity to assess whether information would be material in its circumstances, the IASB decided to illustrate factors an entity might consider in making this assessment.
- BC56D Some respondents to the draft illustrative example exposed for comment were concerned that the example could be interpreted as requiring entities to separately quantify and disclose the effects of climate-related risks on the measurement of expected credit losses. The IASB noted that the assessment of credit risk is based on a multifactor and holistic analysis. The IASB also noted that the recognition and measurement of expected credit losses are based on reasonable and supportable information that is available without undue cost or effort at the reporting date. Therefore, an entity:
- (a) is not required to provide quantitative information about any individual factors if such information is not used in the recognition and measurement of expected credit losses; and

DISCLOSURES ABOUT UNCERTAINTIES IN THE FINANCIAL STATEMENTS

- (b) provides information based on its current practices relating to the recognition and measurement of expected credit losses.

Basis for Conclusions on IAS 36 Impairment of Assets

Paragraphs BC209R–BC209S and the related heading are added. Added text is not underlined for ease of reading.

Changes as a result of Disclosures about Uncertainties in the Financial Statements (November 2025)

- BC209R In November 2025, the IASB issued *Disclosures about Uncertainties in the Financial Statements*, which added Example 10 to the *Illustrative Examples on IAS 36*. Paragraphs BC108–BC130 of the *Basis for Conclusions on IAS 1* include the IASB’s overall considerations in developing this illustrative example.
- BC209S The IASB developed Example 10 to illustrate the disclosure of assumptions used in measuring the recoverable amount of assets. The IASB decided to illustrate the disclosure of assumptions about future emission allowance costs for greenhouse gas emissions because entities operating in various industries are subject to greenhouse gas emission regulations and information about the assumptions used in estimating the related costs could be material. These assumptions are among those an entity might have to make in estimating future cash flows to measure the recoverable amount of an asset (or cash-generating unit). Although the example illustrates the disclosure of assumptions about the costs of acquiring allowances for greenhouse gas emissions, the principles and requirements illustrated in the example apply equally to assumptions related to other uncertainties.

Basis for Conclusions on IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Paragraphs BC22–BC23 and the related heading are added. Added text is not underlined for ease of reading.

Disclosures about Uncertainties in the Financial Statements (November 2025)

- BC22 In November 2025, the IASB issued *Disclosures about Uncertainties in the Financial Statements*, which added Example 2A to Section D of the *Guidance on implementing IAS 37 Provisions, Contingent Liabilities and Contingent Assets*. Paragraphs BC108–BC130 of the *Basis for Conclusions on IAS 1 Presentation of Financial Statements* include the IASB’s overall considerations in developing this illustrative example.
- BC23 The IASB developed Example 2A to illustrate disclosures about uncertainties related to the amount or timing of outflows required to settle plant decommissioning and site-restoration obligations. In particular, the IASB decided to illustrate a situation in which information about some obligations is material, even if their effect on the carrying amount of the entity’s plant decommissioning and site-restoration provision is immaterial.



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