लेखामान बोर्ड

Accounting Standards Board

(Formed by the Government of Nepal under the Nepal Chartered Accountants Act, 1997)

E-NEWS

Quarterly Newsletter

(July-September 2025)

1. Recent Board Activities

1.1 Board Meetings

170th Board Meeting

The 170th Board meeting was convened on July 03, 2025. The Board approved the publication of Public Consultation Paper on Nepal Sustainability Reporting Standards (NSRS). The meeting also addressed the leadership transition, extending best wishes to the departing Chief Executive Officer, CA Sushil Poudel, and endorsing the appointment of the Acting CEO, in addition to deliberating on administrative and operational matters.

171st Board Meeting

The 171st Board meeting was convened on July 14, 2025. The Board approved the Annual Budget for FY 2082/83 and the Secretariat's Human Resource Procedure 2082. Furthermore, the Board confirmed Nepal's participation for the AOSSG Interim Meeting, WSS Conference and the IFASS meetings in London (28 Sep–1 Oct), the "Belt and Road National Accounting Standards Cooperation Forum" in Shanghai (14-16 Oct), and the AOSSG 17th Annual Meeting (26-28 Nov 2025) and IFRS Forum 2025 (29 November 2025) in the Maldives.

172nd Board Meeting

The 172nd Board meeting was convened on August 15, 2025. The meeting focused on strengthening national financial reporting standards and addressing implementation challenges. Specifically, following decisions were made:

- **Reference Material of NAS For MEs:** The Board reviewed and approved the NAS for MEs 2018 Reference Materials prepared in Nepali language and thanked the Technical Committee for its timely submission.

- **Amendment in the thresholds for NAS for MEs 2018 and NFRS For SMEs 2017:** The Board approved a revision to the threshold criteria for the application of NFRS for SMEs 2017 and NAS for MEs 2018. The decision was made following stakeholder input on standard implementation difficulty, current economic realities, and recent updates to the Industrial Enterprises Act, 2076. The revised criteria was submitted to the ICAN for implementation as per Section 11(da) of the Nepal Chartered Accountants Act, 1997.
  For more details, please visit the Notice regarding SMEs & MEs Amendment page.

- **NFRS 9 Carve Out:** The Nepal Rastra Bank (NRB) mandated the application of NFRS 9 Expected Credit Loss (ECL) for banks and financial institutions and issued the NFRS-9 ECL Guidelines, 2024. Acknowledging stakeholder concerns regarding implementation challenges—such as data gaps and the impact of ECL compared to existing regulations—NRB requested a temporary measure for support.
  Following joint discussions with NRB and ICAN, the Board approved a temporary Carve Out on the Effective Interest Rate and Loan Loss Provision requirements of NFRS 9. This carve out is applicable until FY 2082/83 to ensure smooth implementation, and it has since been implemented following the publication by ICAN.

1.2 Other Meetings and Key Engagements

The Board Chair and other representatives met with the newly elected leadership of the ICAN on July 27, 2025. Following heartfelt congratulations, the discussion centered on coordinating efforts for both the implementation of accounting standards and organizing various orientation programs.

The Board, ICAN and Nepal Rastra Bank held a special meeting on August 12, 2025, to discuss NFRS 9: Financial Instruments, related Carve-Out provisions and discussed further steps for full NFRS implementation, besides enhancing coordination among three institutions.

The Board, ICAN, and Nepal Insurance Authority held a special discussion on August 12, 2025, focusing on the NFRS 17 implementation roadmap and coordinated steps to strengthen sector-wide collaboration.

2. International Updates

2.1 IASB Meetings

July 2025

The International Accounting Standards Board (IASB) met from 22–24 July 2025. Key highlights include:

- **Financial Instruments with Characteristics of Equity:** The IASB discussed the Exposure Draft Financial Instruments with Characteristics of Equity, tentatively deciding to withdraw the requirements proposed in the Exposure Draft related to the effects of relevant laws or regulations on the classification of financial instruments. The Board also reviewed feedback on the proposed reclassification of financial liabilities and equity instruments. No decisions were made on the reclassification topic, which will be subject to further deliberation in future meetings.

- **Business Combinations—Disclosures, Goodwill and Impairment:** The IASB tentatively decided to retain three key proposals related to:

- Requiring an entity to disclose the reportable segment in which a cash generating unit containing goodwill is included

- Remove the requirement to use pre-tax cash flows and a pre-tax discount rate for calculating value in use
- Require an entity to disclose whether the discount rate used in calculating value in use is pre-tax or post-tax.

➢ **Statement of Cash Flow and Related Matters Update:** The IASB discussed extending the IFRS 18 requirements for management-defined performance measures (MPMs) to include cash flow measures not specified in IFRS Accounting Standards. It tentatively decided to apply the same disclosure objectives and requirements for MPMs to cash flow measures, ensuring transparent and comparable reporting. Entities must disclose definitions, explanations, reconciliations, and any changes to MPMs. The IASB chose not to extend the reconciliation requirement for income and non-controlling interests. Further assessments on improving financial reporting will continue.

➢ **Assessing Indicators of Hyperinflationary Economies:** The IASB reviewed and did not object to the IFRS Interpretations Committee's Agenda Decision on Assessing Indicators of Hyperinflationary Economies, which will be published in the July addendum to the IFRIC Update June 2025.

For more details, please visit **IASB Update July 2025** page.

September 2025

The International Accounting Standards Board (IASB) met from 23–25 September 2025. Key highlights include:

➢ **Financial Instruments with Characteristics of Equity:** The IASB tentatively agreed to proceed with the proposed requirements on the reclassification of financial liabilities and equity instruments, subject to targeted refinements. Key refinements include clarifying when external circumstances trigger reclassification and when an entity is required to reclassify. The Board also tentatively agreed to proceed with the proposed factors-based approach for assessing shareholder decision-making rights, subject to minor drafting changes.

➢ **Amortised Cost Measurement:** The IASB met to begin deliberations on its Amortised Cost Measurement project. Regarding the Effective Interest Rate (EIR) at initial recognition, the IASB tentatively decided to take no further action on clarifying which conditional terms or estimation methods should be used. The Board also discussed clarifying requirements related to subsequent changes to the effective interest rate but was not asked to make any decisions on that topic.

➢ **Equity Method of Accounting Update:** The IASB met to redeliberate the proposals in the Exposure Draft Equity Method of Accounting-IAS 28 Investments in Associates and Joint Ventures, deciding to add the application question: "How does an investor recognize acquisition-related costs when applying the equity method?" to the project scope. The Board decided not to add to the scope of the project an application question on obtaining

significant influence over an associate without a business or on the qualifying criteria for using the fair value option, opting instead to clarify existing requirements for the measurement of investments within the scope of the Standard at Fair Value Through Profit or Loss. Regarding the application question on how an investor applies equity method when purchasing an additional interest in an associate while retaining significant influence, the IASB agreed to explore providing relief from the proposal in the Exposure Draft and not to explore providing guidance on how to apply materiality to the proposal in the Exposure Draft.

- **Business Combinations Update:** The IASB continued deliberating feedback on the Exposure Draft Business Combinations—Disclosures, Goodwill and Impairment. The discussion focused on topics related to the proposed performance and expected synergy information. The IASB will continue redeliberating the proposals in the Exposure Draft.

- **Statement of Cash Flows and Related Matters:** The IASB tentatively decided to develop requirements to improve the disaggregation of cash flow information in response to the stakeholder feedback. The planned requirements aim to strengthen the link between the statement of cash flows and related disclosures in other parts of the financial statements. Additionally, the IASB seeks to improve the consistency in presenting cash flows from discontinued operations. The IASB will continue to assess potential ways to improve financial reporting in relation to each of the topics in the project plan.

- **Provisions—Targeted Improvements Update:** The IASB met to redeliberate proposals concerning Provisions—Targeted Improvements relating to discount rates. The Board tentatively decided to retain the proposal requiring entities to use a risk-free rate to discount future expenditures, confirming that this rate should not be adjusted for non-performance risk. In a separate decision, the IASB agreed to introduce an exception to IFRS 3 Business Combinations, requiring certain acquired non-contingent liabilities to be measured using the rules in IAS 37. Regarding disclosure, the IASB retained the proposal for entities applying IAS 37 to disclose both the discount rate(s) used and the approach for determining them. They also agreed to simplify this disclosure for subsidiaries applying IFRS 19. The IASB will continue its re-deliberations on the remaining proposals in the Exposure Draft.

- **Fourth Agenda Consultation Rescheduled:** The IASB decided to revise its approach to the Fourth Agenda Consultation. The Board is deferring the publication of a request for information until 2027 to align with a concurrent consultation with the ISSB. The IASB will also extend the Third Agenda Consultation period until 2028, using available capacity during that time for existing and new projects.

For more details, visit the **IASB Update September 2025** page.

2.2 ISSB Meetings

July 2025

The International Sustainability Standards Board (ISSB) met on 23-24 July 2025. Key highlights include:

- **Biodiversity, Ecosystems and Ecosystem Services:** The ISSB discussed the scope and project plan for the second phase of its research on Biodiversity, Ecosystems and Ecosystem Services including the relevance of Taskforce on Nature-related Financial Disclosures (TNFD) recommendations and interoperability with GRI Standards. The Board also received an update on related SASB amendments but made no decisions and will next assess the necessity and feasibility of standard-setting.

- **Human Capital:** The ISSB received an update on the Human Capital project. The discussion focused specifically on the proposed approach for organising human capital concepts. The ISSB was not asked to make any decisions and will receive further updates on the project.

- **Amendments to Greenhouse HG Emissions Disclosures:** The ISSB reviewed a summary of preliminary feedback on the Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures. The Exposure Draft proposed targeted amendments to IFRS S2 to address application challenges related to GHG emissions requirements. The ISSB made no decisions and will continue discussing the feedback before redeliberating the proposed amendments.

  For more details, visit the **ISSB Update July 2025** page.

September 2025

The International Sustainability Standards Board (ISSB) met on 24-26 September 2025. Key highlights include:

- **Biodiversity, Ecosystems and Ecosystem Services:** The ISSB discussed on primary users' common information needs regarding nature-related risks and opportunities. The Board reviewed how these needs could be met by applying IFRS S1, IFRS S2, the SASB Standards, and CDSB guidance, but made no decisions. Next steps include discussing the development of educational materials and how to incorporate TNFD recommendations into IFRS S1 and S2.

- **Enhancing the SASB Standards:** The ISSB discussed the prospective exposure draft proposing amendments to three of the 12 prioritized SASB Standards for enhancement. The Board was not asked to make any decisions on the content of the draft. The ISSB's next step will be to decide whether to ratify this exposure draft for formal publication.

- **GHG Emissions Disclosures Amendments:** The International Sustainability Standards Board (ISSB) tentatively agreed to finalize key amendments to IFRS S2 concerning Greenhouse Gas (GHG) Emissions Disclosures to improve consistency and comparability. The finalized changes clarify the requirements for measuring and disclosing Scope 1, 2, and 3 GHG emissions, including specific detail for Category 15. They also mandate the use of the Global

Industry Classification Standard (GICS) for classifying relevant activities and specify that Global Warming Potential (GWP) values must align with the GHG Protocol Corporate Standard and the latest IPCC assessments. These amendments are part of the ISSB's ongoing plan to finalize the software-related disclosures in IFRS S2, with some requirements becoming effective for annual reporting periods beginning on or after January 1, 2027.

For more details, visit the **ISSB Update September 2025** page.

2.3 IFRS Foundation News and Updates

July 2025

- The International Sustainability Standards Board (ISSB) has published two exposure drafts proposing amendments to the SASB Standards and consequential changes to the Industry-based Guidance on IFRS S2. The proposals aim to enhance the decision-usefulness of climate-related information by reviewing nine priority industries (Extractive & Minerals and Processed Foods) and aligning metrics in 41 other topics, such as Water Management and Workforce Health. This work is part of the ISSB's 2024–2026 work plan to provide timely support for companies applying IFRS S1 and S2. Stakeholders are invited to provide input on the proposed changes, including those related to GHG Emissions and Labour Practices. (More Details)

- The IFRS Foundation is updating its stand-alone training modules for each section of the IFRS for SMEs Accounting Standard, prioritizing sections with significant changes from the 2025 version of the Standard. (More Details)

- The IFRS Foundation has released new educational material, including the Industry-based Guidance on Implementing IFRS S2, to help companies understand and apply the ISSB industry-based guidance when using the ISSB Standards. The material clarifies the requirements for referring to the guidance, application considerations, and relevant disclosure requirements. Furthermore, the ISSB published proposed enhancements to several SASB Standards on 3 July 2025 to ensure their continued relevance and support ISSB Standards implementation. (More Details)

- The IFRS Foundation has developed stand-alone learning modules, one for each section of the IFRS for SMEs Accounting Standard, which are currently being updated to reflect the amendments in the 2025 version of the Standard. These modules are designed to support anyone learning about or applying the Standard, prioritizing sections with significant changes. However, these modules have not been approved by the IASB. (More Details)

- The IFRS Foundation has published near-final examples demonstrating how companies can enhance the reporting of uncertainties in their financial statements, using climate-related scenarios for practical illustration. Developed by the IASB, these examples provide guidance applicable to all types of uncertainties and show how to apply IFRS Accounting Standards to improve disclosure. The IASB collaborated with the ISSB to ensure the examples work well

with sustainability-related disclosure requirements. The early publication aims to support timely and informed application by preparers. (More Details)

August 2025

- The International Accounting Standards Board (IASB) has issued amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures, completing its planned catch-up work on the Standard. IFRS 19 allows eligible subsidiaries to apply IFRS Standards with reduced disclosures. The new amendments specifically reduce disclosures for Standards and amendments issued between February 2021 and May 2024, including IFRS 18 and several others, ensuring IFRS 19 reflects all changes taking effect up to 1 January 2027. Moving forward, IFRS 19 will be amended concurrently with other IFRS Accounting Standards. (More Details)

September 2025

- The IFRS Foundation has published a package of new educational resources to support the implementation of the third edition of the IFRS for SMEs Accounting Standard. These resources include webcasts providing overviews of the new Section 2 (Concepts and Pervasive Principles) and amendments to Section 7 (Statement of Cash Flows). New educational modules on Module 19 (Business Combinations and Goodwill) and Module 35 (Transition) are also available, offering practical support and comparisons to full IFRS Standards. (More Details)