The Professional Journal of The Association of International Accountants

INTERNATIONAL ACCOUNTANT

JANUARY/FEBRUARY 2025

ISSUE 139

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The crucial role of the company secretary

Mastering carbon accounting: the right way to achieve Net Zero


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International Accountant, the bimonthly publication of the Association of International Accountants (AIA).

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Design and production
LexisNexis,
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30 Farringdon Street,
London EC4A 4HH
www.lexisnexis.co.uk

Printed by Buxton Press Ltd, Buxton, Derbyshire SK17 6AE

This product comes from sustainable forest sources.

AIA THE ASSOCIATION OF INTERNATIONAL ACCOUNTANTS

ISSN: 1465-5144

The impact of evolving administrative practices

Angela Partington Editor, IA

The role of accountancy is evolving fast, in a time when corporate and administrative requirements are developing to keep pace with changing legislation and global business practices.

Among the most notable developments are the changes to the presentation of financial statements brought about by the International Accounting Standards Board and the creation of an international baseline for sustainability reporting standards. In their article on page 8, Danielle Stewart OBE and Tiaan Fourie consider developments in the presentation of financial statements and the evolving world of sustainability reporting.

Changes to business asset disposal relief announced in Labour's first Budget will reshape the financial benefits associated with members' voluntary liquidation from April 2025, resulting in a direct impact on the tax reliefs available to those seeking to liquidate their solvent companies, as Marco Piacquadio explains (page 20). Meanwhile, Aaron Harris writes about how the accounting profession stands at the threshold of transformation driven by the rapid rise of artificial intelligence (see page 26).

Whether you're an SME or a large corporation, understanding and managing your carbon footprint is essential – not just for staying competitive but also for complying with a growing list of regulations. The path to accurate carbon reporting can be full of pitfalls, so Andrea Piras explains the top 12 things to consider when you are looking for the right way to achieve a net zero future (see page 17).

Of course, company secretaries are becoming increasingly vital in such a complex business landscape. Muhammad Bilal (page 12) explains the crucial role that they play in corporate governance, ensuring both legal compliance and effective board operations while protecting stakeholder interests.

Perhaps unsurprisingly against such a backdrop, workplace stress is becoming a more significant problem. Things can be done to tackle it, though. Mental health expert Emma Vinton offers some practical tips for managing stress (see page 23), including prioritising and organising tasks, setting realistic expectations, and fostering a supportive work environment. There are, I'm sure, lessons that we can all learn from her article.

Finally, don't miss our exclusive interview with Phillip Ford, Vice President of the Association of International Accountants, about what inspires him to work in accountancy (see page 14).

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SURVEY

CEOs report early productivity gains from Generative AI

PwC's 28th Annual Global CEO Survey, published in January 2025, is based on responses from 4,701 chief executives representing every region of the world economy.

The report shows that CEOs are optimistic about the near-term outlook, even as they worry about their company's long-term viability. Almost 60% expected global economic growth to increase over the next 12 months, up from 38% in last year's survey and only 18% two years ago. Notably, more than twice as many CEOs expect to increase headcount in the year ahead (42%) than expect to reduce it (17%).

Among the key findings of the report, expectations for GenAI remain high. A third of CEOs say that GenAI has increased revenue and profitability over the past year, and half expect their investments in the technology to increase profits in the year ahead (49%). Yet trust remains a hurdle to adoption. More than half of CEOs (56%) report that GenAI has resulted in efficiencies in how employees use their time.

Almost half of CEOs say that their biggest priorities over the next three years are integrating AI and GenAI into technology platforms, as well as business processes and workflows. However, only a third of CEOs are planning to integrate AI into workforce and skills strategy.

Meanwhile, investment in climate actions and sustainability is paying off. One in three CEOs report that climate-friendly investments made over the last five years have resulted in increased revenue. In addition, two-thirds say these investments have either reduced costs or had no significant cost impact.

Many business leaders recognise the need to reinvent their business models, however. Almost 40% of CEOs say their companies have started to compete in new sectors in the last five years. Four in ten CEOs (42%) believe their company will no longer be viable in ten years if it continues on its current path.

The industries in which CEOs feel most under pressure to reinvent include media and entertainment, technology, telecom and industrial manufacturing – all sectors in which digitisation, decarbonisation or both are changing the basis of competition.

Across all sectors, however, nearly two-thirds of CEOs (63%) report that they have taken at least one significant action in order to change how their company creates, delivers and captures value.

TRANSPARENCY

FCA consultation on enforcement transparency proposals

The Financial Conduct Authority (FCA) has published the second phase of its consultation on proposals for increased enforcement transparency after 'significant concerns' were raised by financial firms.

New data released by the FCA shows the pace of investigations accelerating, including a number of investigations which took 16 months or less to complete. By providing data and case studies, the regulator is proposing to share greater clarity on how decisions on announcing investigations could be made.

Four significant changes have been made to the FCA's proposals in response to feedback:

- The potential negative impact on a firm would be explicitly considered as part of a public interest test – previously it wasn't included as one of the factors.
- Firms would be given 10 days' notice ahead of any announcement being made, rather than the one day originally consulted on. During this period, firms could make representations. If the FCA decides to announce, firms would then have an additional 48 hours' notice before it is published.
- The potential for an announcement to seriously disrupt public confidence in the financial system or the market has also been included as a new factor in the public interest test.
- The FCA has clarified it won't announce investigations which began before any changes to the policy come into effect. (However, it may reactively confirm investigations which are already in the public domain, where this is in the public interest).

It is anticipated that if the proposals come into effect, they would lead to additional proactive announcements of investigations into regulated firms in a very small number of cases.

Steve Smart, joint executive director of enforcement and market oversight, said: 'We have made good progress in increasing the focus and pace of our enforcement work – so that we can prioritise the investigations most likely to drive meaningful deterrence across industry and deliver more timely outcomes.'

The FCA is now seeking views on how the public interest test could work in practice. It will continue to meet with firms, trade associations, consumer groups and others. The FCA Board is then aiming to make a final decision in the first quarter of 2025.

RISK

The major business risks for 2025

The Allianz Risk Barometer has revealed the most important corporate concerns for the year ahead, as ranked by over 3,700 risk management experts from more than 100 countries and territories.

With a larger proportion of responses than ever before, cyber incidents and IT disruptions (such as data breaches or ransomware attacks) consolidate their position as the most important risk (38% of responses). The risk impact of new technologies and developments in artificial intelligence is a new entrant in the top 10 global risks.

Climate change and the challenges faced by businesses is another standout result in 2025, being cited by 19% of respondents. As climate and nature-related risks continue to rise, the financial implications will become increasingly pronounced, whether it concerns managing climate change transition risk, mounting costs from regulatory compliance on disclosing physical climate risks or operational disruptions caused by more extreme weather events and ecosystem degradation.

Reflecting the regulatory developments relating to sustainability and emerging technologies, the changes in legislation and regulation also drew a bigger response this year (25%).

Large corporates, mid-size and smaller businesses all perceive cyber incidents as their number one business risk. However, there are significant differences in the rest of the ranking. Smaller companies are more concerned about more localised and immediate risks, such as regulatory compliance, macroeconomic developments and skill shortages, but there are also signs that some of the risks that have preoccupied larger companies are now starting to bite smaller firms too, with climate change and political risks and violence climbing the ranking.

COMPLIANCE

IASB proposes provisions improvements

The International Accounting Standards Board (IASB) has said it wants to improve the requirements for recognising and measuring provisions on company balance sheets.

The IASB said investors are seeking transparent and comparable information about companies' provisions for assessing future cash flows and financial positions.

The IASB's targeted improvements would help companies apply the requirements more consistently and provide investors with more useful information.

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets would clarify how companies assess when to record provisions and how to measure them. They would require companies to provide more information about the measurement. The proposals would most likely be relevant for companies that have large, long-term asset decommissioning obligations or are subject to levies and similar government-imposed charges.

IASB chair Andreas Barckow said: 'Our proposals clarify the accounting requirements for provisions, helping companies provide better information to investors.'

The IASB is inviting feedback on these amendments. The comment period is open until 12 March 2025.

AUSTRALIA

Streamlining financial reporting

The Australian government will restructure the nation's financial reporting bodies to make them more efficient, effective and fit for purpose, including to assist Australia in implementing new climate and sustainability standards.

In January 2025, it released a consultation paper to gather insights and feedback on how it can restructure its financial reporting architecture to make it more efficient, effective and fit for purpose.

It stated: 'This is the next step in reforming Australia's institutional arrangements with a new single entity for the setting of accounting, sustainability, auditing and assurance standards. It complements our other efforts to better target regulation across the economy, including through the biggest overhaul to merger settings in 50 years and our changes to strengthen and streamline the foreign investment regime.'

The three bodies that currently oversee financial reporting and set reporting standards – the Australian Accounting Standards Board (AASB), the Auditing and Assurance Standards Board and the Financial Reporting Council – will be combined into a single entity.

In addition to accounting and auditing standards, this new integrated body will better support the ongoing implementation of climate-related financial disclosure standards in Australia. It is intended that the body will be operational on or after 1 July 2026, subject to the passage of legislation.

Business, investors and other stakeholders will benefit from engaging with a single entity, helping to increase regulatory consistency, reduce red tape and unnecessary costs and avoid duplication.

Ahead of the body's formation, the AASB will continue to progress its work in relation to climate-related financial disclosure standards. Establishing a framework for sustainability-related financial disclosures is a key priority in the government's draft Sustainable Finance Strategy.

AIA NEWS

SCHOLARSHIPS

Scholarship deadline fast approaching

AIA scholarship programmes support students with strong career aspirations in accountancy or audit to obtain the AIA professional qualification with full financial assistance.

- **AIA Accountancy Scholarship UK:** Five awards are available, two of which are given with priority to applicants from lower socioeconomic backgrounds to support the AIA's commitment to Access Accountancy.
- **AIA Commonwealth Scholarship:** This offers a further five awards and is open to applicants from all Commonwealth countries, excluding the UK. This is part of the AIA's aims as a Commonwealth Accredited Organisation to support education and the economy through financial education and professional skills.

All ten awards cover all course fees via AIA Achieve Academy, exemption fees and exam fees for the AIA professional qualification. The scholarship programme provides a great opportunity for fully funded learning.

We encourage applications from a diverse range of candidates. Applicants are asked to submit a short essay on 'What would this scholarship mean to you?' or 'Why is a career in accountancy important to you?' Successful applicants will have a clear view of how to develop their future career and the difference they want to make to the accountancy profession.

The deadline for applications is 1 March 2025.

CONFERENCE REPORT

AIA Examiners' Conference on accountancy education

The AIA Examiners' Conference this year centred on the vital themes of futureproofing and sustainability in professional qualifications, addressing how the accountancy profession can adapt to the evolving landscape.

The conference kicked off with an impactful keynote presentation from Michelle Cardwell, Principal at IFAC, who discussed the much-anticipated revisions to International Education Standards (IES) 2, 3 and 4. Her session offered key insights into how these revisions will shape the future of accountancy education and ensure that professional qualifications remain relevant. Attendees engaged in thoughtful discussions on the importance of evolving educational frameworks to better equip accountants with the skills needed to navigate the challenges ahead, reinforcing AIA's commitment to being at the forefront of these transformative conversations.

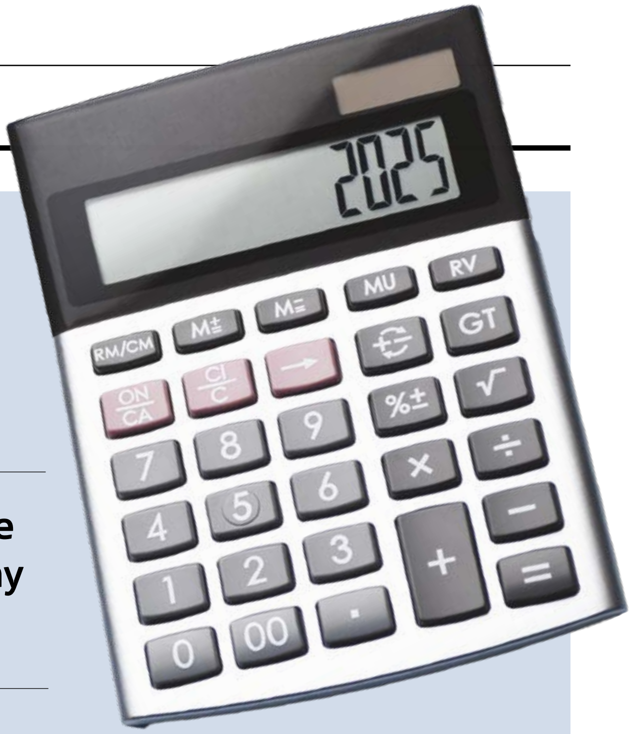
Another highlight was a session by Sharon Jandu OBE, AIA Lay Council Member, on embedding equality and diversity within qualification assessments. Sharon's presentation emphasised the need for inclusive assessment designs that promote fairness and accessibility across the profession. AIA continues to advocate for inclusive environments where individuals, regardless of background, can reach their full potential. As part of its ongoing support, AIA provides scholarships in the UK and Commonwealth, helping to ensure that aspiring accountants from underrepresented groups can access

Michelle Cardwell, Principal at IFAC

professional qualifications.

The conference concluded with an in-depth session led by Danielle Stewart OBE, Head of Financial Accounting Advisory at RSM UK, who explored the new IFRS 18 and key updates in financial reporting standards for 2024. Danielle also delved into sustainability reporting, covering developments such as the International Sustainability Standards Board (ISSB) and the European Sustainability Reporting Standards. This session highlighted the increasing importance of sustainability in the accounting world, aligning with AIA's dedication to preparing accountants for future trends in financial reporting.

Throughout the event, AIA reaffirmed its commitment to fostering a profession that is both sustainable and inclusive, providing the tools and insights necessary for accountants to thrive in an ever-changing landscape. By driving forward conversations on futureproofing, inclusivity and sustainability, AIA continues to support the next generation of accountants, helping them to stay ahead of emerging trends and challenges.



Finding the right discount rate

We examine the use of the weighted average cost of capital (WACC) as a discount rate, why we use it, and when it should not be used.

Candidates in the AIA Business and Financial Management (BFM) exam have often been asked to perform net present value (NPV) calculations. This is with a view to determine whether a proposed project is financially acceptable for the organisation featured in the exam scenario.

In recent exams, NPV requirements have generally involved discounting the cash flows of the project using the company's weighted average cost of capital (WACC). This article will review the use of the WACC as a discount rate, why we use it, and when it should not be used. We will also look briefly at alternative methods of investment appraisal which can be used when the WACC cannot.

Why we use the weighted average cost of capital

The cost of capital of a company represents the annual return that a company must generate for their investors. Investors will only make their cash available to a company if they believe the company will generate an acceptable return for them. And what they consider acceptable is based on the risk associated with the investment. The higher the risk, the higher the return must be.

The WACC estimates what return will be acceptable to the overall investor base, shareholders and lenders together. Individually, these groups of investors bear different levels of risk so an ordinary shareholder will usually require a larger return than a lender to keep them satisfied. This is because shareholders bear more risk than a lender. The WACC averages out these individual returns to estimate a satisfactory return for the investors as a whole. The averaging is done using the market values of the components of the company's capital structure.

So, if we have a WACC of 14%, the investors, as a whole, will consider any new project to be financially acceptable, as long as it provides an annual return of at least 14%. We should use 14% as a discount rate in our NPV calculation and if the NPV is at least zero (not negative), then we know the project is financially acceptable.

Why we should not always use the WACC as a discount rate

The WACC calculation is based on a number of components. The cost of equity, the cost of preference share capital and the cost of debt are all based on the investors' perception of the risk they are exposed to as investors in the company in question. The key thing to bear in mind for students of BFM is the idea that the WACC is based on the investors' expectations right now, on the company's current activities and risk profile.

But what if the company is appraising a new project that has a different risk profile to the company? For example, what if a manufacturing company only sells to customers in the UK but has ambitions to sell its product to customers in China? Even if the product is the same, selling it to a new market will bring new risks: compliance, logistical and cultural risks amongst others. If our investors believe that the expansion into the Chinese market exposes the company to more risk, then the investors will require a higher return than they do currently.

This change in business risk means the company's existing WACC no longer reflects an acceptable return for that new venture. For that reason, the NPV calculation using the WACC as a discount rate would be meaningless and the BFM student would not be able to advise the company on the financial acceptability of the expansion into China.

Secondly, if the new project is expected to change the capital structure of the company, the use of the company's current WACC as a discount can be misleading. If there is going to be a change in the proportions of debt and equity, that will mean the market values used to average the cost of capital are no longer valid.

So in summary, we cannot use the WACC as a discount rate in an NPV if:

- the project under review changes the company's business risk; and/or
- the project changes the company's financial risk by changing the proportions of debt and equity.

Using geared and ungeared betas to get a risk-adjusted cost of capital

If we are faced with a scenario where a new project is likely to change the business risk of an organisation, we need to revise or adjust the cost of capital that we use to discount the cash flows of the project.

If we have an organisation that operates a hotel chain, but intends to expand into gyms and fitness centres soon, the organisation's current cost of equity and WACC reflect the riskiness of a hotel business. So, we need to estimate or find out what a typical beta factor for a company in the gym sector would be. We can use that beta factor in the capital asset pricing model (CAPM) to find a suitable cost of equity for the gym project and use that to revise the WACC before using it to calculate its NPV.

We need to be cautious though. If we have taken the industry average beta factor for the gym sector, we need to remember that it will be influenced by the average level of gearing in the gym sector. High levels of debt will generally increase the beta factor of an organisation's share. So let's imagine we have noted that the average beta factor among gyms is, say, 1.2 and the average debt-to-equity (D:E) ratio is 40:60. We should use 1.2 as a starting point for our beta when trying to arrive at a suitable cost of capital. But if our company's D:E ratio is only 20:80, we will need to adjust that beta factor. We must estimate what the average gym beta would be if the average D:E ratio in that sector was the same as our company's D:E ratio.

We do that using the formulae in section 8 of chapter 11 of the AIA BFM learning and practice workbook:

$$ß_a = ß_e \times \frac{E}{E + D(1-t)}$$

- **ße** is the equity (or geared) beta factor that you have taken as the average beta factor in the gym industry based on that industry's average D:E ratio and you are trying to estimate what ßa is.
- **ßa** is the asset (or ungeared) beta factor – what we think the beta factor would be if the gym sector did not use debt at all.
- **E** and **D** in this calculation are the market values of equity and debt in the gym industry.
- **T** refers to the tax rate.

So using the figures we made up earlier and assuming a tax rate of 25%, our estimate of the ungeared beta in the gym industry would be:

$$ß_a = 1.2 \times \frac{60}{60 + 40\ (1-0.25)} \quad 0.8$$

Now we have a beta factor that reflects the business risk of a gym operator with no debt. We now use the same formula to uplift that beta factor so it now reflects our company's D:E ratio. Remember, we said that our company has a D:E of 20:80, so a gym operator with that same level of debt would have a beta factor of 0.95:

$$0.8 = ß_e \times \frac{80}{80 + 20\ (1-0.25)}$$

$$0.8 = ß_e \times 0.842$$

$$ße = 0.8 \div 0.842 = 0.95$$

So now we put 0.95 into CAPM to get a revised cost of equity for our company and then put that cost of equity into the WACC formula to get a risk-adjusted cost of capital.

Calculating the adjusted present value

Investment appraisal using the APV is suitable where we have a new project to evaluate. The company's business risk is not expected to change as a result of the project but the project is being financed by debt so the D:E ratio is expected to increase significantly.

The APV approach is based on Modigliani and Miller's proposition that the use of debt can add value to an organisation and projects. This is because interest payable on the debt finance is generally assumed to be tax-deductible so there are tax savings available when we use debt but not when we use equity.

The APV involves discounting the relevant cash flows of the new project using the ungeared cost of equity for the company (keu). So this first step is calculating the NPV assuming the company was entirely debt-free. This initial NPV is often referred to as the base-case NPV.

We then add the present value of the tax savings (discounted at the cost of debt) onto the base case to get the APV. If the APV is positive, or at least not negative, this would suggest that the project is financially acceptable.

For BFM students, one of the main challenges they would face with APV questions is finding the ungeared cost of equity. There are two ways of doing this. Firstly, we could use ungear the beta factor using the formula in the previous section of this article and put that into CAPM. Alternatively, section 6 of chapter 11 of the BFM workbook uses an alternative formula:

$$k_{eg} = ke_u + [ke - kd] \times \frac{D(1-t)}{E}$$

Either approach would be acceptable to the examining team.

Developments in sustainability reporting

***Danielle Stewart OBE* and *Tiaan Fourie* consider developments in the presentation of financial statements and the evolving world of sustainability reporting.**

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In recent years, corporate reporting has evolved significantly, reflecting the ever changing landscape of global business practices. Among the most notable developments to have taken place in this area are:

- the changes to the presentation of financial statements brought about by the International Accounting Standards Board (IASB) issuing IFRS 18 Presentation and Disclosure in Financial Statements; and
- the creation of an international baseline for sustainability reporting standards, introduced by the formation of the International Sustainability Standards Board (ISSB).

As companies strive to meet these new standards, integrating financial and non-financial information is becoming increasingly critical, paving the way for more comprehensive and insightful corporate reporting. This convergence of financial and sustainability reporting will play a crucial role in fostering a greener and more responsible global economy.

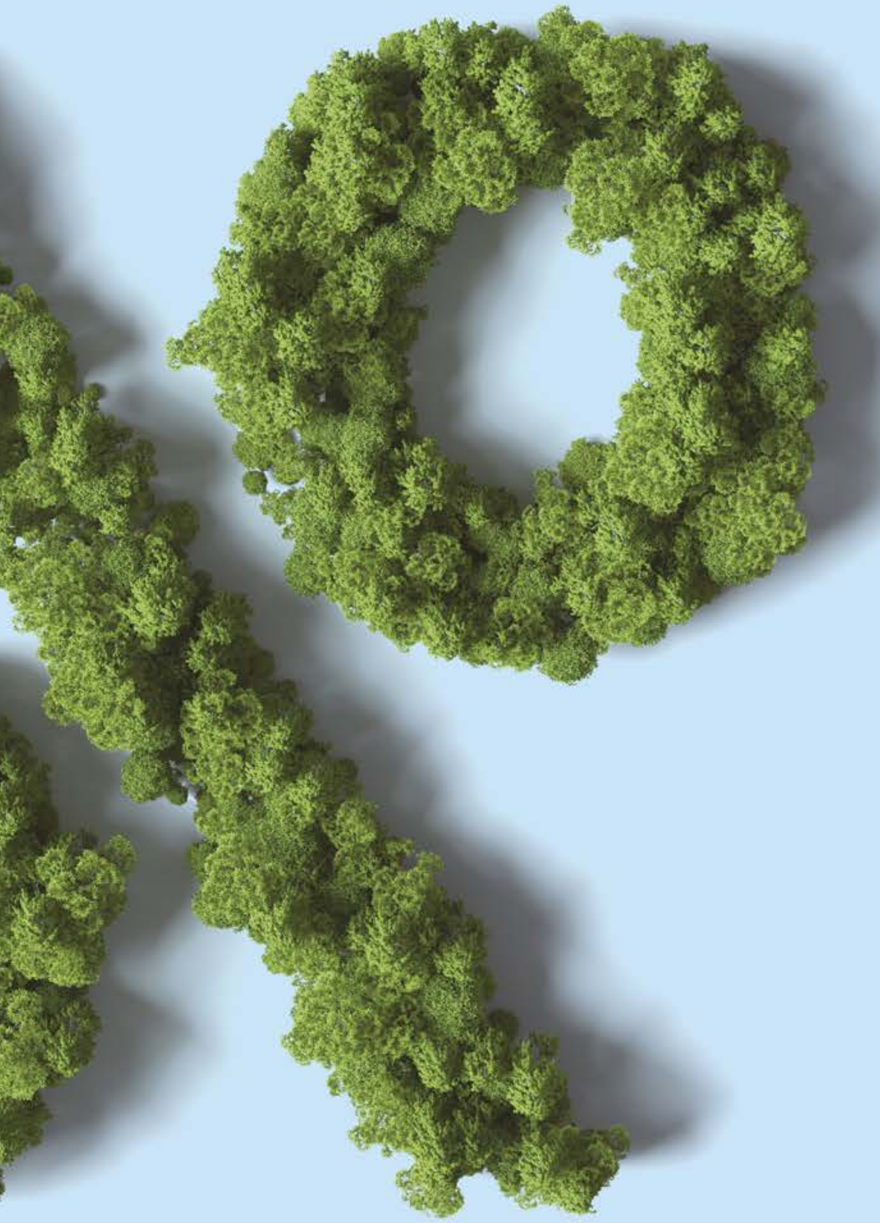
It is therefore critical to understand these changes, especially as the development of linkage between financial and sustainability reporting gathers pace. In this article, we explore these developments in the presentation of financial statements and the evolving world of sustainability reporting.

Presentation of financial statements

The IASB issued IFRS 18 in April 2024, effective for annual reporting periods beginning on or after 1 January 2027, subject to local endorsement (such as the EU and the UK), if applicable. The standard replaces IAS 1 Presentation of Financial Statements in its entirety, as well as making some changes to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The changes in IFRS 18 focus on the presentation, disclosure and communication of financial performance. This will help companies to tell their story through their financial statements, giving investors better financial performance information at the same time as enhancing the comparability of financial statements.

The Standard introduces three broad changes:



1. Three new categories for the statement of profit or loss (hereafter referred to as the income statement), being **operating**, **investing** and **financing**. These new categories, as well as the existing categories of income taxes and discontinued operations, are fully explained in the Standard. Reporting entities will need to assess their income and expenses in order to decide on the applicable category.
2. New disclosure requirements for a subset of 'non-GAAP' measures – in particular, management-defined performance measures (MPMs). An MPM is any measure that an entity uses to communicate financial performance outside of the financial statements and that is based on a subtotal of income and expenses. The requirements only apply where the subtotal of income or expenses is not an IFRS 18 required subtotal. This requirement will enhance transparency, as well as subjecting the MPMs to audit, which is welcomed by investors.
3. Improved guidance on how an entity should aggregate, disaggregate and label information in the financial statements. This also includes whether the information should be presented in a primary financial statement or only in the notes.

A company's net profit will not change as a result of the Standard. What will change is how they present their results in the income statement and how they disclose information in the notes.

The introduction of the three new categories for the income statement is particularly important. Although it initially appears to be simply a remapping, when you start to apply the new approach, you realise that it is more nuanced than this. It is therefore essential to perform a full assessment of the impact of the new categories.

So reporters should start assessing the impact of IFRS 18 as soon as possible. It might be necessary to overhaul certain general ledger accounts, in order to ensure easy access to the right information when applying the Standard.

Sustainability

Sustainability reporting is a way for companies to report on matters relating to environmental, social and governance factors arising from their day-to-day activities. It is of critical importance to corporate reporting in the 21st century because the largest suppliers of capital – the insurance companies and the pension funds – will no longer invest in any business that doesn't have excellent green credentials.

In recent years, sustainability reporting has also gained traction because businesses themselves are recognising the importance of transparency in their practices. This increased focus on sustainability reporting is driven by a growing awareness of climate change, social responsibility and the need for ethical governance. Stakeholders, including investors, customers and regulators, are demanding more comprehensive and accurate disclosures on how companies are addressing these critical issues. As a result, sustainability reporting has evolved from a voluntary practice to a crucial component of corporate accountability and long-term success.

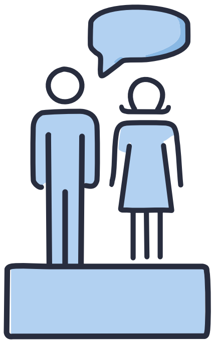
However, before we go into the detail on the latest developments, we must consider the question: 'What are sustainability disclosures?'

The convergence of financial and sustainability reporting will play a crucial role in fostering a greener economy.

The four pillars

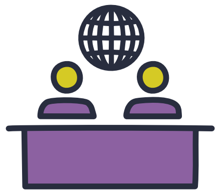
Governance

The disclosures focus on the governance body that has oversight of sustainability-related risks and opportunities (SRROs), including how their responsibilities are reflected in board policies, and the frequency of considering SRROs.



Strategy

The disclosures are all about how SRROs are expected to affect the business model, strategy and cash flow over the short, medium and long term. The impact on strategy includes the decision-making process and the resilience of the strategy.



Risk Management

The disclosures will be familiar to those that are involved with general risk management processes. The requirements relate to the process through which the entity identifies SRROs, assesses and prioritises them, as well as how they are managed and monitored. Finally, some disclosure about how the entity integrates the risk management process for SRROs with their general risk management process.

Metrics and Targets

Finally, some numbers! The requirements relating to metrics and targets cover how the entity measures, monitors and manages SRROs and how these metrics compare to predetermined targets.

Sustainability disclosures fundamentally aim to provide readers with two types of information:

1. how an entity's operations impact the natural environment and the general population; and
2. how that natural environment and the reactions of the population impact the entity's operations.

See ***The red meat industry*** for an example of how this information can impact sustainability risks.

The most well-known sustainability disclosures – the 'gold standard', so to speak – are those based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD's recommendations for disclosing climate-related matters created four pillars for disclosure: governance; strategy; risk management; and metrics and targets. These pillars have become the cornerstone of sustainability reporting.

Until recently, there were five well established organisations (and a number of lesser players), which had developed over the years, each with its own acronym and approach to sustainability reporting. The global reporting community felt this diversity was best remedied by mirroring the success of the IASB in relation to financial reporting standards, and called in the IFRS Foundation, with its extensive global network of users, to address the situation. The result was the formation of the ISSB in 2021. Its aim was to establish a single, authoritative, global baseline framework for sustainability reporting.

The red meat industry

The red meat industry produces 14.5% of global greenhouse gas emissions. This arises from deforestation both for grazing and for soya production for their fodder. Once they have eaten, cows famously produce a lot of methane, which is very bad for the ozone layer. There are also many gallons of water used in the production of meat, while slurry created on intense factory farms pollutes rivers. Socially, many people have moral objections to the way that animals are mistreated in the process of being 'factory farmed' and then slaughtered.

These environmental and social harms have an impact back onto the meat industry. Meat producers are fined for the slurry that washes off their farms into local rivers. Increasingly, consumers are turning away from red meat for both environmental and moral reasons. Just look at your local supermarket, where the number of dedicated aisles for meat products is decreasing in favour of meat-free products.

As accountants, we can see that the reduction in demand for meat-based products could lead to impairment of abattoirs and processing plants, as well as additional costs for R&D, in order to investigate meat alternatives. Ultimately, this could even affect the going concern status. This extreme example shows how important it can be to report on sustainability risks and impacts.

Author bio

Danielle Stewart OBE is a specialist financial reporting advisory partner at RSM, where she heads up the firm's national service line.

The ISSB

The IFRS Foundation, as part of establishing the new standard setter, brokered mergers between the five most established sustainability reporting organisations and the ISSB. This gave them a great base from which to develop Standards. They also decided to adopt TCFD's well accepted approach, thereby engendering a high level of familiarity and acceptance from the reporting community.

The ISSB issued its first two Standards in June 2023.

1. IFRS S1 General Sustainability-related Disclosures; and
2. IFRS S2 Climate-related Disclosures.

Both Standards are effective for annual periods beginning on or after 1 January 2024, subject to local regulatory requirements.

- **IFRS S1:** This sets out the core content and principles for a complete set of sustainability-related financial disclosures. These principles (modelled on those in IAS 1) include concepts such as fair presentation, reporting frequency, judgments and estimates, and materiality (more on that shortly). The core content uses the same four pillars of governance, strategy, risk management, and metrics and targets that the TCFD established. IFRS S1 generalises the TCFD concepts, which were only climate related.
- **IFRS S2:** This is the ISSB's first and, so far, only theme specific Standard. This Standard takes the general requirements in IFRS S1 and expands or enhances them to apply specifically to climate-related matters. Those familiar with TCFD will feel right at home.

See ***The four pillars*** for a high-level overview of the core content requirements. The core content applies to IFRS S1 and IFRS S2, with the only difference being that IFRS S1 refers to sustainability-related risks and opportunities (SRROs), whereas IFRS S2 refers to climate-related risks and opportunities (CRROs). Although the core content is the same, IFRS S2 provides much more detailed disclosure requirements needed for an entity to achieve the objective of each section as it relates to CRROs.

Materiality

At this point, you might think that we surely cannot disclose everything. That is entirely correct. The disclosure requirements relate to the significant items. The well-trodden concept of materiality comes to the rescue.

The ISSB standards introduce materiality similar to what we know and love in financial reporting – sustainability-related financial information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users. The primary users are investors, lenders and other creditors. This is called financial materiality.

> **Businesses that build the foundation of their sustainability reporting at this early stage will certainly reap the benefits.**

The idea of double materiality has made its rounds. This is largely because of the European Sustainability Reporting Standards (ESRSs). The EU, rather than waiting for and adopting the IFRS Sustainability Standards, opted to develop their own framework. This culminated in publishing the ESRSs. There are currently two significant differences between the IFRS Sustainability Standards and the ESRSs:

1. The ESRSs apply the concept of double materiality. Besides the 'financial materiality' in the IFRS Sustainability Standards, double materiality includes 'impact materiality'. We discussed financial materiality above. Impact materiality is where sustainability-related financial information is connected to actual or potential impacts (positive or negative) by the entity on people or the environment.
2. Twelve different standards comprise the ESRSs. Without going into detail, two of the standards concern general requirements and ten standards are theme specific, covering environmental, social and governance.

Despite these differences, there has been tremendous work and progress to increase the usefulness and comparability of sustainability reporting in the past few years. The ISSB's objective to provide a global baseline for sustainability reporting is now in sight.

As regulators all around the world debate the mandatory application of sustainability reporting, and other stakeholders increasingly demand such reporting, businesses that build the foundation of their own sustainability reporting at this early stage will certainly reap the benefits, most notably easy access to capital, of being a foresightful and engaged global citizen.

Author bio
Tiaan Fourie is a director at RSM, focusing on corporate reporting – this includes sophisticated financial reporting, the evolving field of non-financial reporting, and their interlinking.

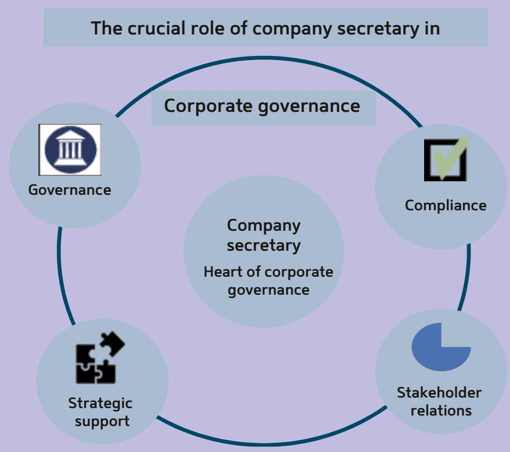
The role of the company secretary

Muhammad Bilal **explains the crucial role that the company secretary plays in corporate governance.**

In today's complex business landscape, the role of the company secretary has become increasingly vital. Far from being mere administrative functionaries, these professionals are now recognised as key players.

The role is crucial because it serves as the backbone of good governance, ensuring both legal compliance and effective board operations while protecting stakeholder interests. The company secretary therefore seeks to ensure corporate prosperity, as well as compliance.

Muhammad Bilal
Senior Consultant, M B Dean Accountants



Key points on the role of company secretary

Under the Companies Act 2006, the position of company secretary is mandatory for public companies, and any that propose to be registered as public companies (s 271). However, the position remains optional for private companies (s 270(1)). This distinction underscores the growing importance of the role, especially in larger, more complex organisations.

Company secretaries are officers of the company, alongside directors, and possess the authority to bind the company, albeit in a limited capacity. Their appointment and removal are matters of significant importance, requiring the full board's consent.

For public companies, the role often requires advanced qualifications, with many secretaries being qualified lawyers, solicitors or barristers. The Chartered Governance Institute UK & Ireland describes the position as a 'strategic position of considerable influence at the heart of governance operations'.

The role of a company secretary is multifaceted and critical to the smooth functioning of an organisation. Although their primary responsibilities encompass governance and compliance, ensuring that the company adheres to statutory regulations and follows its internal governance policies, company secretaries provide essential support to the board of directors, guiding them on their duties and responsibilities while ensuring that the board operates efficiently.

Another key aspect of the company secretary's role is managing the flow of information between the board, management and shareholders to ensure clear and effective communication. Additionally, they stay informed about relevant legislation and regulatory changes, helping the company to remain compliant with all legal requirements. Their administrative oversight includes maintaining statutory records, organising key meetings and handling important corporate documentation.

Furthermore, beyond administrative duties, the company secretary often plays a strategic role by:

- participating in business strategy formulation;
- contributing to policy development and implementation;
- managing relationships with non-executive directors; and
- overseeing shareholder communications.

Therefore, the scope of a company secretary's role can vary significantly based on the company's size and nature. For example, in smaller firms, they might also handle finance or HR responsibilities. In larger corporations, their focus may be more specialised, concentrating on governance and compliance.

Companies Act 2006 Part 12 s 270 and s 271

Section 270: A private company is not required to have secretary: A private company is **not** required to have a secretary. In the case of a private company without a secretary, anything that would be sent to or served on the company via a company secretary may be given to the company itself, and anything addressed to the company secretary will be treated as addressed to the company. Anything else required or authorised to be done by the company secretary may be done by a director or someone authorised to do so by the directors.

Section 271: Public company is required to have secretary: A public company **must** have a secretary.

What does a company secretary do?

The specific responsibilities of a company secretary vary depending upon the level of the job role, the size of the organisation and the sector in which it operates. However, responsibilities typically include:

- guiding the chair and board on their responsibilities under the rules and regulations to which they are subject and on how those responsibilities should be discharged;
- supporting the chair in ensuring the board functions efficiently and effectively;
- ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required;
- maintaining good shareholder relations and keeping the board informed on shareholders' views;
- developing and overseeing the systems that ensure that the company complies with all applicable codes, in addition to its legal and statutory requirements;
- monitoring changes in relevant legislation and the regulatory environment and taking action accordingly;
- overseeing the day-to-day administration of the company, e.g. maintaining statutory books, including registers of members, directors and secretaries, organising board meetings and AGMs, preparing agendas and taking minutes; and
- having responsibility for facilities, HR, insurance, investor relations, pension administration, premises and share registration (this only applies to some company secretaries).

Chartered Governance Institute UK & Ireland

In summary, the role of company secretary has evolved into an indispensable position at the heart of corporate governance. Whether adapting to the needs of a small, dynamic start up or navigating the complex regulatory landscape of a large corporation, the company secretary provides crucial expertise and strategic insight. Their ability to ensure compliance, facilitate effective governance and contribute to overall corporate success has cemented their position as key players in the modern business world.

As companies continue to face new challenges and increasing scrutiny, the role of the company secretary is likely to become even more vital, continuing its evolution as a central pillar of corporate leadership and governance. ●

Author bio

Muhammad Bilal (MBA, MCMI) is an accounting and finance professional with over two decades of experience, working as a Senior Consultant with M B Dean Accountants.

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Phillip Ford

Welcome to an interview with Phillip Ford, Vice President of the Association of International Accountants.

In the world of finance and accountancy, few journeys are as varied and inspiring as that of Phillip Ford, Managing Director of Parkers Accountants and Vice President of the Association of International Accountants (AIA). From a budding interest in business to becoming a well-respected figure in the accounting profession, Phillip's story is one of resilience, adaptability and an underlying passion for helping others. In this exclusive interview, Phillip shares his unconventional path to becoming an accountant, his vision for AIA and his insights on the evolving challenges and opportunities within the accounting industry.

What inspired you to become an accountant?

My path wasn't exactly linear. Growing up, I always thought about working in business and making money! That initial fascination inspired me to consider accounting. However, my mother had other ideas and encouraged me to pursue medicine.

As I didn't want to disappoint my family, I decided to study medicine, but after three years I made the decision that it simply wasn't for me. If truth be told, I couldn't handle seeing all the blood and pain – it was just too much. So, I made the decision to switch paths entirely, moving to the US and studying accountancy at Loyola University in New Orleans. I qualified as an accountant there, but when I returned to England, I discovered my American qualifications weren't recognised.

Undeterred, I started over, pursuing qualifications with both AIA and ACCA simultaneously. I'm proud to say I achieved both, a move that laid the foundation for my career in England. It certainly wasn't an easy road, but it was one that built my resilience and set me on a path for an enjoyable and fulfilling career.

What skills do you feel make a successful accountant and business leader?

For me, a good accountant needs to be much more than just a numbers person. Perhaps in years gone by this would have been enough, but these days, clients expect a holistic approach.

> **As a business leader, you need vision, patience and the ability to inspire trust. People need to look up to you for your integrity and dedication.**

Accountants are often advisors, problem-solvers and even, at times, social workers. Whether it's helping a client to purchase a property, advising on tax strategy or resolving personal disputes, being approachable, empathetic, knowledgeable and well-rounded is key.

After qualifying, I built my career by embracing opportunities and forming meaningful connections. One pivotal moment came when I met former AIA CEO Jack Turnbull, whose guidance and mentorship over many years had a lasting impact on my career.

As a business leader, you need vision, patience and the ability to inspire trust. People need to look up to you, not just for your technical expertise but for your integrity and dedication.

What does being an international accountant mean to you?

It can mean so much, but ultimately for me being an international accountant is about more than just qualifications; it's about being part of a global community. Accounting transcends borders, and as professionals, we need to think beyond

Phillip Ford manages a successful accountancy practice in Manchester, offering a personalised service to business owners, from start-ups to larger companies, and individuals. His client portfolio includes local, national and international clients. Phillip specialises in accounts preparation, taxation services and business development. He qualified with PricewaterhouseCoopers and was previously a director at Tenon Accountants.

He is an expert in taxation and frequently represents clients at tax tribunals. He leverages this expertise on behalf of AIA, representing the Association on the HMRC Joint VAT Consultative Committee (JVCC). His expertise makes him detail oriented and he brings an analytical and logical approach to addressing issues and proposing solutions.


Phillip Ford meets HRH Prince Charles (now King Charles III)

local standards. It's about upholding the highest regulatory standards, sharing knowledge and contributing to a worldwide framework of trust and excellence.

Equality, diversity and inclusion is a significant topic in today's industry. Is AIA doing enough?

AIA and the wider profession have made great strides, but there's always room to strive for improvement. Historically, accountancy was dominated by men, but we've come a long way since those days.

At AIA, we actively work on initiatives to make the profession more inclusive. For example, our scholarship programme opens doors for students from underrepresented backgrounds, ensuring that talented individuals have opportunities to succeed, regardless of their personal circumstances.

Respect for diversity is central to creating an environment where everyone can thrive, and we're committed to fostering a culture of inclusion within the profession. Progress takes time, but through focused efforts we are helping to foster a more inclusive profession. Clearly there is still work to be done, but the momentum and willingness is there to progress.

What challenges do you foresee for the accountancy profession as we enter 2025?

The profession faces several challenges, including the lingering effects of the Covid-19 pandemic and global economic instability. The war in Ukraine, Middle East tensions, and rising energy and food prices all have significant economic repercussions.

Additionally, increased taxation and wage pressures could push us into a mild recession. Accountants will need to navigate these complexities, helping clients and businesses to adapt to the changing landscape.

What does building a sustainable future mean to you as a leader within AIA?

Sustainability is one of the most pressing issues of our time. For me, building a sustainable future means equipping accountants with the tools and knowledge they need to guide businesses toward decisions that consider environmental, social and economic factors.

As an organisation, AIA is committed to promoting practices that balance immediate needs with long-term impact. Whether it's through education, thought leadership or advocacy, we aim to support a profession that understands its responsibility to society at large.

What are your aspirations as Vice President of AIA?

As Vice President, I'm focused on positioning AIA as a leader in the global accountancy profession. This means building on our reputation for high standards, driving membership growth and expanding our voice.

I want to ensure that AIA is seen not as an alternative to other qualifications but as a premier choice for accountants worldwide. This requires continuous innovation, a willingness to collaborate with others, and a commitment to delivering value to our members and the broader community.

What advice would you give aspiring accountants?

My advice is simple but powerful: be honest, ethical and someone people can trust. Accountancy is about more than just technical skills – it's about character and the ability to adapt to a changing world.

Aspiring accountants should stay curious and proactive in their learning, whether it's understanding the latest regulations or embracing emerging technologies. A forward-thinking mindset is key to staying relevant and valuable in the profession.

Lastly, we've heard you were once an Olympic swimmer! Is that true?

Yes, that's true! I competed competitively many years ago in the 50 metre freestyle. Nowadays my sporting passion is a little more sedate, watching Premier League football. Swimming, however, did teach me discipline and resilience, lifelong lessons that I've carried into my professional career.

Phillip Ford's story exemplifies how perseverance, adaptability and a genuine passion for helping others can lead to remarkable success. His journey from aspiring accountant to AIA Vice President is a testament to the diverse and rewarding nature of the accounting profession. ●

Mastering carbon accounting: the DOs and DON'Ts

Andrea Piras **explains the top 12 things to consider when you are looking for the right way to achieve a net zero future.**

Andrea Piras
Head of Demand Generation, NetZeroNow

Carbon accounting and reporting are no longer optional for businesses. Whether you're an SME or a large corporation, understanding and managing your carbon footprint is essential – not just for staying competitive but also for complying with a growing list of regulations.

From Streamlined Energy and Carbon Reporting (SECR) to the Corporate Sustainability Reporting Directive (CSRD), and requirements like the Public Procurement Notice 06/21, businesses are increasingly obligated to provide transparent and accurate carbon data. Additionally, companies seeking to improve their B Corp scores or gain competitive advantage through certifications will benefit from a robust carbon accounting system.

However, the path to accurate carbon reporting can be full of pitfalls. To help you navigate, we've compiled a list of essential dos and don'ts that will ensure your carbon accounting efforts are transparent, credible, and impactful.

Why carbon accounting matters for your business

Before diving into the specifics, it's important to understand why carbon accounting should be at the top of your business agenda (see tinyurl.com/yhjfy48w). Accurate carbon emissions measurement forms the foundation of your Net Zero strategy, enabling you to set realistic targets, track progress and communicate achievements to stakeholders.

1.
Do: Start by calculating your emissions.

Accurately calculating your emissions is crucial to establish a complete baseline for your carbon reduction efforts. To get a full picture, it's important to account for all sources of emissions, including direct (Scope 1), indirect (Scope 2), and value chain emissions (Scope 3).

Many platforms rely on broad, spend-based estimates, but Net Zero Now offers a more precise approach by using detailed, activity-based data. This ensures a more accurate measurement of your carbon footprint, giving you a strong foundation to set actionable and impactful reduction targets. The Net Zero Now platform simplifies this process with sector-specific guidance and ensures a high level of accuracy in your reporting.

2.
Don't: Make claims without data.

Businesses risk losing credibility by making unfounded or vague claims about their carbon neutrality or sustainability. Often, companies claim carbon neutrality based only on Scope 1 and Scope 2 emissions, which are typically much smaller compared to Scope 3 emissions.

This can lead to misleading perceptions. In fact, it's advisable to avoid making carbon neutrality claims altogether, as they don't necessarily require actual emissions reductions. Instead, focus on claims around emissions reduction targets or Net Zero goals that are tied to a specific timeframe and address all relevant emission scopes. These claims are far more credible and reflect a genuine commitment to sustainability.

As Harry Llewellyn, Head of Climate Services at Net Zero Now, says: 'Businesses often get tripped up by trying to race towards Net Zero without ensuring their data is comprehensive and accurate. Start with robust calculations and then make your move.'

Dos for effective carbon accounting: how to work towards net zero

Use the right protocols and standards

It's not enough to just track your emissions – you need to do so in a way that meets industry and regulatory standards.

3.
Do: Follow industry-specific protocols like those provided by Net Zero Now.

Protocols tailored to your sector help to ensure that your carbon accounting aligns with globally recognised standards, such as the Greenhouse Gas Protocol, which is the foundation for accurate emissions measurement.

Furthermore, the emissions reduction targets suggested by Net Zero Now are designed to align with Science-Based Targets initiative (SBTi) guidance, ensuring that your goals are scientifically robust and aligned with global climate objectives. This approach makes your claims more credible and easier to communicate to stakeholders, helping you to build trust and confidence.

4.
Do: Choose the right carbon accounting platform over confusing spreadsheets.

Using a dedicated carbon accounting platform not only simplifies the process of tracking and reporting your emissions but also saves you a significant amount of time. These platforms are built to handle the intricacies of carbon accounting, reducing the likelihood of errors and streamlining workflows that would otherwise be tedious and time-consuming with manual spreadsheets.

With automated tools guiding you step by step, you'll ensure accuracy while freeing up valuable time to focus on your broader sustainability strategy and other business priorities.

Set science-based targets

Setting emissions reduction targets isn't just a best practice – it's necessary for meaningful progress.

5.
Do: Set measurable, science-based targets.

Science-based targets ensure that your business is aligned with global climate goals, giving your efforts a clear direction and making them more impactful. These targets should be ambitious yet realistic so as to create tangible environmental and commercial benefits.

Monitor and update your data regularly

As your business grows or changes, so will your emissions profile, making it essential to stay consistent with your reporting practices.

6.
Do: Commit to regular, annual emissions reporting.

Staying consistent with annual emissions reporting ensures that your carbon strategy remains aligned with your evolving operations. Each year, look for ways to improve the accuracy of your footprint measurement by refining your data sources. For example, progress from using spend-based data (such as total spend on flights) to activity-based data (like flight mileage broken down by seat class).

Eventually, aim to move towards supplier-specific data, which provides even more precision in calculating your emissions. This iterative process will help to ensure your carbon reduction efforts are both credible and effective over time.

Don'ts for avoiding carbon accounting Pitfalls

Don't over-rely on carbon offsets

While carbon offsets and carbon credits can help to mitigate unavoidable emissions, they should not be your primary method for achieving Net Zero.

7.
Don't: Use offsets as a crutch to avoid real reductions.

Offsets should complement your emissions reduction efforts, not replace them. Over-reliance on offsets can undermine your credibility and reduce the overall impact of your actions.

When purchasing offsets, make sure the carbon credits you choose are of high quality and tied to projects that are verified and audited. Additionally, we recommend investing in carbon removal credits, which actively remove carbon from the atmosphere despite their higher cost. This approach ensures that your offset strategy is both credible and aligned with long-term sustainability goals.

Don't forget Scope 3 emissions

Many businesses make the mistake of focusing solely on direct emissions, overlooking the significant impact of Scope 3 emissions.

Author bio
Andrea Piras is Head of Demand Generation at NetZeroNow. He is passionate about the environment and climate change, and is the founder of Treeonfy.

8.
Don't: Overlook indirect emissions.

Scope 3 emissions, such as those from your supply chain, product lifecycle and other indirect activities, often make up the majority of your overall emissions. Ensure that you include these in your reporting to provide a more comprehensive and accurate picture of your carbon footprint. Additionally, when making public commitments about your emissions measurement or reduction targets, always be transparent about which emission scopes – Scope 1, Scope 2 and Scope 3 – are being addressed. This clarity is essential for credibility and for setting meaningful reduction goals.

Reporting and communicating your carbon progress

Communicate clearly and regularly

In today's market, transparency is a key differentiator. Your carbon accounting and reduction efforts should be communicated regularly to build trust with your stakeholders.

9.
Do: Be transparent about your carbon accounting efforts.

Clear and regular communication not only builds credibility but also helps to attract customers, employees and investors. When communicating, ensure that you provide a comprehensive narrative that includes your efforts to date, your current progress and your ambitions for the future. This balanced approach gives stakeholders a clear picture of where your business stands and where it's headed, further enhancing your reputation for sustainability.

Celebrate milestones

Your journey to Net Zero deserves to be acknowledged and shared.

10.
Do: Publicise key achievements like receiving Net Zero certification or meeting carbon reduction milestones.

Showcasing your progress can serve as inspiration for others in your industry and enhance your brand's reputation.

Avoid greenwashing

With rising awareness around sustainability, consumers and employees are paying closer attention to companies' environmental claims. Exaggerating your green efforts can backfire.

11.
Don't: Engage in greenwashing.

Ensure that all your sustainability claims are backed by accurate data and credible actions. Greenwashing – making misleading claims about environmental efforts – can severely damage your reputation and erode trust. To build lasting credibility, be transparent and honest about the progress and challenges in your sustainability journey.

Don't fall into the greenhushing trap

Just as dangerous as greenwashing is greenhushing – staying silent about your sustainability efforts to avoid scrutiny.

12.
Don't: Hide your sustainability progress out of fear of backlash.

Greenhushing, while seemingly a safe strategy, can lead to missed opportunities and erode trust. Being open about both your successes and challenges is key. As Harry Llewellyn, Head of Climate Services at Net Zero Now, notes: 'Don't let perfect be the enemy of good! All progress in the right direction should be communicated openly, and we find this openness often stimulates further action.'

Turn carbon accounting into a competitive advantage

Carbon accounting and reporting are fundamental components of a credible Net Zero strategy. By following these dos and don'ts, your business can ensure that its efforts are accurate, transparent and impactful.

Begin your journey with trusted tools from AIA partner, Net Zero Now platform, and you'll build a future-proof, competitive business in the rapidly evolving Net Zero economy. ●

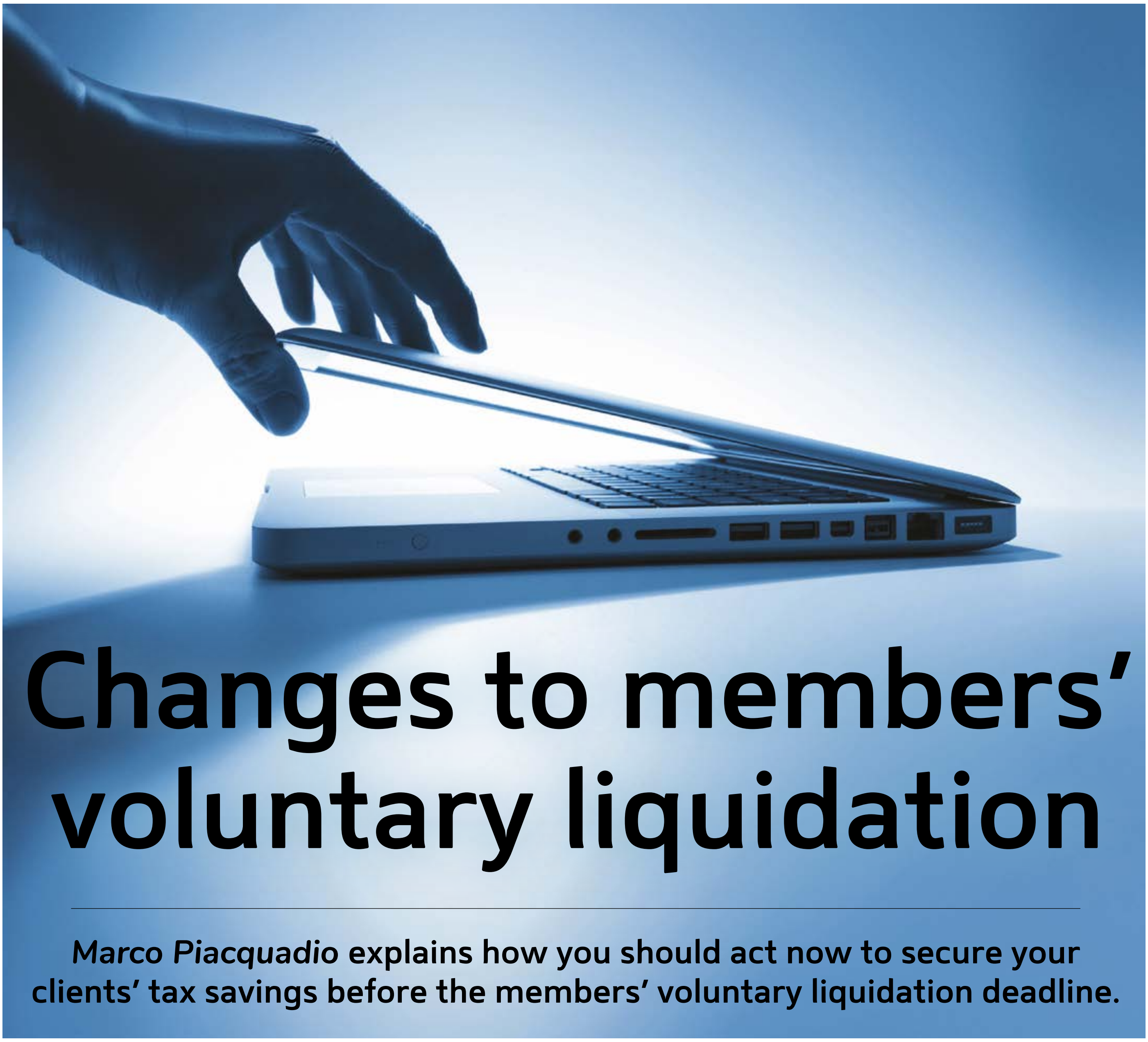
Originally published by NetZeroNow.

Net Zero Now

Net Zero Now is dedicated to helping businesses across the accountancy industry transition to Net Zero by offering a clear, standardised pathway to reduce and offset emissions.

Recognising the complexity of carbon accounting and the unique needs of businesses, Net Zero Now has developed, in partnership with the Association of International Accountants (AIA), the Net Zero Accountancy Protocol – a practical, science-backed framework that guides firms through measuring, mitigating and communicating their emissions.

By aligning with global climate goals, Net Zero Now empowers firms to achieve certification and leverage their Net Zero commitment as a competitive advantage, positioning them as leaders in sustainability in a rapidly changing market.



Changes to members' voluntary liquidation

Marco Piacquadio **explains how you should act now to secure your clients' tax savings before the members' voluntary liquidation deadline.**

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Marco Piacquadio
Director of FTS Recovery and FA Simms

In April 2025, the changes to business asset disposal relief announced in Labour's first Budget will reshape the financial benefits associated with members' voluntary liquidation (MVL).

These changes will have a direct impact on the tax reliefs available to your clients seeking to liquidate their solvent companies using an MVL. As an accountant, this is your opportunity to provide proactive guidance and ensure that your clients make informed decisions to maximise their tax savings.

A refresher on members' voluntary liquidation

It's worth revisiting the fundamentals of MVLs, even if you're already familiar with the basics. An MVL offers solvent companies a structured way to close down operations and distribute profits to shareholders. It's a route often chosen when the business has served its purpose, or when directors want to release retained profits in a tax-efficient manner. Compared to alternatives like mergers or simply winding down operations, an MVL is particularly beneficial for companies due to the related tax benefits.

What sets an MVL apart from other types of liquidation is its availability exclusively to directors confident in their company's financial health. This assurance is given in a statutory declaration of solvency, stating that all debts can be fully settled before assets are distributed as capital, unlocking significant tax benefits for shareholders.

The process begins with engaging a licensed insolvency practitioner. Their role is critical – ensuring legal compliance, managing communications with stakeholders and providing a seamless experience. Working with an insolvency practitioner is not only a legal requirement; it also simplifies the procedure by giving clients a trusted guide throughout the process, particularly when navigating compliance requirements.

The advantages of an MVL today

For your clients, the financial benefits of an MVL are compelling:

Capital gains tax: Most distributions through an MVL can be treated as capital rather than income. This allows shareholders to pay capital gains tax instead of income tax. With capital gains tax rates currently significantly lower than income tax rates, this distinction represents a substantial financial advantage.

Business asset disposal relief: Most clients also qualify for business asset disposal relief (formerly known as entrepreneurs' relief), which reduces capital gains tax on qualifying assets to just 10%. Compared to standard tax rates on dividend income, this offers substantial savings.

The upcoming tax changes and their impact

Starting in April 2025, changes to tax reliefs associated with MVLs will reduce the financial benefits of solvent liquidations.

These changes will have different implications based on business size and industry. For smaller businesses with limited retained profits, the increased tax rates could significantly impact shareholder distributions, making alternative options more appealing.

For larger companies, especially those with substantial retained earnings, the changes may still offer a degree of advantage over income tax liabilities, though the urgency to act before the deadline becomes even more critical.

The key adjustment is an increase in the rate for business asset disposal relief:

- **Current rate:** Gains eligible for business asset disposal relief are taxed at 10%.
- **From April 2025:** This rate will rise to 14% for disposals made on or after 6 April 2025.
- **From April 2026:** The rate will further increase to 18%, significantly diminishing the tax savings available to your clients.

These changes represent a major shift in the financial incentives for clients considering an MVL. Directors with plans to liquidate their companies should act now to secure the current 10% rate and maximise their tax efficiency.

Is an MVL the right choice for your clients?

An MVL is often the most financially advantageous option for clients whose companies hold retained profits or assets exceeding £25,000. However, to ensure eligibility, clients must meet certain conditions. They need to confidently answer 'yes' to the following questions:

1. Can the company pay all its debts, including contingent liabilities, within 12 months of starting the MVL process?
2. Are the directors able to make a statutory declaration of solvency within five weeks of the winding-up resolution?
3. Have the directors conducted a thorough enquiry into the company's affairs and confirmed its ability to settle all debts?

Failing to meet these requirements could expose directors to legal and financial repercussions. For instance, in the case of *LRH Services Limited (in liquidation) v Trew and others* [2018] EWHC 600 (Ch), directors faced personal liability for an invalid solvency statement. This resulted in significant financial penalties and reputational damage.

The case highlights the importance of thorough due diligence and accurate declarations before proceeding with an MVL. These outcomes can be avoided with careful preparation and expert guidance to avoid serious consequences.

By providing professional advice yourself and working alongside a licensed insolvency practitioner, you can help your clients to navigate these requirements and avoid potential risks. Proactive planning ensures that your clients meet all legal obligations while unlocking significant tax advantages.

Common pitfalls in the MVL process and how to avoid them

Navigating the MVL process comes with its challenges. These are the most common pitfalls we see – and some ideas on how they can be avoided them. By addressing these challenges proactively, you can make the MVL process far smoother and help clients to achieve the best outcomes.

Failing to assess the full financial landscape: A frequent mistake is underestimating the liabilities or overlooking contingent debts. These oversights can derail the process and lead to unexpected legal or financial repercussions. To avoid this, work with your client to conduct a detailed review of the company's financial position, so that you can identify potential liabilities and plan for contingencies early.

Delaying action until the last moment: Waiting too long to start the MVL process can result in missed opportunities to secure better tax outcomes. Delays leave clients exposed to higher tax rates after the upcoming changes. After initiating discussions with clients well before deadlines to allow adequate planning time, help them to set realistic timelines for the MVL process, to mitigate the risk of missing the boat.

Miscommunication or incomplete documentation: Errors in paperwork or miscommunication with HMRC or creditors often cause unnecessary delays or disputes. This can be prevented by working with your clients to get all the required documentation completed accurately and submitted promptly.

Expanding your role as a trusted advisor

Maintaining clear and consistent communication with all stakeholders throughout the process is also a vital part of the smooth running of the MVL. The role of accountant has been steadily increasing to extend beyond compliance and reporting. It is becoming the norm to work with clients to proactively address upcoming changes, putting you in the position of a trusted advisor who adds significant value to your client's business. This role is invaluable during the MVL process.

Strategic planning: Discuss long-term financial goals with your clients and identify how MVLs fit into their overall strategy, such as retirement or plans to pivot to a new business venture.

Tailored advice: Assess their situation to make sure that an MVL is the right course of action. A larger company with significant retained earnings would be likely to benefit more from an MVL to maximise tax advantages. But if their retained profits are less than £25k, striking off the company could be the better option.

If they're not able to confidently make a declaration of solvency, a creditors' voluntary liquidation could also be considered as an alternative solution.

Education and support: Provide clear, accessible information about tax changes and their implications, empowering clients to make informed decisions. You could, for instance, walk a client through the timeline of upcoming business asset disposal relief rate increases, helping them to understand how acting now could save thousands in taxes.

The role of insolvency practitioners in the MVL process

As a legally necessary element of the MVL process, insolvency practitioners naturally play a pivotal role in an MVL. But our in-depth knowledge extends beyond the legal and compliance technicalities.

In the MVL process, accountants and insolvency practitioners each bring unique strengths to the table, making collaboration essential for the best outcomes. You have an in-depth understanding of your clients' financial histories, goals and long-term strategies, which provides a strong foundation for planning an MVL.

Meanwhile, consulting an insolvency practitioner means that potential risks can be identified early, which can nip disputes in the bud. We also manage the process, to relieve the pressure on you and your client.

This collaborative approach alleviates much of the stress and complexity that can be involved in a formal process like an MVL. For clients, the combined expertise of their accountant and insolvency practitioner ensures that their financial interests are protected, and the process is completed efficiently and effectively.

How to get started

Navigate the MVL process starts with creating a clear, practical approach. Here's how you can make it easier for your client:

Assess eligibility: Collaborate with your client to evaluate their company's financial position and determine if an MVL aligns with their goals. This might involve reviewing outstanding liabilities, future plans and retained profits to ensure it is the right fit.

Clarify the steps involved: Break the MVL process into manageable steps for your clients. Provide clear timelines and outline what they will need to prepare, such as financial documents and solvency declarations. This transparency builds confidence and reduces stress.

Offer tailored guidance: Use your understanding of your client's business and financial goals to provide practical, actionable advice. Whether they need to resolve minor liabilities or prepare for a quick timeline, your guidance can make the process seamless.

With the April 2025 deadline looming, the earlier you start, the smoother the process will be. Contact our team on 01908 754666 or enquiries@ftsrecovery.co.uk to discuss how we can work together to secure your clients financial advantages before the changes take effect.

Author bio
Marco Piacquadio is Director at FTS Recovery and FA Simms.

Ten top tips for managing workplace stress

Mental health expert *Emma Vinton* (RMN) explores some practical tips for managing stress in the workplace.

Emma Vinton
Registered Mental Health Nurse, Educating Edward

As an accountant, you operate in a fast-paced environment where deadlines, client expectations and the need for precision all pose unique challenges. Balancing financial complexities with regulatory compliance can result in long hours, intense workloads and, at times, elevated stress levels. Left unmanaged, workplace stress can affect wellbeing, job satisfaction and productivity.

However, stress is not always inherently negative; it can be a good motivator. Some people even thrive on it. However, chronic stress can lead to burnout, poor performance and a multitude of health issues. Here are ten practical strategies to help you manage workplace stress effectively and maintain a healthy work-life balance.

1. Recognise stress triggers

The first step to managing stress is identifying its sources. Common triggers include tight deadlines, seasonal tax-related pressures, conflicting client demands and reporting errors. Reflect on the moments when you feel most stressed and note any recurring patterns. Understanding these triggers allows you to develop targeted coping strategies that will help you relax.

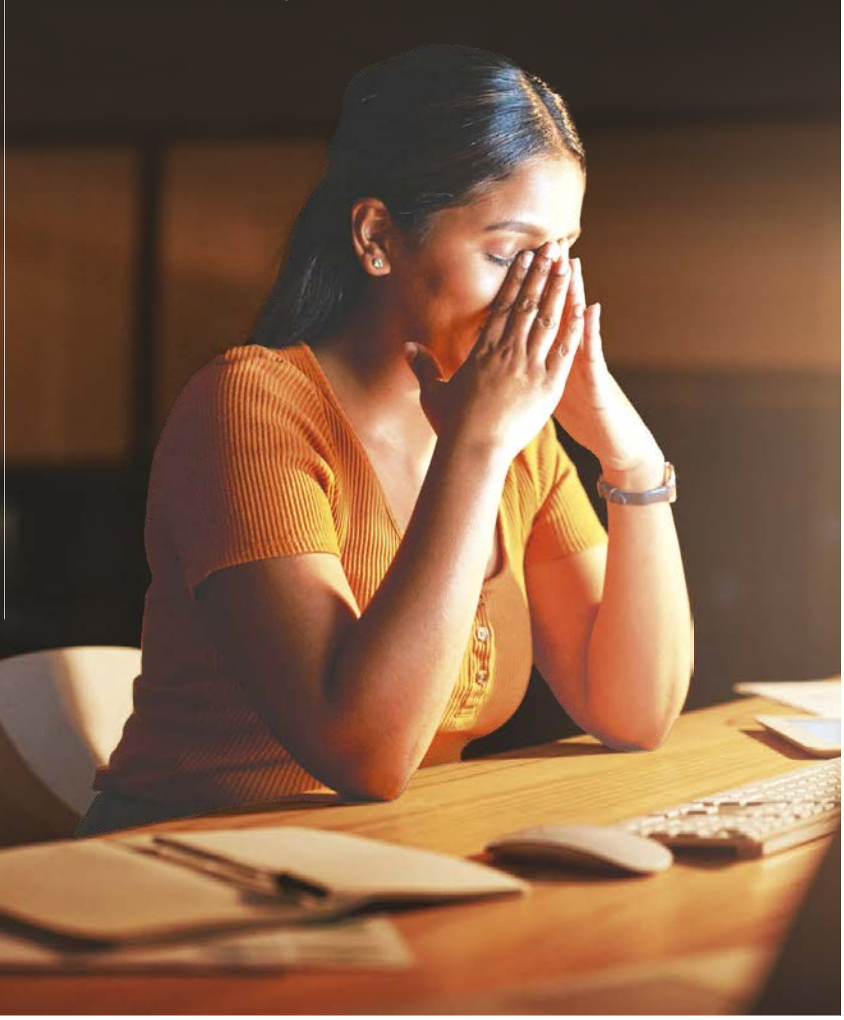
Tip: Document any stressful incidents, their causes (if known), and your reactions. This can help you to identify trends and improve your stress response.

2. Prioritise and organise tasks

Effective time management is essential to reduce workplace stress. Planners, diaries and time-management tools can help you prioritise your workload and break large tasks into smaller, manageable steps. A visual tool can offer clarity and perspective and with practice you can confidently prioritise tasks based on their urgency and importance.

Tip: Use the Eisenhower Matrix, based on the management insights of ex-US president Dwight Eisenhower, to divide your tasks into four distinct areas:

- Those you'll do first: urgent and important
- Those you'll schedule for later: important but not urgent



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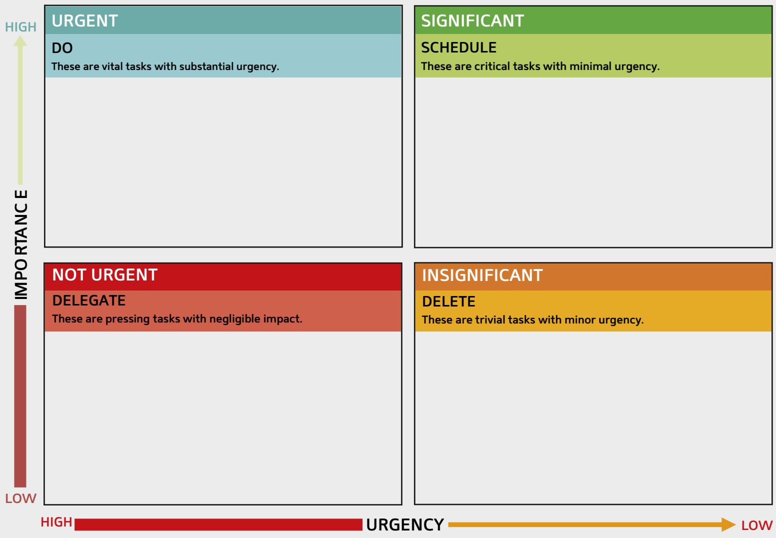
Eisenhower Matrix



Source: *The 7 habits of highly effective people: powerful lessons in personal change* **(Steven R Covey)**

- Those you'll delegate: urgent but not important
- Those you'll delete: neither urgent nor important)

The benefits of Eisenhower's model include:

- increased productivity by drawing attention to tasks that will have the greatest impact;
- reduced stress by prioritising the most necessary tasks and allowing you not to tackle them all at the same time;
- better time management through greater focus on the most important or urgent tasks; and
- enhanced decision making by having a clear overview of what is important and what is unnecessary.

3. Set realistic expectations

Accountants often face high expectations from clients and employers. While striving for excellence is commendable, setting unrealistic goals can lead to errors, as well as frustration and eventual burnout. Tell your clients and colleagues which deliverables you can reasonably accomplish within the available timeframe.

Tip: Practice assertiveness. Politely decline tasks that exceed your ability or capacity. Delegate responsibilities where possible.

4. Establish healthy boundaries

The digital age blurs the line between work and home life balance, especially in remote or hybrid work settings. To maintain balance, set some clear working boundaries. You should designate specific work hours and try to stick to them where possible. Avoid checking your emails, do not start work-related tasks and avoid working on financial reports during your personal time.

Tip: Use out-of-office auto-replies and/or communicate your availability to colleagues to manage work-related expectations.

5. Practice stress-relief techniques

Incorporating stress-relief practices into your routine can help you to stay calm and focused. Techniques such as mindfulness, deep breathing, meditation and progressive muscle relaxation can lower stress levels and enhance mental clarity.

Tip: Spend five minutes daily on breath work (deep breathing exercises), often used in work coaching sessions. Inhale deeply for four counts, hold for four counts and exhale for six counts.

6. Take regular breaks

Prolonged focus on spreadsheets and reports can lead to mental fatigue. Short, regular breaks allow your brain to recharge and maintain efficiency. Walking, stretching or simply stepping away from your desk for a while can help to reinvigorate you.

Tip: Follow the Pomodoro Technique: work for 25 minutes and take a five minute break. After four cycles, take a longer 15 to 30 minute break.

7. Invest in an ergonomic workstation

Physical discomfort can exacerbate stress, especially if you spend hours at your desk. Invest in ergonomic office furniture where possible and maintain proper posture to reduce strain on your joints and muscles.

Tip: Position your monitor at eye level, keep your feet flat on the floor and use a chair with lumbar support. Consider using a standing desk or desk converter for added flexibility. If you do not have a designated workstation, think about where will offer you the most comfort in terms of warmth, noise, and the availability of refreshments and bathroom facilities.

8. Foster a supportive work environment

Building strong relationships with colleagues can create a sense of community and mutual support. Sharing experiences and seeking advice can help you to alleviate stress and improve workplace morale.

Tip: Join professional networks or forums for accountants to connect with peers who understand your specific work-related challenges.

9. Stay physically active

Exercise is a proven stress reliever that boosts endorphins and improves overall health. Regular physical activity can help you manage workplace stress and maintain energy levels.

Tip: Incorporate at least 30 minutes of moderate exercise into your day. Activities like yoga, jogging or even brisk walking can make a significant difference.

10. Seek professional help when needed

If workplace stress becomes overwhelming, don't hesitate to seek professional support. Consulting a therapist, counsellor or work coach can provide valuable tools and perspectives to navigate work-related challenges effectively.

Tip: Many organisations offer Employee Assistance Programmes that include confidential counselling services. Find out if your employer offers such initiatives and use them when necessary. Keep numbers in your phone for easy access.

The role of resilience

In addition to these tips, cultivating resilience is key to managing workplace stress. Resilience involves adapting to adversity and bouncing back stronger. Develop a growth mindset by viewing challenges as opportunities to learn and grow. Ongoing self-reflection allows you to build emotional awareness and strengthen your problem-solving abilities.

> **Managing workplace stress is about learning to navigate work-related challenges effectively.**

Conclusion

Managing workplace stress is about learning to navigate work-related challenges effectively. By recognising triggers, prioritising tasks, setting boundaries and practising self-care, you can in turn reduce stress and enhance your professional and personal life. Resilience and wellbeing are foundational to sustained success in the demanding field of accounting.

As you implement these strategies, remember that stress management is a continuous process. Evaluate your approach regularly and adjust as necessary to maintain a healthy balance and thrive in your career.

Author bio
Emma Vinton is a Registered Mental Health Nurse, and Medical Writer at Educating Edward, a Newcastle-based firm specialising in psychiatry.

Accountancy in the age of AI

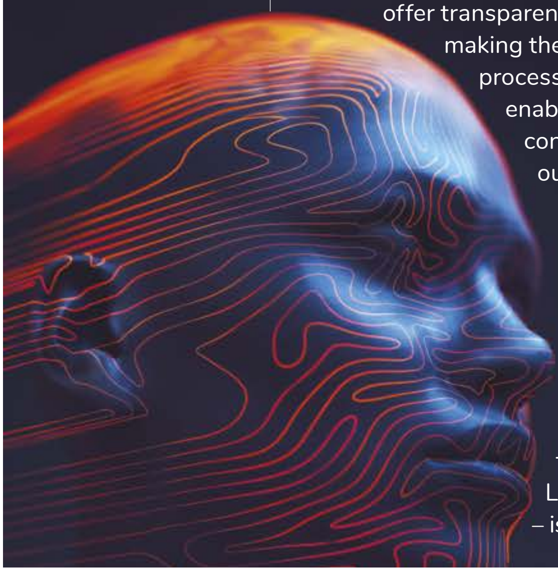
***Aaron Harris* examines the skills we need in a changing landscape and the importance of combining human intelligence with AI to reshape the accountancy profession.**

Aaron Harris
Chief Technical Officer, Sage

The accounting profession stands at the threshold of transformation, driven by the rapid rise of artificial intelligence. According to the World Economic Forum report 'The future of jobs 2025', broadening digital access is expected to be the most transformative trend. 86% of employers surveyed expect advancements in AI to transform their business by 2030 (see tinyurl.com/yc2p378f).

Accountants are no exception, with Sage's report 'Going for growth: creating an AI-first future in accounting' revealing that 63% of UK accountants believe AI will fundamentally reshape their roles within the next decade (see tinyurl.com/mv43356a).

Trust in AI is paramount, particularly in the accounting industry where data accuracy is non-negotiable. Effective AI tools should offer transparency of data and training, making the AI's decision-making process clear, which then enables accountants to confidently interpret its outputs.



AI is already automating time-consuming tasks such as invoice processing, reconciliation and data categorisation. Generative AI (GenAI) – best known through tools like Large Language Models (LLMs) – is also making big strides in transforming tax compliance and financial analysis.

This allows accountants to focus on higher-value work. However, this shift requires a new set of skills, with only 35% of accountancy firms reporting adequate data analytics expertise, according to the Financial Reporting Council (see tinyurl.com/2vpw8n55).

To stay relevant, accountants must embrace continuous learning. By upskilling in technology, data analysis and strategic advisory capabilities, they can transform into trusted business advisors, delivering insights that drive growth and resilience.

Adding a human intelligence perspective

It's true that artificial intelligence is a powerful tool, but it works best when combined with human intelligence. While AI manages repetitive tasks, accountants bring essential soft skills – critical thinking, creativity and ethical judgment – that machines cannot replicate. In an environment increasingly shaped by AI, the ability to combine human intelligence, such as providing strategic insights and communicating effectively, remains a uniquely human strength.

Accountants must see themselves not as being replaced by AI but instead evolving into roles where their expertise and intuition are indispensable in guiding decision-making processes.

AI tools are revolutionising finance teams, enabling quicker data-driven decisions while freeing up time for strategic work. However, many accountants remain hesitant to adopt these technologies due to skills gaps or scepticism. To navigate this evolving landscape, finance professionals must take a proactive approach to learning.

When understood and embraced, AI elevates accountants beyond compliance and reporting, enabling them to provide strategic insights. Finance professionals, particularly CFOs, who invest in these skills position themselves as indispensable contributors to their businesses' success.

How accountants can build future-ready skills

1. Align learning with business goals

Upskilling should directly support firm objectives. For instance, cybersecurity training can be positioned as vital for protecting sensitive client data, linking personal development to organisational priorities. This ensures that learning efforts deliver measurable business value.

2. Integrate AI into day-to-day tasks

The practical, hands-on use of AI tools fosters skill building and reduces resistance to technology. Accountants can experiment with AI productivity tools like Microsoft Copilot or Google Gemini to draft client emails, analyse data, or summarise a financial statement. These activities embed learning into everyday workflows, making upskilling a natural progression.

3. Leverage AI as a tutor

AI itself can facilitate learning. Tools like ChatGPT can explain AI concepts, find suitable AI tools to complete a task, or even provide step by step instructions on how to automate a manual process. This accessible learning model allows accountants to stay updated and refine their skills in real time.

4. Invest in soft skills

As automation handles more technical tasks, accountants must strengthen their communication, adaptability and critical thinking skills. For example, data storytelling workshops can enable professionals to translate complex financial insights into actionable advice for clients and stakeholders.

5. Empowering clients with AI-driven insights

One of generative AI's most exciting capabilities is its ability to discover insights from financial data and to support accountants in analysing and interpreting these findings, providing sharper, more impactful recommendations. This shift allows accountants to deliver advice grounded in data, while focusing on understanding client needs and crafting strategies tailored to their goals. By leveraging AI for tasks like anomaly detection and financial forecasting, accountants are better equipped to guide their clients toward informed, growth-oriented decisions, reinforcing their role as indispensable strategic partners. Of course, AI's biggest contribution here may simply be freeing up time for this more valuable, strategic work by automating routine tasks.

6. Building a culture of continuous learning

In an industry shaped by relentless technological change, adaptability is non-negotiable. Firms must foster a learning culture where experimentation and skill enhancement are encouraged. Mentorship programmes, peer collaboration and rewards for upskilling can drive engagement and ensure that skills development aligns with business objectives.

For example, combining human expertise with AI capabilities creates a partnership where technology handles repetitive tasks and accountants focus on delivering nuanced, strategic advice. This synergy amplifies the value that accountants bring to their organisations, positioning them as indispensable contributors to resilience and growth.

7. Balance innovation with ethics

As AI adoption accelerates, ethical considerations must remain a priority. We champion responsible AI development that mitigates biases and upholds the highest standards of fairness and accountability. Accountants adopting AI must remain vigilant, using their professional judgment to avoid using AI in scenarios that risk discrimination or on tasks that AI can't complete with accurate, verifiable results.

8. Investing in resilience

Upskilling is no longer optional; it's essential. By embracing new technologies and enhancing both technical and soft skills, accountants can future proof their careers and cement their roles as trusted advisors.

While AI delivers data-driven insights, it's the human perspective that contextualises and interprets that data, driving smarter decisions. For individuals and firms alike, committing to continuous learning isn't just about staying relevant – it's an investment in agility, resilience and the unique human insight that technology cannot replace. ●

For further information, see Sage's Vision to Industry report 'Accounting 2030: Forecasting the next frontier in AI-powered transformation' (see tinyurl.com/3y8rrtmv) and details of Sage AI-powered assistant Copilot at tinyurl.com/5ewfjswp.

Author bio
Aaron Harris is the chief technology officer at Sage, steering emerging tech investments, AI-powered innovations, and driving the company's SaaS excellence.

FEATURE EVENT

Making Tax Digital: how to get you and your clients ready
Date: 10 March 2025
Time: 10.30 – 11.30
Venue: Online webinar

Speaker: Emma Rawson

Emma Rawson is a technical officer with the Association of Taxation Technicians (ATT), as well as being a freelance tax writer and CPD presenter.

Her focus is on emerging tax policy and she works closely with HMRC and the Treasury. Emma leads the ATT's engagement on Making Tax Digital. She frequently contributes articles on topical tax issues to leading tax and accountancy publications and has presented talks and webinars around the country, as well as appearing on radio and TV to discuss tax issues and providing oral evidence to committees of both the House of Lords and House of Commons.

It is a little over a year until the first taxpayers will have to join Making Tax Digital for Income Tax Self-Assessment (MTD ITSA). This will represent a fundamental shake-up in how taxpayers and agents interact with HMRC, and each other. Now is therefore the perfect time to get to grips with the rules and think about how you can get your clients and your practice ready.

In this webinar, we'll take a detailed look at the MTD ITSA requirements, which taxpayers must join and when. We'll also spend time exploring the practical implications for agents and the steps you can start taking now to get ready.

The webinar is aimed at tax advisers and accountants who work with sole traders and landlords. Those who are themselves sole traders or landlords may also find the session useful. It is pitched at an intermediate level – whilst no prior knowledge of MTD ITSA is needed, a basic understanding of the current ITSA rules will be assumed.

OTHER UPCOMING WEBINARS

R&D tax relief: what you need to know in 2025
Date: 12 February 2025
Time: 10.30 – 11.30
Speaker: Richard Edwards

The R&D tax relief schemes have been subject to very significant changes, and HMRC has drastically changed its approach to compliance. This has in turn changed the way that many accountants work with their clients to prepare R&D claims. Richard will cover the things you absolutely need to know about working in R&D tax relief in 2025.

How to train your clients to bring you information early
Date: 18 February 2025
Time: 10.00 – 11.00
Speaker: Shane Lukas

A webinar sharing proven methodology that transforms how clients respond to information requests, creating a more efficient and less stressful practice environment. This transformation is about creating capacity for value-added services, reducing stress and improving client relationships.

Understanding AML risk
Date: 7 March 2025
Time: 11.00 – 12.00
Speaker: Richard Simms

Fully compliant business and client risk assessments are a key part of your AML legal obligations; but much more importantly they are how you spot relevant risks and take steps to protect yourself, your business and your employees from criminal activity.

Richard will explain the nature of AML risk, the risk areas you must cover and those sensible to consider. He will then discuss constructing quality business-wide and client risk assessments that actually achieve the proper end goal.

Getting to grips with blockchain and crypto assets
Date: 2 April 2025
Time: 11.30 – 12.30
Speaker: Kate Baucherel

A webinar discussing the creation of the first blockchain through the explosion of different platforms and new classes of crypto asset. Kate will explain how blockchain achieves its key properties of trust, transparency and immutability and why both blockchain and crypto assets are significant for businesses, finance, accounting and reporting.

What clients really want, need and highly value from an accountant
Date: 17 April 2025
Time: 11.30 – 12.30
Speaker: Shane Lukas

How to create a 'win-win' scenario where clients receive transformative value while accountants build more profitable, enjoyable practices.

CPD ON DEMAND

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- Preparing cash flow statements
- Tax updates (Malaysia)
- Communication skills for accountants

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INTERNATIONAL

IESBA launches a standard-setting project on accounting firm culture and governance

The International Ethics Standards Board for Accountants (IESBA) has launched a standard-setting project on accounting firm culture and governance, actioning the recommendations of the Working Group on Firm Culture and Governance in its fact-finding report.

The key findings of the report include:

- the role of ethical leadership and robust governance within accounting firms as key drivers in creating a culture that promotes ethical behaviour;
- the importance of transparent and ethical leadership, firm-wide accountability mechanisms and the provision of independent input; and
- the need for alignment of performance incentives with ethical behaviour, continuous ethics education and a culture of open discussion and challenge.

Taking into consideration the Working Group's conclusions and recommendations, the standard-setting project aims to develop a principles-based culture and governance framework for accounting firms that promotes, supports and reinforces a high standard of ethical behaviour across all their professional services.

As part of this strategic initiative, the IESBA will also develop non-authoritative materials to raise awareness about the importance of ethical behaviour in accounting firms and support firms with guidance on embedding ethics into their strategies and operations. These will also help to involve other stakeholders who might contribute to developing an ecosystem for highly ethical accounting firms.

The IESBA will conduct a series of in-person and virtual global roundtables in March and April 2025 to gather views from a broad range of stakeholders. The in-person roundtables will be held in New York City, USA; Melbourne, Australia; Brussels, Belgium; and Kuala Lumpur, Malaysia. Further details will be announced in due course.

Gabriela Figueiredo Dias, Chair of the IESBA, said, 'Ethics is foundational to the work of all accounting firms and all the professionals therein. It is their gateway to public trust in their professional services. I commend the Working Group on tabling a comprehensive report, identifying the key areas of focus we will be probing carefully and systematically, in collaboration with stakeholders, as we seek to develop a global framework for culture and governance for firms.

'It is our strong conviction that this framework will enable firms to be highly ethical firms consistently, strengthening their resilience against risks of unethical behaviour, maintaining a good reputation, and ensuring their long-term sustainability to serve clients, investors, other stakeholders and the public interest.'

Established in March 2024, the Working Group's charge included, among other matters, gathering an understanding of culture and governance and their impact on compliance with ethical requirements in accounting firms and, where applicable, their networks and developing recommendations for the IESBA.

The development of the report was informed by extensive outreach to stakeholders, including regulators and oversight bodies, investors and the corporate governance community, accounting firms, professional accountancy organisations, national standard setters and the Stakeholder Advisory Council, as well as a review of academic literature.

The topic of accounting firm culture and governance is a strategic priority for the IESBA following a spate of high-profile cases of unethical behaviour in accounting firms in several jurisdictions in recent years. These cases have led to adverse consequences for individual professional accountants and their firms in multiple jurisdictions.

INTERNATIONAL

IOSCO's Growth and Emerging Markets Committee launches a dedicated network to support its members in the use of ISSB Standards

The International Organisation of Securities Commission (IOSCO) has announced the launch of a dedicated network to support the adoption and other use of IFRS Sustainability Disclosure Standards (ISSB Standards), with the support of the International Sustainability Standards Board (ISSB). The network will start with a group of 32 IOSCO members of its Growth and Emerging Markets Committee (GEMC), representing 31 jurisdictions. The 31 jurisdictions who are initially joining the GEMC Network for Adoption or Other Use of ISSB Standards are a diverse group representing: Abu Dhabi, Argentina, the Bahamas, Bahrain, Bangladesh, Belize, Brazil, Brunei, Chile, China, Egypt, Georgia, Ghana, India, Indonesia, Jordan, Kenya, Kuwait, Malaysia, Mexico, Morocco, Panama, Qatar, Saudi Arabia, South Africa, Sri Lanka, Thailand, Türkiye, Uruguay, Zambia and Zimbabwe. More jurisdictions have expressed interest in joining in the months ahead.

Most IOSCO members joining the GEMC Network are playing or will be playing a leading role in the adoption of sustainability-related corporate reporting requirements. At the date of joining the network, members are either already executing a roadmap for ISSB Standards implementation, developing a roadmap, building awareness and understanding or becoming familiar with the ISSB Standards.

Through the network, GEMC members will benefit from assistance in building local capacity to implement the requirements of the Standards. The network will also provide a platform for advancing information sharing at a regional level.

Together, the IOSCO GEMC members joining the Network represent:

- 4.3 billion people in emerging markets and developing economies, more than half of the world's population;
- more than 90% of BRICS economies GDP and their market capitalisation;
- nearly half of Africa and the Middle East's GDP and 60% of their market capitalisation; and
- more than two thirds of Latin America and the Caribbean's GDP and more than 85% of its market capitalisation.

The ISSB issued the ISSB Standards in June 2023 in response to investor demand for decision-useful, comparable information and the need for a more efficient global reporting landscape. The ISSB Standards support globally consistent, comparable and reliable sustainability-related disclosures to meet the information needs of investors and other participants in the world's capital markets.

IFRS Foundation publishes a guide to help companies identify sustainability-related risks and opportunities

The International Sustainability Standards Board (ISSB) is committed to supporting the implementation of ISSB Standards around the world. To this end, the International Financial Standards Reporting Foundation (IFRS Foundation) has published a new comprehensive guide designed to help companies with the fundamental task of identifying and disclosing material information about sustainability-related risks and opportunities that could reasonably be expected to affect their cash flows, their access to finance or cost of capital over the short, medium or long term.

Investors and global capital markets are increasingly demanding this information to inform investment decision making.

A key focus of the guide is helping companies to understand how the concept of sustainability-related risks and opportunities is described in IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, including how these can arise from a company's dependencies and impacts.

At the heart of the ISSB's approach is the notion of integrated thinking – considering the inextricable link between a company and its stakeholders, society, the economy and the natural environment throughout its value chain, a concept the guide explains.

IFRS S1 explains that a company both depends on resources and relationships – such as human, intellectual, financial, natural, manufactured and social – throughout its value chain, and also affects those resources and relationships. This can contribute to the preservation, regeneration and development, or to the degradation and depletion of these resources and relationships. It is a company's dependencies and impacts on those resources and relationships that might give rise to sustainability-related risks and opportunities that could reasonably be expected to affect its prospects.

In addition, the guide highlights how companies applying ISSB Standards can benefit from the process they might already follow in making materiality judgements when preparing financial statements, particularly when applying IFRS Accounting Standards. The guide sets out a process that a company can follow, which is closely aligned with the four-step process illustrated in the International Accounting Standards Board's IFRS Practice Statement 2: Making Materiality Judgements. As a result, although the ISSB Standards can be used with any generally accepted accounting principles, those companies already applying IFRS Accounting Standards – in over 140 jurisdictions worldwide – as well as those, for example, in the US where there is strong alignment with a focus on providing material information to investors, will be particularly well prepared to apply the concept of materiality using ISSB Standards.

UK AND IRELAND

FRC publishes inspection findings for the Tier 2 and Tier 3 audit firms

The Financial Reporting Council (FRC) has published its annual inspection findings for Tier 2 and Tier 3 audit firms, which emphasises the importance of delivering consistent levels of audit quality.

The report highlights areas where firms have made progress but also identifies challenges that exist across this part of the market in achieving consistent audit quality, particularly in the public interest entity (PIE) sector.

As noted in the report, while some inspection results demonstrated audits assessed as good or limited improvements required, there remains a disparity across some of the firms. This reflects the ongoing need for firms to embed effective systems of quality management and strengthen their commitment to continuous audit quality improvement.

Sarah Rapson, FRC Executive Director of Supervision, stated: 'Trust and confidence in corporate disclosures through audits is fundamental to helping businesses attract capital and grow, and while the firms are committed to improving audit quality, the pace remains disappointingly slow. We are enhancing our supervisory efforts to drive measurable progress and ensure that audit quality meets the public and market's expectations.

For Tier 2 firms, this means more targeted oversight. For Tier 3 firms, the FRC is committed to minimising unnecessary burdens while ensuring that its regulatory approach supports tangible improvements in audit quality to support UK businesses access capital and realises their growth ambitions.

EUROPE

EIOPA and ECB propose a European approach to reduce economic impact of natural catastrophes

The European Insurance and Occupational Pensions Authority (EIOPA) and the European Central Bank (ECB) have released a joint paper with a proposal designed to reduce the economic impact of natural catastrophes in the EU. The paper builds on the policy options presented in a 2023 joint ECB-EIOPA discussion paper, which advocated a ladder approach to natural catastrophe insurance involving both the private and public sectors.

This proposal is a response to the growing frequency and severity of natural catastrophes linked to climate change and the rising economic losses they entail. The proposal seeks to protect people, businesses and governments from these losses, thereby also mitigating the associated macroeconomic and financial stability risks in the EU. It does so by incentivising risk mitigation and adaptation and clarifying the division of responsibilities between the private and public sectors.

Building on existing national and EU structures, the ECB and EIOPA propose a possible EU-level solution composed of two complementary pillars:

- **An EU public-private reinsurance scheme:** to increase the insurance coverage for natural catastrophe risk. By pooling private risks and perils across the EU, this scheme would exploit economies of scale and diversify the coverage of high risks at the European level. It would be funded by risk-based premiums from (re)insurers or national insurance schemes.
- **An EU fund for public disaster financing:** to reinforce public disaster risk management in member states. Financed by contributions from member states, this fund would help to rebuild public infrastructure following natural disasters, subject to member states having implemented agreed risk mitigation measures prior to the event to minimise moral hazard.

As natural catastrophes become more frequent and more severe, insurance is expected to become less affordable and the already sizeable insurance protection gap is likely to widen further. At the same time, the paper shows that national public-private insurance schemes are helping to reduce the insurance protection gap in several countries. It examines how these schemes make use of private and public funds to do so.

The EBA and ESMA analyse recent developments in crypto-assets

The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have published a joint report on recent developments in crypto-assets, analysing decentralised finance (DeFi) and crypto lending, borrowing and staking. This publication is the EBA and ESMA's contribution to the European Commission's report to the European Parliament and Council under Article 142 of the Markets in Crypto-Assets Regulation (MiCAR).

EBA and ESMA find that DeFi remains a niche phenomenon, with value locked in DeFi protocols representing 4% of all crypto-asset market value at the global level. The report also sets out that EU adoption of DeFi, while above the global average, is lower than other developed economies (e.g. the US, South Korea).

The EBA and ESMA observe that the number of DeFi hacks and the value of stolen crypto-assets has generally evolved in correlation with the DeFi market size. Since flows on decentralised exchanges represent 10% of spot crypto trading volumes globally, DeFi protocols present significant risks of money laundering and terrorist financing (ML/TF).

The EBA and ESMA find the implications of maximal extractable value (MEV) on DeFi markets are widespread in DeFi and negative externalities of MEV would require technical solutions.

On the lending, borrowing and staking of crypto-assets, the report contains an analysis of the main types and typical features of the business models observed in the market, in both centralised and decentralised forms. These services are offered by a number of crypto-asset service providers in EU jurisdictions which in some cases also offer regulated crypto-asset services.

Based on the existing (limited) evidence, there appears to be limited engagement of EU consumers and financial institutions with crypto lending, borrowing and staking services. The report sets out and assesses the specific risks associated with each of them, such as excessive leverage, information asymmetries, exposure to ML/TF risks, and systemic risks arising from re-hypothecation and collateral chains, procyclicality and interconnectedness.

In particular, some users may receive insufficient information on the terms and conditions of these services in areas such as fees, interest rates paid or yields, changes to collateral requirements, among other relevant disclosures. However, the EBA and ESMA have not identified current risks from a financial stability perspective.

EIOPA's Consumer Trends Report shows that digitalisation is transforming insurance and pensions services

The European Insurance and Occupational Pensions Authority (EIOPA) has published its 2024 Consumer Trends Report, highlighting the main trends in consumers' experience with insurance and pension products. The report explores four key areas:

- the role of digitalisation in shaping the insurance and pension sectors;
- the transformatory power of AI in insurance;
- consumers' appetite for supplementary pensions in light of increasing pension gaps; and
- the real/perceived value for money of insurance and pensions products.

As the pensions gap is expected to continue to widen, the report examines to what extent EU citizens decide to purchase supplementary pensions. EIOPA's Eurobarometer survey shows that only 42% of EU consumers are confident that they will have enough money to live comfortably throughout retirement. While supplementary pensions could help to bridge this gap, pension participation remains low, especially among women. The survey reveals that only 20% of EU consumers are members of an occupational pension scheme, and only 18% own a personal pension product. The lack of financial resources, high costs and the perceived complexity of some products are the main reasons for the low uptake of personal pensions.

The report shows that consumers are increasingly using digital tools when engaging with insurance and pension products, allowing them to easily compare offers, expect faster processing of their claims and make projections of their future pension entitlements. However, not all consumers benefit equally from digitalisation. While digitalisation offers benefits, it also brings risks such as digital exclusion and misinformation. Some consumers may also require more advice than what is available digitally.

EIOPA's 2024 Consumer Trends Report highlights additional developments in the EU's insurance and pensions sectors:

- Access to investment products and to non-life insurance products slightly declined from 2023 to 2024, partly due to the difficult financial situation of European households and to higher costs, driven by inflation.
- An increasing proportion of consumers are considering purchasing insurance and pension products with sustainability features (16% in 2024, compared to 13% in 2023). Given the risk of greenwashing, it is important to continue supervisory activities and ensure fair commercial practices.
- The sale of cross-border insurance products continues to increase moderately, driven by digitalisation. While some consumers say they have access to better-value products, others have little trust in insurance products sold from a different country. This barrier may be exacerbated by the current challenges to cross-border supervision.

UNITED STATES

FASB issues a standard that improves disclosures about income statement expenses

The Financial Accounting Standards Board (FASB) has published an Accounting Standards Update (ASU) that improves financial reporting and responds to investor input by requiring public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the notes to financial statements.

'This project was one of the highest priority projects cited by investors in our extensive outreach with them as part of our 2021 agenda consultation initiative,' stated FASB Chair Richard R. Jones. 'We heard time and again from investors that additional expense detail is fundamental to understanding the performance of an entity and we believe that this standard is a practical way of providing that detail.'

During the FASB's 2021 agenda consultation and other outreach, investors observed that expense information is critically important in understanding a company's performance, assessing its prospects for future cash flows, and comparing its performance over time and with that of other companies. They indicated that more granular expense information would assist them in better understanding an entity's cost structure and forecasting future cash flows.

The ASU addresses this feedback by requiring public companies to disclose, in the notes to financial statements, specified information about certain costs and expenses at each interim and annual reporting period. Specifically, they will be required to:

- disclose the amounts of: purchases of inventory; employee compensation; depreciation; intangible asset amortisation; and depreciation, depletion and amortisation recognised as part of oil and gas-producing activities (or other amounts of depletion expense) included in each relevant expense caption;
- include certain amounts that are already required to be disclosed under current generally accepted accounting principles (GAAP) in the same disclosure as the other disaggregation requirements;
- disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively;
- disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of selling expenses.

The amendments in the ASU are effective for annual reporting periods beginning after 15 December 2026, and interim reporting periods within annual reporting periods beginning after 15 December 2027. Early adoption is permitted.

The ASU, as well as other educational materials, is available at www.fasb.org.

ASIA PACIFIC

Australia and Singapore collaborate to support sustainable infrastructure and decarbonisation in Southeast Asia

The Australian government has approved a US$50 million investment into the Green Investments partnership (GIP) under Singapore's Financing Asia's Transition Partnership (FAST-P) initiative. The investment will support clean energy transition and sustainable infrastructure development across Southeast Asia.

FAST-P was launched by the Monetary Authority of Singapore (MAS) at the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) in 2023.

Australia's investment, administered by Export Finance Australia (EFA), will help to facilitate investment opportunities in clean energy and sustainable infrastructure projects across Southeast Asia and create commercial opportunities for Australian exporters and financial institutions. This is the first investment under the Australian government's A$2 billion Southeast Asia Investment Financing Facility (SEAIFF). It highlights Australia's commitment to practical action and reinforces their role as a committed and reliable partner for the region.

FAST-P is a blended finance initiative which brings together like-minded international public, private and philanthropic partners to support Asia's decarbonisation and climate resilience. The Singapore Government will pledge up to US$500 million as concessional capital, to match dollar-for-dollar, concessional capital from other partners, including other governments, multilateral development finance institutions and philanthropies. This combined pool of concessional capital will be used to crowd in commercial capital and other sources of finance to support Asia's green energy transition.

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