



Need to know

IFRS Foundation updates educational material on the requirements of IFRS Accounting Standards relevant for going concern assessments

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This *Need to know* discusses the updated educational material ***Going concern—A focus on disclosure*** published by the IFRS Foundation in May 2025.

- The updated educational material highlights existing requirements of IFRS Accounting Standards on the assessment of whether the going concern basis of accounting remains appropriate and the disclosures that might be required about that assessment
- Significantly, the educational material notes that:
 - management’s assessment of going concern is required to cover at least 12 months from the reporting date but that this is a minimum period, not a cap
 - that assessment needs to reflect the effect of events occurring after the end of the reporting period up to the date that the financial statements are authorised for issue
- As well as the specific requirements to disclose the basis on which financial statements are prepared and any material uncertainties over going concern, disclosure of significant judgements made as part of a going concern assessment might be required under the general requirements of IAS 8 *Basis of Preparation of Financial Statements* [IAS 1 *Presentation of Financial Statements*].

Background

The educational material was first published in January 2021 to respond to questions raised by stakeholders during the COVID-19 pandemic. It was revised and republished in May 2025 to include references to standards since published by the International Accounting Standards Board (IASB) and the International Auditing Assurance Standards Board (IAASB) and to remove references to the COVID-19 pandemic.

For more information please see the following websites:

www.ukaccountingplus.co.uk

www.deloitte.co.uk

Observation

The revisions made in 2025 are procedural in nature and do not substantively change the content of the educational material.

The IFRS Foundation's educational material does not change or add to the requirements of IFRS Standards in this respect, but rather highlights the existing requirements on assessing whether the going concern basis of preparation is appropriate and, importantly, the disclosures to be provided on that assessment.

Guidance for UK entities

In February 2025, the UK Financial Reporting Council (FRC) published new ***Guidance on the Going Concern Basis of Accounting and Related Reporting***, withdrawing the previous guidance published in 2016.

This new non-mandatory guidance is designed for all UK companies other than small and micro entities, although the FRC acknowledges that other entities may also find it useful. This guidance is wider in scope than the educational material (covering how an assessment of going concern should be conducted as well as the financial reporting implications of that assessment). There is also a section on auditor's responsibilities, to assist those charged with governance in their understanding of the auditor's role in relation to going concern and the information, evidence and analysis the auditor may need to request from the company as a result. This includes the requirements for auditors to report on the work they have performed in the annual report or to regulators where necessary.

For entities that are required, or those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, the requirement for the board to disclose whether it considered it appropriate to adopt the going concern basis of preparation is supplemented with disclosures around assessing the prospects of the entity and whether the board has a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment (generally known as the viability statement).

Issues addressed by the educational material

The assessment of whether use of the going concern basis of preparation remains appropriate

The educational material highlights that:

- when preparing financial statements, whether annual or interim, IAS 8 [IAS 1] requires management to assess the entity's ability to continue as a going concern. IAS 8 [IAS 1] defines going concern by explaining that financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so
- in making this assessment, IAS 8 [IAS 1] requires management to look out at least 12 months from the end of the reporting period but states that the outlook is not limited to 12 months. This is not inconsistent with some national regulations that require consideration of going concern for 12 months from the date that financial statements are authorised for issue. ISA 570 (Revised 2024) requires an auditor to request management to extend its assessment period if the period covers less than 12 months from the date of the approval of the financial statements.

Elaborating on these requirements, the educational material notes that management may need to consider factors that relate to the entity's current and expected profitability, the timing of repayment of existing financing facilities and potential sources of replacement financing.

The educational material also highlights that IAS 10 *Events after the Reporting Period* explains that management's assessment of the use of a going concern basis of preparation needs to reflect the effect of events occurring after the end of the reporting period up to the date that the financial statements are authorised for issue. If, before the financial statements are authorised for issue, circumstances were to deteriorate so that management no longer has any realistic alternative but to cease trading, the financial statements must not be prepared on a going concern basis.

Observation

The reference to events after the reporting period may be particularly relevant in a dynamic environment resulting in actions by government or other parties (including the entity's own mitigating actions). It is important to note that developments after the reporting date but before the financial statements are authorised for issue should be factored into the assessment of going concern even if they are not themselves adjusting events under the general requirements of IAS 10.

Guidance for UK entities

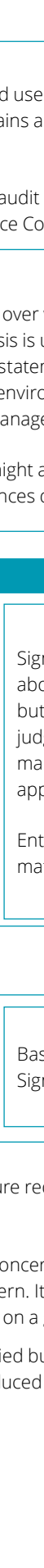
ISA (UK) 570 explains that, in the UK, the period used by those charged with governance in making their assessment of whether use of the going concern basis of preparation remains appropriate is usually at least one year from the date of approval of the financial statements.

It also includes specific considerations for the audit of entities that are required, or those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code.

The importance of disclosure

The educational material notes that the decision over whether to prepare the financial statements on a going concern basis is a binary one, but that the circumstances in which that basis is used can vary widely, from when an entity is profitable and has no liquidity concerns to when it is a ‘close call’ to prepare the financial statements on a going concern basis, even after considering any mitigating actions planned by management. In stressed economic environments, clear disclosure of where the entity sits within that spectrum and the assumptions and judgements made as part of management’s assessment is likely to be a focus for users of financial statements.

In illustrating the disclosure requirements that might apply in different circumstances, the educational material presents a matrix of requirements that apply as an entity’s circumstances deteriorate.

Entity situation deteriorating 				
Scenario	No significant doubts about going concern	Significant doubts about going concern but mitigating actions judged sufficient to make going concern appropriate. Entity determines no material uncertainties.	Significant doubts about going concern but mitigating actions judged sufficient to make going concern appropriate. Material uncertainties about going concern remain after considering mitigating actions.	Intends to liquidate or to cease trading, or no realistic alternative but to do so.
Basis of preparation	Going concern			Alternate basis (not going concern)
Disclosure	Basis of preparation No specific disclosures	Basis of preparation Significant judgements?	Basis of preparation Material uncertainties Significant judgements?	Limited specific requirements

The educational material then highlights disclosure requirements which may be relevant for entities in each of the illustrated sets of circumstances.

- If there are no significant doubts about going concern, apart from the need to describe the basis of preparation, there are no specific disclosure requirements relating to going concern. It is also less likely that significant judgements were involved in reaching the conclusion to prepare the financial statements on a going concern basis
- If the going concern basis of accounting is applied but there are material uncertainties (for example, about management’s ability to execute its turnaround strategy to address reduced demand for its products and/or to renew or replace funding), IAS 8 [IAS 1] requires disclosure of those uncertainties

- If there are material uncertainties over going concern or there are significant doubts about going concern but not to the extent that a material uncertainty is considered to exist (for example, management might have started executing a turnaround strategy that is showing sufficient evidence of success including identifying feasible alternative sources of financing), disclosure of the significant judgements made by management (on whether the entity is a going concern or whether there is a material uncertainty) is required under the general requirements of IAS 8 [IAS 1]
- The overarching requirements of IAS 8 [IAS 1] on disclosure of sources of estimation uncertainty could also be relevant if there are any major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

As reported in the **July 2014 IFRIC Update**, the IFRS Interpretations Committee (IFRS IC) discussed a circumstance in which management of an entity has considered events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Having considered all relevant information, including the feasibility and effectiveness of any planned mitigation, management concluded that there are no material uncertainties that require disclosure in accordance with IAS 8:6K [IAS 1:25]. However, reaching the conclusion that there was no material uncertainty involved significant judgement.

In this circumstance, the IFRS IC concluded that the disclosure requirements of IAS 8:27G [IAS 1:122] would apply to the judgements made in concluding that there remain no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

Entities that are not a going concern

The educational material notes that IAS 8 [IAS 1] does not specify an alternate basis for preparing financial statements if the entity is no longer a going concern, but requires the entity to disclose the fact that the financial statements have not been prepared on a going concern basis and the reasons why the entity is not regarded as a going concern, as well as disclosing the basis on which the financial statements have been prepared.

Guidance for UK entities

The FRC's 2025 **Guidance on the Going Concern Basis of Accounting and Related Reporting** is consistent with the illustration of the four potential scenarios and disclosure requirements set out in the educational material. The FRC emphasises that "additional disclosures may be required to comply with the overarching requirements in accounting standards to disclose significant judgements, assumptions and other sources of estimation uncertainty, or for the financial statements to give a true and fair view".

The FRC asks companies to take into account materiality and proportionality in all their work in this area.

Status of the educational material

The IFRS Foundation specifies that the educational material is not part of IFRS standards and does not add to or otherwise change the requirements in the standards. It was developed to aid stakeholders' understanding of the standards. Views expressed in the document do not necessarily reflect those of the IASB, the International Sustainability Standards Board (ISSB) or the IFRS Foundation.

Further information

If you have any questions about the educational material, please speak to your usual Deloitte contact.

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- illustrative financial statements for entities reporting under IFRS Accounting Standards and UK GAAP.

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