

# PAC ANNUAL CONFERENCE

## PROFESSIONAL ACCOUNTING FUTURES

Panel 1 November 10, 2022

*Impact of Macro-economic Developments on the Accounting Profession – Accounting Standards, Estimates, Auditing and the Profession in General*

Tom Lanoue, Partner, Deloitte

Cameron McInnis, Chief Accountant, OSC

Brad Owen, Partner-in-Charge, Department of Professional Practice, KPMG

Dan Simunic, Professor Emeritus, University of British Columbia for the

Q & A



Professional Accounting Centre

UNIVERSITY OF TORONTO

MISSISSAUGA



# PAC Annual Conference

***Impact of Macroeconomic Developments  
on the Accounting Profession***

Brad Owen

November 10, 2022

Framework Slides v1

# Overview

- Recent external events – war in Ukraine, natural disasters, COVID-19 fiscal and monetary policy and other geopolitical events (supply chain disruption) including inflation are creating global economic uncertainty
  - Impacting uncertainty and estimation risk particularly for fair value measurement and impairment testing and going concern assessments
  - Fraud risk may be increasing
  - Investors will have a hard time comparing/benchmarking estimates between companies and understanding the true sensitivity to changes in assumptions
  - Companies that previously considered peers may no longer be truly comparable
- Incorporating climate risks (physical, regulatory and transition) into strategy and estimation may be challenging to all and limit comparability
- Higher reliance on disclosures around assumption sensitivity and risks in financial statements and MD&A to understand any potential bias/noise in the estimate
- Auditors will be challenged to clearly demonstrate how they considered contradictory evidence and applied professional skepticism in light of uncertainty

# Fair Value Measurements and Impairment Testing

- Likelihood of impairment indicators and triggering events increases significantly
- Driven by changes to commodity/labor prices, supply chain disruption and increase in discount rates
- Challenges in using discounted cashflow – may drive increased use of experts
- Increased auditor attention to consider contradictory evidence, understand consistency of assumptions applied and changes to strategic plans due to market uncertainty and evolving trends
- Some key considerations
  - Model selection
  - Projecting cash flows
  - Inflation
  - Estimating probabilities associated with different cash flow scenarios
  - Determining discount rate
  - Disclosure of estimation uncertainty – potential for increase in number of assumptions and sensitivities being disclosed



[home.kpmg/ca](https://home.kpmg/ca)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.