

# IFRS 9 & IFRS 7 2026 Amendments: NetSuite Accounting Guide

By houseblend.io Published April 11, 2026 49 min read



## Executive Summary

The International Accounting Standards Board (IASB) has issued a series of narrow-scope amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*, effective for annual periods beginning on or after January 1, 2026 (Source: [www.ifrs.org](http://www.ifrs.org)) (Source: [www.ifrs.org](http://www.ifrs.org)). These amendments address specific issues identified in practice since the original issuance of IFRS 9 (2014) – including classification of ESG-linked loans, derecognition of electronically settled liabilities, treatment of contingent and non-recourse cash flows, and accounting for nature-dependent electricity contracts. In parallel, IFRS 7 has been updated to require new disclosures about equity instruments designated at FVOCI, contingent cash-flow features (such as ESG triggers), and specific terms of power purchase agreements involving variable natural electricity.

For practitioners using Oracle NetSuite (a leading [cloud ERP](#), these IFRS changes will necessitate careful evaluation and system adjustments. NetSuite customers must ensure that financial instruments and payment processes are tracked in ways that support the updated IFRS 9 classification tests (e.g. **Solely Payments of Principal and Interest** (SPPI) and business-model assessments (Source: [www.sec.gov](http://www.sec.gov)) (Source: [www.sec.gov](http://www.sec.gov)), as well as the timing of derecognition entries. NetSuite’s [multi-book accounting](#) functionality can facilitate running parallel ledgers (e.g. one for local GAAP, one for IFRS), but may require configuration changes for issues like early derecognition of liabilities. NetSuite users will also need to extract and annotate data to satisfy IFRS 7’s enhanced disclosure requirements – for example, generating detailed notes on ESG-linked loan features or electricity hedge contracts. In short, while there is no radical overhaul of IFRS 9’s framework, these 2026 amendments are *material* for any IFRS-reporting entity and must be addressed in NetSuite implementations to ensure correct classification, measurement, and disclosure of financial instruments (Source: [www.ifrs.org](http://www.ifrs.org)) (Source: [www.sec.gov](http://www.sec.gov)).

This report provides a comprehensive analysis of the IFRS 9/IFRS 7 amendments, their rationale and details, and how they affect NetSuite users. We begin with background on IFRS 9 and 7 (and the post-implementation review that triggered the amendments), then detail each major amendment area. Throughout, we use illustrative examples, tables, and case scenarios. We then analyze the implications for data processing, accounting entries, and controls within NetSuite, including specific recommendations (e.g. leveraging NetSuite’s Multi-Book Accounting (Source: [docs.oracle.com](http://docs.oracle.com)). Finally, we discuss broader implications and future outlook. All assertions and guidance are backed by authoritative sources (IASB / IFRS Foundation releases and professional analyses) and, where applicable, industry commentary.

## Introduction and Background

**IFRS 9 and IFRS 7 Overview.** *International Financial Reporting Standard 9 (IFRS 9)* superseded IAS 39 and provides the framework for accounting for financial instruments. It covers classification and measurement of financial assets and liabilities, impairment ( [expected credit loss](#) model), and [hedge accounting](#). Under IFRS 9, financial assets (other than derivatives and certain equity instruments) may be classified into three measurement categories: **amortised cost**, **fair value through other comprehensive income (FVOCI)**, or **fair value through profit or loss (FVTPL)** (Source: [www.sec.gov](#)) (Source: [www.sec.gov](#)). The classification depends on (a) the entity's business model for managing the asset and (b) the **SPPI** (solely payments of principal and interest) test of the contractual cash flows. For example, a debt instrument held to collect contractual cash flows that pass the SPPI test is measured at amortised cost (Source: [www.sec.gov](#)), whereas if the business model includes selling, it can be at FVOCI (assuming SPPI) (Source: [www.sec.gov](#)). Equity instruments are generally at FVTPL, with an irrevocable FVOCI option if not held for trading, but without recycling gains into profit or loss. IFRS 9 also replaced IAS 39's incurred-loss impairment model with an *expected credit loss* model, requiring forward-looking allowances. IFRS 7 complements IFRS 9 by specifying extensive disclosure requirements – including carrying amounts of each category, maturity analyses, credit risk exposures, fair value hierarchy information, and summaries of hedge arrangements.

**Need for Amendments.** Since IFRS 9's issuance, the IASB has conducted a post-implementation review (PIR) and responded to stakeholder queries. Users identified ambiguous or inconsistent accounting outcomes under certain modern contractual features. The PIR and IFRS Interpretations Committee noted issues such as how to treat ESG-linked financial instruments, settlement via new payment technologies, and embedded optionality in loans and investible assets. To address these *narrow-scope* issues, the IASB drafted amendments to clarify and refine IFRS 9's requirements (and related IFRS 7 disclosures) without overhauling the standard's core structure. The amendments were finalized in May 2024 (Source: [www.ifrs.org](#)) and endorsed (in jurisdictions like the EU) in late 2024 (Source: [www.efrag.org](#)), with mandatory application from 1 January 2026 (early adoption permitted) (Source: [www.ifrs.org](#)) (Source: [www.ifrs.org](#)).

**IFRS Global Context.** IFRS standards are used by the vast majority of jurisdictions worldwide (over 140 jurisdictions, including the EU, Australia, Canada, many Asian and Latin American countries). Companies using NetSuite for accounting often operate in IFRS-mandatory environments or have international subsidiaries preparing IFRS financials. As a result, ensuring NetSuite's records align with IFRS 9/7 is critical for compliance. Oracle's NetSuite OneWorld edition supports multiple ledgers (Multi-Book Accounting) to maintain parallel IFRS and local-GAAP reports (Source: [docs.oracle.com](#)). This makes NetSuite a viable platform for IFRS reporting, but users must configure it to capture IFRS-specific distinctions.

**Scope of This Report.** We examine the 2026 amendments to IFRS 9 and IFRS 7 in depth, structured as follows:

- **IFRS 9 Classification & Measurement** – Fundamentals of IFRS 9's classification model, and how the amendments change its application (e.g. ESG features, special cash-flow clauses).
- **IFRS 9 Derecognition and Settlement** – How liability derecognition rules are clarified (especially for electronic payment systems) and the new optional early derecognition.
- **IFRS 7 Disclosure Requirements** – Overview of IFRS 7's disclosure rules, and the new disclosure demands for equity investments and contingent features introduced by the amendments.
- **Nature-Dependent Electricity Contracts** – Targeted amendments (“Contracts referencing nature-dependent electricity”) clarifying IFRS 9's own-use exemption and hedge accounting for PPAs, plus corresponding IFRS 7 disclosures (Source: [www.ifrs.org](#)).
- **Case Studies / Examples** – Illustrations of how these changes affect accounting outcomes (e.g. an ESG-linked loan's classification, treatment of a digital settlement, a power purchase agreement).
- **NetSuite Implementation Considerations** – What NetSuite ERP users (especially those with Multi-Book/OneWorld) must do: system setups, data fields, reports, and reconciliations to meet the new requirements.
- **Implications & Future Outlook** – Broader implications of these changes (for finance teams, auditors, regulators) and next steps in IFRS (e.g. upcoming IFRS 18 on presentation/disclosure) (Source: [www.ifrs.org](#)).
- **Conclusion** – Summary of findings and key recommendations.

Throughout, we draw on authoritative sources: IASB/IFRS Foundation releases (Source: [www.ifrs.org](#)) (Source: [www.ifrs.org](#)), regulatory filings, accounting analyses, and expert commentary. The level of detail is intended to serve financial professionals and IT specialists responsible for IFRS compliance in NetSuite environments.

## IFRS 9 Classification and Measurement

## IFRS 9 Categories and Tests

Under IFRS 9, financial assets (excluding derivatives and those mandatorily at FVTPL) fall into one of three categories – *amortised cost*, *fair value through other comprehensive income (FVOCI)*, or *fair value through profit or loss (FVTPL)* – based on a two-step test:

- 1. Business Model Test.** Determine whether the financial asset is held in a business model whose objective is either (a) to collect contractual cash flows, (b) to collect cash flows and sell assets, or (c) neither of these (e.g. trading).
- 2. Cash Flow (SPPI) Test.** Examine the contractual cash flows to check if they are *solely payments of principal and interest (SPPI)*, meaning interest is only for time value of money, credit risk, and basic compensation. Any contractual feature leading to cash flows beyond SPPI (e.g. linked to equity price or inflation, unless considered a market rate adjustment) causes the test to fail.

The combination of these tests yields the measurement category, as summarized in Table 1:

CATEGORY	BUSINESS MODEL	CASH-FLOW TEST (SPPI)	MEASUREMENT	SUBSEQUENT PROFIT/LOSS TREATMENT
<b>Amortised Cost</b>	Held to collect contractual cash flows only	Passed (solely P&I)*	Amortised cost (effective interest rate)	Interest income and impairments in P&L; no fair-value gains in P&L
<b>FVOCI (Debt Instruments)</b>	Held to collect and sell contractual cash flows	Passed (solely P&I)*	Fair value (with OCI linkage)	Interest and impairments in P&L; fair-value changes in OCI; on sale, recycle OCI to P&L (Source: <a href="http://www.sec.gov">www.sec.gov</a> )
<b>FVOCI (Equity Instruments)</b>	(Can elect if not held for trading)	N/A (election basis)	Fair value (no recycling of gains)	Dividends in P&L; other gains/losses in OCI (permanent equity)
<b>FVTPL</b>	Any other business model or SPPI fails	Failed (not solely P&I) or no SPPI	Fair value (through profit or loss)	All gains and losses (including interest and FX) in P&L entirely

Table 1: IFRS 9 Classification and Measurement Categories (Source: [www.sec.gov](http://www.sec.gov)) (Source: [www.sec.gov](http://www.sec.gov)).

Key points from Table 1 (citing IFRS guidance):

- **Amortised Cost:** An asset meets this category *only if* both the *business model* is to hold and collect cash flows **and** the contractual cash flows are SPPI (Source: [www.sec.gov](http://www.sec.gov)). For example, a trade receivable (with no significant financing element) often qualifies as amortised cost. According to IFRS 9, “for a financial asset to be measured at amortised cost, it needs to meet both... conditions and not be designated as FVTPL: (i) business model to hold to collect, and (ii) cash flows solely P&I” (Source: [www.sec.gov](http://www.sec.gov)).
- **FVOCI (Debt):** If the business model is to both hold and sell, a debt instrument can be at FVOCI *if* it still passes the SPPI test (Source: [www.sec.gov](http://www.sec.gov)). The subsequent measurement is still fair value, but unrealized gains/losses go to OCI (with interest/FX in P&L). On derecognition, accumulated OCI gains are recycled to profit or loss (see Table 1 note).
- **FVOCI (Equity):** Equity securities not held for trading can be irrevocably designated FVOCI. These do not have an SPPI test; instead, the entity must choose FVOCI at recognition. Under IFRS, all fair-value changes (except dividends) go to OCI and are never recycled (Source: [www.sec.gov](http://www.sec.gov)) (note: IFRS 9 §5.7.5).
- **FVTPL:** This is the “default” category. Any asset failing SPPI (due to embedded equity-type features, contingencies, etc.) or held in a trading-oriented model is measured at fair value with all changes in profit or loss. Importantly, entities may optionally designate any eligible instrument at FVTPL to avoid an accounting mismatch, as permitted by IAS 39 and carried forward in IFRS 9.

Examples of classifications:

- A plain-vanilla bank loan (fixed interest, held to maturity) typically meets SPPI and a collect-only model → **Amortised Cost**.
- A corporate bond held with intent to sell (and still SPPI) → **FVOCI (Debt)**.

- A common share investment not for trading (irrevocably chosen) → **FVOCI (Equity)**.
- A commodity-linked note or a sales commission receivable with variable bonus (non-SPPI) → **FVTPL**.

## IFRS 9 Impairment and Hedge Accounting (Overview)

Although beyond the immediate scope of the 2026 amendments, IFRS 9's **impairment** model and **hedge accounting** framework are central to financial instrument accounting. IFRS 9 introduced a forward-looking *expected credit loss (ECL)* model requiring entities to recognize credit loss allowances at each reporting date, even for performing assets (Stage 1), based on lifetime expectations. [Under IFRS 9, Stage 2 assets (with significant credit deterioration) carry lifetime ECLs, and Stage 3 (credit-impaired) follow IAS 39's incurred-loss pattern]. These complex requirements demand extensive data (credit histories, macro forecasts, probability of default models) and have been a major focus of IFRS 9 implementation in banks and corporates (Source: [go.oracle.com](https://go.oracle.com)). Hedge accounting under IFRS 9 is largely carried forward from IAS 39 but with improvements (more risk components eligible, forward contracts can hedge FX risk of futures, etc.). The 2026 amendments do *not* modify the impairment or core hedge logic, but one could argue they indirectly affect ECL (by altering classification).

## Illustrative Example: IFRS 9 Classification

For concreteness, consider **Example 1**: A company holds a €10 million loan to a customer. The loan pays 3% fixed interest plus an *ESG clause* – if the customer meets an environmental performance target, the interest rate increases by 1% (to 4%) and an additional payment on the principal is made. Under IFRS 9's pre-amendment model, analysts debated whether the ESG-linked "kickers" violate SPPI. With the 2026 amendment, the IASB clarified how to assess such features. The extra 1% interest (linked to ESG performance) is analogous to additional compensation for the lender's credit risk or cost of funds and thus does not automatically break SPPI (Source: [www.ifs.org](https://www.ifs.org)). In practice, the asset can still qualify as *SPPI-compliant* if the ESG feature is viewed as akin to a credit-risk adjustment. Therefore, **post-amendment**, this loan can remain classified at **amortised cost** (if the business model is hod to collect) rather than being forced into FVTPL. NetSuite accountants would so record interest income at 3% (amortised cost EIR) and treat ESG-linked extra payments as part of yield. Absent the clarification, the loan *might* have slipped to FVTPL, causing earnings volatility. This example shows that, in NetSuite, one may need a flag on the loan record for "ESG-linked terms" and logic in reporting to ensure correct classification – a topic we discuss further below.

## IFRS 9 & IFRS 7 Amendments Effective 2026

The specific amendments to IFRS 9 and IFRS 7 (often packaged together in the Board's release) address several narrow but important issues. We summarize the key amendments below (details follow):

- **ESG-linked features (IFRS 9)**: Clarifies how to apply the SPPI test when contractual cash flows vary with ESG milestones (e.g. sustainability targets) (Source: [www.ifs.org](https://www.ifs.org)). The amendment introduces an *explicit example* and an additional SPPI assessment for any contingent feature. In effect, simple ESG amendments no longer mandate FVTPL; instead, entities must evaluate whether such variations are "appropriate compensation for basic lending risks."
- **Contingent cash flows, non-recourse, contractually-linked instruments (IFRS 9)**: Provides guidance on classification when payoffs are contingent on specific events or structured linkages. This includes loans with **non-recourse clauses** (the lender's only recourse is the pledged asset) and **contractually linked instruments** (e.g. securities backed by a pool of receipts). The amendment ensures consistent classification rather than an automatic move to FVTPL.
- **Electronic payments settlement (IFRS 9)**: Clarifies the derecognition basis for financial liabilities and assets settled through modern systems (e.g. real-time gross settlement, blockchain, digital wallets). The amendments set the *derecognition date* when the obligor unconditionally loses the right to the discharged amount. Critically, an optional accounting policy allows early derecognition of a liability once the debtor has passed irrevocable instructions to pay, even if actual transfer of funds occurs later (Source: [www.ifs.org](https://www.ifs.org)).
- **Equity instruments at FVOCI (IFRS 7)**: Adds disclosure requirements for equity instruments designated at FVOCI. Entities must explain the business purpose and criteria of this election, and provide metrics (e.g. carrying amounts, gains in OCI, dividends recognized) to help investors understand the magnitude and nature of those holdings.
- **Contingent features (IFRS 7)**: Requires disclosure of financial instruments that have contractual terms causing cash flows to vary contingent on a debtor-specific event (such as achievement of an ESG target or other performance metric). The entity must describe the feature, quantify the potential variability, and report the gross carrying amounts.

- **Nature-dependent electricity contracts (IFRS 9):** Addresses “power purchase agreements” for renewable energy. It clarifies how to apply the **own-use exemption** in IFRS 9: now termed *nature-dependent electricity contracts–own use*. Entities must assess over a reasonable time-frame whether the contract is for own-use (net purchaser) considering variability. The amendment also allows hedge accounting for contracts not in the scope of the exemption by designating a variable volume as hedged item, enhancing hedge effectiveness.
- **Disclosures for electricity contracts (IFRS 7):** Introduces new IFRS 7 disclosures for nature-dependent electricity contracts, both those exempted and those hedged. Required disclosures include: the nature of volume variability, estimated future commitments (cash flows), how contracts are tested for onerousness, and the impact of the contracts on financial performance (e.g. volume/value disaggregation) (Source: [www.ifrs.org](http://www.ifrs.org)).

All these amendments apply from 1 Jan 2026 (with earlier application allowed) (Source: [www.ifrs.org](http://www.ifrs.org)) (Source: [www.ifrs.org](http://www.ifrs.org)). Table 2 below summarizes each major amendment:

AMENDMENT TOPIC	STANDARD	MAIN CHANGE	LINK TO SOURCE
<b>ESG-linked loan features</b>	IFRS 9	Clarifies how to apply the SPPI test for loans whose interest or cash flows adjust for ESG milestones (e.g. sustainability targets). Adds an SPPI test for contingent cash flows, so simple ESG-linked triggers need not force FVTPL (Source: <a href="http://www.ifrs.org">www.ifrs.org</a> ).	IASB May 2024 news release (Source: <a href="http://www.ifrs.org">www.ifrs.org</a> )
<b>Contingent features (non-recourse, CLIs)</b>	IFRS 9	Provides guidance on classifying financial assets with non-recourse clauses or contractually linked instruments. E.g. makes clear when such features alter classification from amortised cost to FVTPL or not.	IFRS ED and EFRAG commentary (Source: <a href="http://www.efrag.org">www.efrag.org</a> )*
<b>Electronic settlement of liabilities</b>	IFRS 9	Clarifies timing of derecognition when liabilities/assets settle via electronic/payment systems. Introduces option to derecognise a liability early once payment is irrevocably committed (Source: <a href="http://www.ifrs.org">www.ifrs.org</a> ).	IASB May 2024 news release (Source: <a href="http://www.ifrs.org">www.ifrs.org</a> )
<b>Equity FVOCI disclosures</b>	IFRS 7	Requires additional disclosure for equity instruments designated at FVOCI: e.g. business purpose, carrying amounts of each, total accumulated OCI, and rationale for OCI presentation.	IASB May 2024 news release (Source: <a href="http://www.ifrs.org">www.ifrs.org</a> )
<b>Contingent cash flows</b>	IFRS 7	For instruments with cash flows contingent on specific debtor-related events (e.g. ESG targets, credit indicators), requires description of feature, carrying amounts, and cash flow implications.	IASB May 2024 news release (Source: <a href="http://www.ifrs.org">www.ifrs.org</a> )
<b>Nature-dependent electricity (own-use)</b>	IFRS 9	Clarifies “own-use exemption” for renewable energy contracts: entity must assess whether contract is principally for own consumption over a specified horizon (e.g. net buyer test).	IFRS Dec 2024 news release (Source: <a href="http://www.ifrs.org">www.ifrs.org</a> )
<b>Electricity hedge accounting</b>	IFRS 9	Permits hedge accounting for variable-volume elements of PPAs (not qualifying for own-use) by allowing a variable nominal as hedged item, improving hedge effectiveness.	IFRS Dec 2024 news release (Source: <a href="http://www.ifrs.org">www.ifrs.org</a> )
<b>PPA disclosures</b>	IFRS 7	New disclosures for nature-dependent electricity contracts: variability in volumes, unrecognised commitments (future cash flows), onerous contract assessments, and hedging terms by risk category (Source: <a href="http://www.accountancyage.com">www.accountancyage.com</a> ).	IFRS Dec 2024 news release (Source: <a href="http://www.ifrs.org">www.ifrs.org</a> ) (plus supporting updates)

Table 2: Summary of 2026 IFRS 9 and IFRS 7 Amendments. All amendments are effective 1 Jan 2026 (Source: [www.ifrs.org](http://www.ifrs.org)) (Source: [www.ifrs.org](http://www.ifrs.org)).

Above table draws directly from the IASB's official announcements (Source: [www.ifrs.org](http://www.ifrs.org)) (Source: [www.ifrs.org](http://www.ifrs.org)) (Source: [www.ifrs.org](http://www.ifrs.org)) (Source: [www.ifrs.org](http://www.ifrs.org)). Below we explain these items in more detail, with illustrations.

## ESG-Linked Financial Assets (IFRS 9)

The IASB explicitly addressed **ESG-linked loans and bonds** – instruments whose contractual terms link cash flows to environmental or social outcomes (for instance, an interest rate that steps up/steps down if a company meets certain sustainability metrics). Stakeholders had asked: Should an ESG-linked step-up clause break the SPPI condition, pushing the asset to FVTPL? In May 2024, the IASB clarified that such features do not automatically force FVTPL. Instead, the entity must determine whether the variability is akin to an adjustment for credit risk or basic interest. Put simply, if the ESG feature serves as a proxy for credit quality or market-based adjustment, it can still be SPPI-compliant. IFRS 9 now includes an explicit *contingent cash flow test*: our loan with an ESG trigger can remain measured at amortised cost (or FVOCI) provided the “extra” cash is viewed as interest compensation, not a return on some new underlying asset.

The amendment also requires more transparency. IFRS 7 is updated so companies must disclose the nature of ESG-linked clauses in their instruments (qualitatively) and the carrying amount of affected assets (Source: [www.ifrs.org](http://www.ifrs.org)). Investors should learn how these clauses could alter cash flows and how large the positions are. Such disclosures help analysts assess ESG impact on credit exposure.

*Illustration:* Suppose **CoGreen Ltd.** grants a €100 million loan at 5% interest, plus a 0.5% bonus interest if certain carbon-reduction targets are hit. Under the clarified IFRS 9 test, CoGreen views the bonus 0.5% as effectively additional interest for good performance (comparable to a reduced credit risk), so the loan's cash flows remain “solely principal and interest” in substance. The loan stays at amortised cost. In NetSuite, CoGreen might record the loan at 4.5% base and separately note the contingent 0.5% feature; their disclosures will describe the ESG clause and report the loan's amortised carrying value (with the contingent feature disclosed). If the amendment had not been made, auditors might have insisted on FVTPL, causing P/L volatility whenever the ESG trigger is achieved or lost – a possibly misleading outcome for stakeholders.

## Settlement via Electronic Payment Systems (IFRS 9 Derecognition)

Another amendment simplifies how liabilities (and corresponding assets) are derecognised when paid electronically. In practice, companies now use automated clearing houses, real-time gross settlement (RTGS), cryptocurrencies, and other fintech rails. Questions arose: Is the obligation extinguished when the debtor issues the instruction, or only when the payment system settles the funds? Before 2026, IFRS 9 lacked explicit guidance, leading to diversity.

The amendments clarify that when a debt is irrevocably settled through an electronic system, the liability can be derecognised at that point, even if the bank transfers the cash later. Concretely, IFRS 9 now distinguishes (a) the moment the obligation *disappears* from the debtor's perspective (e.g. Barclays BPAY instructions), versus (b) the actual funds movement. It also introduces an **accounting policy option**: a debtor may elect to derecognise the liability early (upon giving payment instructions) if certain criteria are met (e.g. no further ability to change instructions).

For NetSuite users, this means payables can be removed from books when a payment is authorized & irrevocable. For example, Company A uses NetSuite's AP module and executes a bank payment interface message at 4:59 pm. Under the new IFRS 9 guidance, if the instruction is final by midnight, A could remove the liability on that day's books rather than waiting for the next banking day's posting. The difference is timing – it improves matching of liability derecognition with the economic event (cash control transfer). Audit teams will want to ensure NetSuite's payment workflows and cut-off rules allow for this early derecognition (for instance, using a “Pay Complete” flag on vendor bills).

## Contingent, Non-Recourse, and Linked Instruments (IFRS 9)

The amendments also tackle embedded or conditional features in contracts:

- **Non-recourse loans:** These are loans where the lender's only recourse is the financed asset, not other borrower assets. Under the amendment, the absence of recourse does not by itself force FVTPL classification. Instead, the contractual cash flows (which in non-recourse loans can be uncertain) must still be evaluated for SPPI. The clarification prevents all non-recourse loans from automatically being treated like equity or derivative instruments.
- **Contractually linked instruments:** For example, debt securities that refer to a pool of base assets (similar to mortgage-backed tranches) now have clear classification guidance. IFRS 9's Appendix on SPPI was silent on these, but the amendment ensures that classification follows SPLI and business-model tests with the same rigor, avoiding an arbitrary outcome.

- **Other contingent features:** Any clause that changes payment timing/amount on occurrence (or non-occurrence) of some event tied to the borrower's credit or performance must be explicitly examined. IFRS 7 now requires identifying such features and disclosing their effect. For instance, a convertible note's conversion option no longer automatically makes the host "fail SPPI" – one needs to consider whether the option's payoff resembles additional interest or an equity upside.

In practice, these clarifications harmonize different interpretations. Entities should document any non-recourse or contingent clauses in NetSuite and run the SPPI "story" on them. For example, if a loan allows forgiveness of principal if an ESG project fails, one must quantify how that affects cash flows and decide on measurement. The amendments help ensure those details don't silently change the accounting.

## IFRS 7: Enhanced Disclosures

IFRS 7's core purpose is to inform users about the qualitative and quantitative aspects of financial instruments and their associated risks. The 2026 amendments *add* to these requirements in light of the above classification changes:

- **Equity Instruments at FVOCI:** Entities must now disclose the carrying amounts of equity investments designated at FVOCI, the related OCI reserve (accumulated gains/losses), and management's reason for the FVOCI election. Additional narrative is warranted: e.g. explaining why certain equities are held for long-term strategic reasons (so that fair value changes bypass P/L).
- **Contingent-Feature Instruments:** When a financial asset has terms that could change cash flows upon a specified event (like an ESG target or similar), the notes must describe these features in detail. IFRS 7 B38 (applying to all financial instruments) already required disclosure of "significant terms" affecting cash flow, and the amendments reinforce this. Practically, companies will need to inventory such instruments (via NetSuite Custom Fields or Item records) and compile in the notes the qualitative nature of each contingent clause, its probable effects on cash flows, and the gross carrying amounts involved (Source: [www.ifrs.org](http://www.ifrs.org)).
- **Payment System Exemption:** The IFRS 7 amendments do *not* change corporate liquidity or credit risk disclosures, but impact somewhat the measurement of payables/receivables around settlement dates. For transparency, an entity might note accounting policy on derecognition for electronic payments.
- **Scope-Approval Entities:** IFRS 7's scope excludes loans originated to buy/sell non-financial goods under normal sales, but one specific change emerged: In rare cases where commodity contracts acted like financial hedges (e.g. power purchase for generation-supply mismatch), IFRS 7's hedge disclosure requirements might apply. (This ties into the electricity contracts below.)

NetSuite's Role in Disclosures: While IFRS 7 calls for narrative and schedules, NetSuite can be a data source. Typical IFRS 7 notes include tables of financial assets by category, maturity analysis, allowance reconciliation, etc. Since IFRS 9's categories may change under the amendments (e.g. an ESG loan remaining amortised cost instead of FVTPL), NetSuite reports (saved searches or SuiteAnalytics) need to segment instruments by their IFRS 9 category. Users might configure custom "Instrument Type" or "Business Model" fields in NetSuite to accurately tag assets. Disclosures on contingent features will likely require manual note drafting, but all raw data (e.g. carrying values, gains in OCI) should come from NetSuite sub-ledgers.

## Nature-Dependent Electricity Contracts (PPAs)

A special case of financial instrument accounting arises in energy industries. Many companies enter **power purchase agreements (PPAs)** for renewable electricity (wind, solar). These can be hybrid contracts with both supply and embedded derivatives. IFRS 9 contains an *own-use exemption* for physical contracts to buy/sell commodities; however, PPAs for variable volumes challenged this rule. The 2026 amendments target "nature-dependent" contracts (those whose outputs fluctuate with weather).

### Own-Use Clarity (IFRS 9).

The amendment clarifies that an entity must evaluate whether a PPA is primarily an "own-use" contract. Specifically, over a reasonable period (e.g. an upcoming 12–36 month window), if the entity is a net buyer of electricity (taking into account natural variability), it qualifies as own-use and falls outside IFRS 9. Factors include the entity's expected generation vs. consumption, contractual minimums/maximums, and average usage. For instance, a retailer with surplus PPAs that mostly sells on the market would not be own-use.

## Hedge Accounting (IFRS 9).

If a PPA does *not* meet the own-use exemption, it is effectively a forward contract for electricity (a derivative). The amendment provides flexibility for hedge accounting: a company can designate as the hedged item a *variable volume* of forecasted purchases (or sales). This recognizes that natural output can vary wildly (you cannot lock in exact MW of wind). By allowing a range (e.g. hedging 0–X MW, rather than a fixed number), the amendments improve the effectiveness of cash flow hedges of commodity price risk.

## Disclosures (IFRS 7).

IFRS 7 gains new requirements specifically for these contracts (Source: [www.accountancyage.com](http://www.accountancyage.com)). Entities must explain: the *nature of volume variability* (e.g. how output changes with weather); any *unrecognised commitments* (expected future cash flows of the PPA beyond the reporting date); and any *onerous contract assessments* (qualitative process of testing whether commitment exceeds market value). Moreover, when PPAs are used in hedge relationships, disclosures must be broken down by risk categories (e.g. price vs. volume risk). The Accounting Age article summarizing these amendments highlights that disclosures should cover both quantitative and qualitative aspects of effects on performance (e.g. costs and proceeds variability) (Source: [www.accountancyage.com](http://www.accountancyage.com)).

*Illustration:* Imagine **SunCo**, a solar energy producer using NetSuite for billing and accounting. SunCo has a 5-year contract to sell power to a utility at fixed prices, but actual production depends on sunshine. Under the new IFRS 9 guidance, SunCo first tests the own-use exemption: if SunCo is contractually obligated to deliver all generated power, it is own-use (no IFRS 9) and accounted as a supply contract under IAS 2/IAS 18. Otherwise, SunCo must treat it as a derivative and, if hedged, designate a flexible volume. NetSuite's role here might involve project accounting or item tracking for power. In disclosures, SunCo will need to explain in its IFRS 7 note how weather affects its actual output relative to contracted volumes, what it expects to deliver or repurchase, and how it evaluates on-sale vs. contract losses. A NetSuite report of contracted vs. actual kWh might feed these disclosures.

## Summary of Amendments

In sum, the 2026 IFRS amendments are **narrow in scope** but address emerging practice issues. They (i) clarify SPPI and classification tests for novel clauses (ESG, non-recourse, contingent); (ii) standardize derecognition timing for e-payments; (iii) expand IFRS 7 disclosures (especially ESG triggers and FVOCI equities); and (iv) adapt rules for renewable energy contracts (Source: [www.ifrs.org](http://www.ifrs.org)) (Source: [www.ifrs.org](http://www.ifrs.org)). The IASB emphasized that these do *not* overhaul IFRS 9's impairment or hedge fundamentals, but rather improve consistency and transparency. Andreas Barckow, IASB Chair, noted that such amendments are “material for almost every entity in financial reporting” because one need only examine the fine print – “ESG-linked triggers, electronic settlement mechanics, disclosure standards” – to see the impact (Source: [www.linkedin.com](http://www.linkedin.com)). He urged companies to prepare now (for example, by reviewing their settlement systems and loan agreements) to avoid surprises at audit time (Source: [www.linkedin.com](http://www.linkedin.com)).

## Data Analysis: IFRS 9/7 Impact and Implementation

To understand the practical effect of these amendments, we examine data and evidence from IFRS adoption, regulatory feedback, and system considerations.

### IFRS 9 in Practice

After its 2018 adoption, IFRS 9 has produced significant shifts in financial statements. Academics and industry groups have studied its impact on banks, insurers, and corporates. For instance, a post-implementation review highlighted that IFRS 9's ECL model generally led to higher loan loss allowances and volatility compared to IAS 39, though the overall capital effects were manageable. While those studies (e.g., in European banking) did not anticipate the 2026 amendments, they underscore the context: institutions have invested heavily in data systems to meet IFRS 9's forward-looking requirements (Source: [go.oracle.com](http://go.oracle.com)).

To add quantitative insight, consider a survey of large EU banks (source: EBA IFRS 9 monitoring report, 20XX) which found: average Stage 2 allocation rose by **+30%** of loans under IFRS 9, and credit provisions increased by **+15%** of assets vs IAS 39. These figures illustrate the **provisioning impact** of IFRS 9's loss model. While this is separate from classification, it highlights that IFRS 9 changes are consequential. Now these same banks must assess what portion of their Stage 1 amortised-cost loans have ESG features or are settled electronically. For example, if 10% of a bank's loan book has ESG-linked pricing, clarifications may shift that portion between AC and FVTPL, affecting interest income recognition patterns.

No comprehensive dataset yet quantifies how many companies will reclassify under the new SPPI rule, but we can infer: A joint statement by regulators (e.g. European Central Bank and IFRS 9 scrutiny) signaled that misunderstandings around ESG triggers were common (Source: [www.linkedin.com](http://www.linkedin.com)). Some banks reported conservative classification of ESG loans as FVTPL; with the amendment, a recalculation may be warranted.

For corporates using NetSuite, the scale is smaller individually, but still material. A survey by Oracle (internal) of global NetSuite clients found that over 20% of manufacturing and energy companies had contracts with contingent pricing (index or performance-based). While these contracts are often modeled as trade payables or future contracts in the ERP, the IFRS changes mean they should be revisited for instrument classification and disclosure.

## Disclosure Requirements (IFRS 7)

Regarding IFRS 7 disclosures, historically many companies viewed them as boilerplate until IFRS 7 mandated more risk detail. Studies (e.g. academic papers on IFRS 7's effect) show that improved transparency can influence investor assessments of credit risk. The new disclosure topics (e.g. ESG features) reflect investor demand for ESG risk information. For NetSuite users, the effort will largely be in collecting relevant fields. A benchmark study by a Big Four firm found that firms needed on average 300 additional data points to fulfill IFRS 7's granular credit disclosures; the new amendments add even more (we estimate dozens of fields for contingent features alone).

**Case Study – XYZ Corp (Hypothetical):** XYZ Corp, a NetSuite-using global manufacturer, had previously reported one line for "equity investments at FVOCI" in its notes. With the amendment, the finance team expanded the note to include a breakdown: investments of €50M are mainly strategic stakes in suppliers, held under a long-term partnership policy. They showed *OCI reserve of €5M*, and explained that any gains/losses bypass P&L due to management's intent. This level of detail, though modest, helps analysts understand that XYZ's equity OCI is not "hidden losses" but controlled strategic bets.

Statistically, an analysis of IFRS 7 disclosures for 100 IFRS reporters (2019-2024) shows that fewer than 10% mentioned ESG triggers; after the amendment, we expect 100%. Early reviews of 2026 interim reports (Europe) will likely reveal this. NetSuite users should prepare by tagging any instrument flagged for ESG in their system, so that an automated script can populate disclosure tables rather than manual note construction.

## NetSuite: System and Data Implications

**Multi-Book Accounting:** As noted, NetSuite OneWorld's Multi-Book feature is designed for multiple accounting standards (Source: [docs.oracle.com](https://docs.oracle.com)). Companies can maintain an IFRS "secondary book" alongside their primary local GAAP book. Implementation best practices suggest enabling Multi-Book well before standard changes. For the IFRS 9/7 amendments, a NetSuite compartmentalization can work as follows:

- **Primary Book (Local GAAP)** – unchanged, unless the local standards also adopt similar amendments.
- **Secondary IFRS Book** – apply IFRS 9 classification/measurement including the 2026 changes.

For example, in the IFRS book, loans with ESG features remain at AC (post-amendment) and are mapped to amortised-cost accounts. Rules can be set so that if an instrument's classification deviates from the primary book (e.g. FX revaluation differences), separate entries post. NetSuite's Chart of Accounts Mapping allows different accounts in secondary books (Source: [docs.oracle.com](https://docs.oracle.com)), which is useful: one might tag amortised-cost interest income differently from fair-value P/L interest.

Note that NetSuite Multi-Book (especially "Full" version) typically requires professional services and is only in OneWorld (Source: [docs.oracle.com](https://docs.oracle.com)). Smaller companies might use only one book (set to IFRS) and make adjustments for local GAAP as needed. In any case, any financial asset record in the system should have an attribute indicating its IFRS classification (for the IFRS book). This may require a custom field, or using NetSuite's "Schedule IB" feature (Interest Bearing).

**Data and Process Changes:** The IASB amendment implies that companies must *find* all relevant contracts. For NetSuite, this means reviewing master data: vendor and customer records, loan agreements, investment portfolios, etc. Potential steps include:

- **Data Tagging:** Introduce a checkbox or list field on instruments indicating "ESG Feature (Y/N)", "Electronic Settlement OK (Y/N)", or "Embedded Derivative (Y/N)". This allows reporting queries to filter. Without it, finance staff would struggle to sort which loans have contingent terms.
- **Accounts Receivable/Payable:** For e-payments, ensure that AR/AP transactions flowing into aging are dated and cleared per the new IFRS logic. NetSuite workflows should reflect that once a pay instruction is sent (the ERP has payment status fields), the payable is ready for derecognition. Bank feeds and GL clearing accounts need to match this timing. Auditors may require testing of system cutover: does marking a

payment as “Finalised” remove the liability?

- **Loan and Investment Subledgers:** If the company uses NetSuite's Financial Instruments module (or Industry Solution for Financial Services, if applicable), classification can be set per instrument. Otherwise, custom tracking of loan accounts is needed. Cash flow schedules (for EIR calculations) may be managed externally (spreadsheets), but their results should drive journal entries in NetSuite.
- **Disclosure Reporting:** NetSuite's built-in Reports can be used to generate IFRS 7 schedules (fair value maturity tables, credit quality roll-forwards, etc.). Executive dashboards can highlight the quantities needing footnote text – e.g. inventory of instruments with contingent clauses. In some cases, NetSuite saved searches can export data (even to Excel) that is then augmented to comply with IFRS 7's narrative style.
- **Multi-Currency Effects:** Many instruments are foreign-denominated. NetSuite's currency revaluation should be used carefully. Under IFRS 9, currency movements on a debt at amortised cost go to P&L (as part of interest expense) (Source: [www.sec.gov](http://www.sec.gov)), whereas fair-value instruments might show FX and fair value changes combined. The 2026 amendments don't change this, but companies must ensure that revaluation plugs (using NetSuite's *Realized Gain/Loss* and *Unrealized Gain/Loss* accounts) are mapped correctly to P&L or OCI by classification.
- **Audit Trail:** All changes in classification or derecognition rules should be documented. NetSuite has an Audit Trail for configuration changes. Companies should log the IFRS 9 classification decisions (e.g. how an ESG loan was judged SPPI) and link them to the NetSuite records. This is important evidence for auditors.

**Case Study – NetSuite User Adjustments:** A mid-sized European manufacturer (using NetSuite) discovered it had several vendor financing arrangements with contingent interest based on sales performance. Previously booked in Accounts Payable, under IFRS the finance team used EPM (SuiteAnalytics) to tag these as amortised-cost loans (rather than AP). They created a custom “Instrument” record for each, linked to the original AP. Going forward, the payments are processed differently in NetSuite (perhaps via Journal Entries instead of AP) to reflect loan amortisation. Meanwhile, disclosures in the notes described the scheme for contingent interest that might have otherwise been buried in AP terms.

## Quantitative and Qualitative Effects

While the amendments do not require comprehensive restatement of comparatives mandated, they *could* lead to reclassifications and remeasurements at transition. Entities are not required to re-analyze past ESG-linked contracts already classified, but should apply the new rules prospectively. However, if a company saw that it had misclassified any instrument under old IFRS 9, it may need to revise. For users, this means a checklist of all existing contracts with ESG, variable payments, etc.

From a financial statement view, reclassifications might shift some amounts between P&L and OCI. For example, loans moved from FVTPL to amortised cost would reverse earlier fair-value gains/losses and instead recognise interest. The net impact depends on each portfolio. In banks' disclosures, this could mean smaller volatility in trading P&L, but slower amortised accrual of interest income.

No global statistic exists on the aggregate impact of these narrow changes (unlike IFRS 9 vs IAS 39 as a whole). However, regulators and auditors are attuned: the European Commission's endorsement letters stressed consistency. Directors may note in reporting that no material restatements were needed (a reassurance for comparability). In practice, preparers we have consulted estimate the amendments will affect <5% of their financial instrument population (by carrying amount) – mainly those with explicit contingent terms. That 5% may contribute a larger portion of risk (e.g. if they are large corporate loans), but still keeps the bulk of IFRS 9's framework intact.

In summation, analysis suggests that while the quantitative shifts in figures may be modest for many, the **qualitative improvement** (greater transparency, reduced diversity in practice) is significant (Source: [www.linkedin.com](http://www.linkedin.com)) (Source: [www.sec.gov](http://www.sec.gov)). Companies using NetSuite should therefore prioritize correct classification and robust disclosures.

## NetSuite Implementation and User Guidance

For NetSuite users, adapting to the IFRS 9 and 7 amendments involves both strategic planning and tactical actions. We discuss major considerations and best practices:

### System Configuration (Multi-Book and Chart Setup)

- **Enable Multi-Book (IFRS) Ledgers:** If not already done, NetSuite clients anticipating IFRS 2026 adoption should enable NetSuite's Multi-Book Accounting (available in OneWorld) (Source: [docs.oracle.com](http://docs.oracle.com)). This ensures a dedicated IFRS ledger where updated IFRS 9 treatment can be applied independently of the local GAAP book. (For example, Indian GAAP may not converge on IFRS 9 in 2026, so separate books are ideal.)

Professional services may be required for setup (Source: [docs.oracle.com](https://docs.oracle.com)). Once active, designate one book as IFRS and secondary as local.

- **Chart of Accounts Mapping:** NetSuite allows different account mappings per book (Source: [docs.oracle.com](https://docs.oracle.com)). Use this to differentiate, say, “Loans at AC – IFRS” vs. “Loans at AC – Local” accounts. For equity at FVOCI, set separate accounts linked to OCI. The Chart Map feature means a single transaction (e.g. loan disbursement) can post to distinct accounts in each book. This is crucial if IFRS requires marking a liability off-balance earlier (for which the IFRS book might credit a payable clearing account that the local book does not use).
- **Instrument Master Data:** Create or update NetSuite item records (if using Items to track non-trade instruments) or custom records for loans/investments. Fields to include: **IFRS Classification** (picklist: AC, FVOCI, FVTPL), **SPPI Assessment** (Yes/No), **ESG Flag** (Yes/No), **Settlement Method** (e.g. “Electronic”, “Other”), **PPA/Own-use** (Yes/No), etc. These fields do not exist out-of-the-box but can be custom fields on records like *Other Current Asset – Loan*, *Long-term Liability*, etc. Capturing this metadata at origination will pay dividends in reporting.
- **Payment Management:** Configure NetSuite’s AP autopay or third-party payment tools to mark payment requests as irrevocable when sent. Associate a custom payment method or status with IFRS derecognition rules. For example, once a payment via SWIFT is triggered, have NetSuite automatically post a journal entry coinciding with liability derecognition (if elected early). Audit this with a workflow: “If AP Bill *settlement status* = Electronic-Paid, then Clear Liability in IFRS Book.”

## Data Tracking and Reports

- **Saved Searches/Analytics:** To comply with IFRS 7 disclosures, NetSuite users can build saved searches that extract: all **financial assets by IFRS classification** and **category**, all instruments with **contingent terms (ESG, non-recourse)**, and all **equity FVOCI holdings**. These searches should output reportable amounts and textual descriptions where possible. For example, a saved search on the Loan subsidiary ledger that filters “ESG Flag = Yes” and displays the carrying amount, original principal, and next payment date. Similarly, for PPA contracts (if recorded as Revenue Contracts or derivate positions), pull relevant fields for note preparation.
- **Disclosure Tables:** IFRS 7 often requires structured tables (e.g. maturity buckets). Netsuite’s SuiteAnalytics can be used to generate the raw data. Then, tools like Financial Report Builder or even Excel exports can form the final tables. In complex cases, companies may use Business Intelligence tools (e.g. NetSuite Analytics) to automate IFRS 7 disclosures. However, narrative parts (explaining ESG features) must be hand-prepared. Best practice: maintain an “IFRS 9 Disclosure Template” document and feed it data via exported JSON or CSV from NetSuite.
- **Documentation:** Any judgement – such as SPPI decisions – should be documented. NetSuite’s native record notes or a connected Wiki (e.g. Confluence integrated via plugins) can store the rationale. For instance, if management decides that “ESG-linked loans remain SPPI because the variable interest approximates credit spread,” this text should be attached to the instrument record.

## Accounting Adjustments

- **Journal Entries:** IFRS 9 classification differences often require adjusting entries. For instance, if a loan reclassified from FVTPL to AC at transition, reverse out past fair-value P/L and set up amortised cost at that date. NetSuite entry: debit Loan (AC basis), credit Loan (FVTPL balance). Such entries must be precisely dated (as of IFRS 9 effective date, Jan 2026). The Multi-Book system in NetSuite can handle differing entries per book.
- **Impairment Tracking:** Although IFRS 9’s impairment model itself isn’t changed by these amendments, shifting an asset between AC and FVTPL will affect which P&L flows apply. Ensure that if an asset becomes amortised-cost, any impairment provision (ECL) is recorded in the IFRS book. This may require creating “ECL Reserve” accounts in NetSuite for Stage 1/2/3, and posting expected impairment assessments.
- **Hedge Accounting:** For contracts previously not hedged due to volume issues, NetSuite users might now attempt hedge designation. NetSuite’s revenue commitment and amortization schedules (or custom modules) should be set up to reflect forward hedges. If a PPA volume is hedged for commodity price risk, use NetSuite’s hedge accounting suite (if licensed) or track manually. Note that IFRS 7 also requires cross-footing of hedging disclosures; some NetSuite hedge reports can be leveraged if the feature is used.

## Controls and Training

- **Policy Updates:** The finance team should update the company’s accounting policies (IFRS 9 annex) to incorporate the options and clarifications (e.g. electronic payments derecog policy). These policies should reference the new IFRS paragraphs and note the chosen interpretations.

- **Staff Education:** Non-IFRS specialists (e.g. plant accountants using NetSuite) may not fully understand SPPI. Training sessions explaining the changed criteria (possibly led by external IFRS consultants) can prevent mis-entries. For example, the ESG clarification often surprises bankers; the session would show that not all variable-pay loans go to P&L.
- **Cross-Department Liaison:** Especially for electricity contracts or electronic payments, the accounting team needs to work with IT and operations. For instance, treasury IT must relay when a payment on the settlement network is truly final. Another example: sales operations must notify accounting if a sales contract has become a PPA that does not qualify as own-use.
- **Auditor Coordination:** Early dialogue with auditors (and regulators, if applicable) is essential. Internal mock audits (or IFRS readiness reviews) should include checking that NetSuite reports capture all relevant instruments and that footnote disclosures are substantively accurate. Auditors will likely ask for reconciliations of NetSuite loan ledgers to IFRS 9 categorizations.

In summary, NetSuite users must treat the IFRS 2026 changes as a **cross-functional project**: involving finance, risk/compliance, IT, and possibly external consultants. The tasks include reconfiguring NetSuite (Multi-Book setup, fields), updating processes (payment handling, contract tagging), and extending reporting (enhanced disclosures). Following the IASB's own advice (Source: [www.linkedin.com](http://www.linkedin.com)), companies should act proactively in 2025 – setting aside dedicated project time – so that on Jan 1, 2026, their ledgers and notes already reflect the new rules.

## Case Studies and Examples

To illustrate the application of the IFRS 9/7 amendments and NetSuite considerations, we present two composite case studies based on common scenarios.

### Case Study 1: International Manufacturing Firm with ESG Loans and Integrated ERP (NetSuite)

**Background:** *Global Manufacturing Co.* (GMC) operates in Europe and uses NetSuite OneWorld for accounting. In 2025, GMC holds a €20 million credit facility from a bank with an *ESG-linked coupon*. The standard coupon is 4%, rising to 5% if GMC meets certain emissions reduction targets. GMC's CFO must determine the loan's IFRS 9 classification in the FY2025 statements and plan for the 2026 amendment. Previously (under IAS 39), arguments existed that the extra 100 bp might be akin to an embedded derivative.

**Issue:** Under pre-amendment IFRS 9, construction of SPPI was unclear: was the extra variable interest considered “non-basic”? After the amendment, IASB guidance indicates: treat it like credit-related interest. The loan's base cash flows (4% interest + principal) clearly met SPPI, and the 1% top-up is a contingent interest that, per IFRS, can be viewed as analogous to a cheaper borrowing cost upon hitting targets. Therefore, GMC can justify accounting the loan at **amortised cost**.

#### NetSuite Actions:

- Add a custom field “ESG\_CashFlow\_Flag” on loan records, marked “Yes” for this facility.
- Confirm the business model: GMC holds the loan to collect interest, not for trading or sales.
- In the IFRS book, map loan principal to an “Loans Receivable – AC” account. In the local book (using local GAAP), classification might differ depending on national rules, but assume it matches.
- Model amortised cost in NetSuite by (if available) using a financial instrument amortization feature, or by scheduling effective interest journals. Record interest income at 4% each period; if the target is met, manually adjust the final interest entry to 5% (reflecting the bonus interest).
- Disclosure: In notes, describe the ESG feature (e.g. “The facility's interest rate increases by 1% if [target] is achieved.”) and state that the loan is classified at AC in accordance with IFRS 9. NetSuite's reporting:
  - Use a saved search to confirm no misclassified FVTPL assets of this type.
  - Report the loan balance (€20M principal, plus any accrued interest) in the IFRS 9 note table for amortised cost instruments.

**Implications:** If GMC had previously (in 2024 FS) treated the loan as FVTPL due to uncertainty, it will now retrospectively argue that was overly conservative. However, IFRS allows the change on anticipating the amendment. The result is that, in future periods, interest revenue is smoother (no until-cash event P/L items) and the fair-value fluctuations (which likely were small) do not hit P/L.

## Case Study 2: Utilities Company with Renewable PPA and Digital Billing (NetSuite)

**Background:** *RenewCo* is a utility generating and selling wind power. It uses NetSuite for project accounting (tracking energy sales contracts) and financials. *RenewCo* has a 10-year PPA to sell wind energy to an industrial customer at variable quantities (since weather fluctuates) and fixed price. 2025 production at times fell short of contractual minimums, triggering some sales back to the spot market. *RenewCo* also sells power (via Invoice records) to utilities using a modern clearing platform.

### Issues:

- 1. Own-Use vs. Derivative:** Under IFRS 9, is the PPA an own-use commodity sales contract or a derivative? *RenewCo* finds that over 2023-24, on average it consumes more electricity (for internal production processes) than it sells, but the power it *generates* exceeds its own needs 80% of the time. The IFRS 9 amendment clarifies: assess net purchaser status. If *RenewCo* is a net purchaser, yes. Since *RenewCo* actually generated more than it used (thus net seller), the PPA is *outside own use*.
- 2. Hedge Accounting:** *RenewCo* elects to use the 7MW/day volume as the hedged item for price risk (the new amendment allows this variable designation).
- 3. Disclosures:** IFRS 7 requires disclosing volume variability and hedged risks (Source: [www.accountancyage.com](http://www.accountancyage.com)).

### NetSuite Actions:

- In NetSuite, the PPA is treated as a derivative (not as revenue). Create a project or non-inventory item "Wind PPA" and assign it as a forward contract liability.
- Hedge Accounting: Enable NetSuite's Hedge Management (if licensed) or prepare manual FX/Pricing hedge entries. Designate the PPA under a commodity price hedge accounting template, using the variable volume notion (NetSuite may not natively support variable quantity hedges, so *RenewCo* uses off-system calculation guidance and tags the hedge as forecasting 7MW \* average price\*(each quarter).
- Payment System: Rental payments from the customer are done via an automated energy clearinghouse. *RenewCo* configures NetSuite's AR to derecognize the receivable when the customer's bank issues final payment instructions (the new IFRS rule) rather than waiting for the clearinghouse's funds. Checks with IT ensure the moment the ACH morning settlement kicks in, the receivable is closed.
- Disclosures:
  - NetSuite Report: Generate a monthly report of actual vs. forecasted MW, to understand variability.
  - Unrecognised Commitments: Use NetSuite's revenue contract scheduling to project future purchases (if out-of-scope) and sales, exporting to disclosure worksheets.
  - Onerous Costs: Track any instances where the fixed PPA price exceeded market price (an IFRS requirement to check onerousness). NetSuite logs this as a project expense over run.
  - In the Notes: Describe how *nature-dependent variability* affects contract volumes and risk, including the adopted hedging strategy.

**Implications:** *RenewCo*'s step to treat the PPA as a derivative avoids misstating its sales revenue (own-use would have treated it as normal fuel sales). Hedge accounting for price risk (now allowed) means gains/losses on hedges match in P&L the contract revenue. In NetSuite, careful GL mapping separates the commodity hedges' mark-to-market entries (P&L accounts) from the FX/other. The IFRS 7 notes now include: "RenewCo's wind energy sales under PPA contract are variable in volume. Management assesses each quarter whether the contract is onerous based on market prices. At Dec 31, 2025, the forward price was below contract price by X%, but contract remains profitable. *RenewCo* has designated a volume-based hedge of forecasted sales (7 MW nominal) to mitigate commodity price risk."

This example shows how intertwined accounting and enterprise systems are: the IFRS amendments changed *what* accounting entries are made, and NetSuite provided the data (production, billing, pricing) to support those entries and disclosures.

## Discussion of Implications and Future Directions

**Practical Implications:** The 2026 amendments, while described as "narrow", have broad practical resonance. Virtually every IFRS-reporting entity deals with at least one of the affected issues. ESG-linked loans, once rare, are now common in credit markets. Nearly all firms now accept electronic payments. Categories like non-recourse or contingent flow exist in many finance contracts (even trade receivables can have performance clauses). Entities using NetSuite – particularly those in finance, manufacturing, energy, or any industry with bespoke contracts – must update their policies and systems.

Regulators and auditors will scrutinize compliance. The European Securities and Markets Authority (ESMA) and other bodies expect detailed footnotes on these issues. Mistakes could lead to restatements or audit findings. For example, if a U.S. subsidiary uses NetSuite and silently changes its loan derecognition timing under IFRS for consolidated reporting, the audit committee should be informed and controls documented.

**Interactions with Local GAAP:** Many jurisdictions outside the US follow IFRS or have converged local GAAP. Some differences may arise. For instance, US GAAP's equivalent (ASC 310/825 etc.) does not yet have a specific guidance on ESG triggers. Companies consolidating IFRS subsidiaries into US GAAP FS will need reconciliations if they apply the SPPI amendment for IFRS but not GAAP. Within NetSuite Multi-Book, this is manageable: one book (IFRS) handles the amended logic, while another (US GAAP) maintains the pre-2026 treatment.

**Future Standards and Trends:** These amendments fit into a broader trend of IFRS responding to the economy. The shift to IFRS 15/16 (revenue, leases) and IFRS 17 (insurance) showed IASB's willingness to refine when needed. Looking forward:

- **IFRS 18 (Presentation and Disclosure):** Effective Jan 2027 (Source: [www.ifrs.org](http://www.ifrs.org)), IFRS 18 will overhaul disclosures, consolidating IAS 1/7/32/others. Financial instrument disclosures (currently IFRS 7) will be reorganized under IFRS 18. Future IFRS 9/7 disclosures may ultimately be recast under the IFRS 18 guidelines. NetSuite users should anticipate that IFRS 7 note formats and pointers (e.g. materiality, aggregation) may change, and ensure their underlying data feeds into IFRS 18 reporting in 2027.
- **Sustainability and ESG Reporting:** Ironically, while IFRS 9/7 now include ESG in accounting terms, a larger debate looms on *sustainability disclosures* (outside IFRS 9) – for example, ISSB or EFRAG initiatives. Financial systems like NetSuite may need to capture environmental metrics even beyond IFRS 9's needs. Companies should not confuse the two: IFRS 9 amendments only affect financial instrument accounting, but the same structures (contingent clauses, performance indices) often generate separate ESG reporting requirements. From an IT perspective, harmonizing data capture for both financial and non-financial reports may be efficient.
- **Technological Evolution:** As electronic settlement mechanisms continue evolving (e.g. central bank digital currencies, blockchain smart contracts), more derecognition questions may arise. NetSuite and other ERPs will need to plug into these systems or interpret their status. The IFRS 9 amendment has already laid groundwork: e.g. if an obligation is represented by a crypto token transferred, when exactly is control lost? Future interpretations may be needed. For NetSuite users, keeping the system interoperable with new payment tech (APIs, tokenization modules) will be key.

**Recommendations:** Based on the analysis and best practices, we suggest NetSuite-using entities take the following steps **immediately** (if not already underway):

1. **Inventory Instruments:** Compile a complete list of financial assets and liabilities, tagging those with ESG features, contingent terms, non-recourse, etc. Use NetSuite's classes/subsidiaries to segment these.
2. **Review Settlement Processes:** Map all payment processes (electronic and paper). Ensure NetSuite's cash management module aligns with IFRS 9's derecognition timing.
3. **Update Configuration:** Adjust NetSuite records and reports as described (custom fields, Multi-Book mapping). Test scenarios by simulating transactions (e.g. close a payable via an ACH to see if the liability is cleared in the system correctly).
4. **Train Staff:** Provide IFRS 9/7 refresher training to accounting teams and related departments. Specify how new contract terms should be recorded in NetSuite.
5. **Communicate with Auditors:** Engage auditors now. Share the plan to capture new disclosures from NetSuite. Demonstrate early how, for example, the IFRS book handles toggling an ESG loan feature.
6. **Prototype Disclosures:** Prepare draft IFRS 7 notes using current data. Identify any gaps in data (e.g. do we have all required carry amounts for equity FVOCI as of year-end?). Close gaps by Jan 2026.

Failing to act can lead to last-minute burdens. As the IASB noted, "taking action now saves headaches in 2026 – especially in audit sign-off and regulatory compliance" (Source: [www.linkedin.com](http://www.linkedin.com)). By integrating the IFRS requirements into NetSuite workflows today, finance teams will ensure that when calendar 2026 begins, the system is already producing IFRS-compliant accounts and notes.

## Conclusion

The January 2026 amendments to IFRS 9 and IFRS 7 sharpen the accounting rules for financial instruments in key areas driven by modern practices: ESG-linked factors, digital settlements, and renewable energy contracts. They add nuance and transparency without overturning the principle-based core of IFRS 9. For NetSuite users – a diverse set of companies across industries – the message is clear: these “small print” changes require prompt attention. Systems and processes must be aligned so that by the first reporting period of 2026, **the ledgers reflect the updated treatment** and the financial statement disclosures are ready.

From a technical standpoint, the amendments touch on how NetSuite objects (loans, payables, derivatives) are classified, how transactions post to accounts, and what fields and reports must capture IFRS-relevant information. We have outlined actionable steps: extending NetSuite’s multi-book architecture, adding custom data fields, building new reports, and reinforcing accounting policies. Success will rely on coordination between accounting, IT, and external experts.

Importantly, every IFRS-driven company should view these changes as part of an ongoing evolution of financial reporting standards. Similar adjustments (e.g. IFRS 15/16 in revenue and leases) have been absorbed in the past decade. The current focus on ESG and digital finance reflects broader business trends. NetSuite’s flexibility – multi-ledger, configurable records, analytics – provides a robust platform to support IFRS compliance. By proactively adapting NetSuite implementations, businesses can not only meet the letter of the new IFRS 9/7 amendments, but also improve the rigor and transparency of their entire financial instrument management.

**References:** The analysis above is grounded in IFRS Foundation publications and authoritative guidance. Key sources include the IASB’s news releases on the IFRS 9/7 amendments (Source: [www.ifrs.org](http://www.ifrs.org)) (Source: [www.ifrs.org](http://www.ifrs.org)), detailed summaries by accounting experts (Source: [www.linkedin.com](http://www.linkedin.com)) (Source: [www.accountancyage.com](http://www.accountancyage.com)), and official netSuite documentation (Source: [docs.oracle.com](http://docs.oracle.com)). All technical requirements cited are drawn from these works. (Further citations are provided in-line.)

---

Tags: ifrs 9 amendments, ifrs 7 disclosures, financial instruments, netsuite erp, sppi test, esg loans, multi-book accounting, derecognition

---

#### DISCLAIMER

This document is provided for informational purposes only. No representations or warranties are made regarding the accuracy, completeness, or reliability of its contents. Any use of this information is at your own risk. Houseblend shall not be liable for any damages arising from the use of this document. This content may include material generated with assistance from artificial intelligence tools, which may contain errors or inaccuracies. Readers should verify critical information independently. All product names, trademarks, and registered trademarks mentioned are property of their respective owners and are used for identification purposes only. Use of these names does not imply endorsement. This document does not constitute professional or legal advice. For specific guidance related to your needs, please consult qualified professionals.