Overview

- New requirements
- Recently published and forthcoming documents
- Research projects
- Standard-setting projects
- Post-implementation reviews
- Maintenance projects
- Third Agenda Consultation
- Connectivity between the IASB and the ISSB
- Digital financial reporting
New requirements
What is required when?

1 January 2023

- IFRS 17 *Insurance Contracts*
- *Definition of Accounting Estimates*
- *Disclosure of Accounting Policies*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12)

1 January 2024

- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Non-current Liabilities with Covenants* (Amendments to IAS 1)
- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
Recently published and forthcoming documents
Recently published documents

- Lease Liability in a Sale and Leaseback
  - Amendment to IFRS 16 Leases

- Non-current Liabilities with Covenants
  - Amendment to IAS 1 Presentation of Financial Statements

- Third Agenda Consultation
  - Feedback Statement

- PIR of IFRS 9—Classification and Measurement
  - Feedback Statement

- International Tax Reform—Pillar Two Model Rules
  - Exposure Draft Proposed Amendments to IAS 12 Income Taxes
    - Comments due by 10 March 2023

- Review of the IFRS for SMEs Accounting Standard
  - Exposure Draft Third edition of the IFRS for SMEs Accounting Standard
    - Comments due by 7 March 2023
Forthcoming documents

- Request for Information on PIR of IFRS 9—Impairment
- Request for Information on PIR of IFRS 15
- Exposure Draft proposing narrow-scope amendments to IFRS 9 and IFRS 7
- Project Summary for the Targeted Standards-level Review of Disclosures
Research projects
Overview: research projects

1. Equity Method
2. Extractive Activities
3. Business Combinations under Common Control
Standard-setting projects
Overview: standard-setting projects

- Publish Exposure Draft
- Discuss feedback on Exposure Draft
- Decide project direction
- Financial Instruments with Characteristics of Equity
- Review of the IFRS for SMEs Accounting Standard
- Management Commentary
- Targeted Standards-level Review of Disclosures
- Subsidiaries without Public Accountability: Disclosures
- Dynamic Risk Management
  - Business Combinations—Disclosures, Goodwill and Impairment
  - Primary Financial Statements
  - Rate-regulated Activities
  - IFRS Accounting Standard
  - Amendments to the Standard
  - Other (eg Project Summary)
Primary Financial Statements Project Overview

Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

Main proposals

1. Require additional defined subtotals in statement of profit or loss
2. Require disclosures about management performance measures
3. Strengthen requirements for disaggregating information
## Targeted outreach on Primary Financial Statements

<table>
<thead>
<tr>
<th>Overall comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Most supported the direction of the redeliberations and would like to see the project completed as soon as possible</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subtotals and categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Most agreed with the revised approach for classifying income and expenses in the financing category but requested additional guidance</td>
</tr>
<tr>
<td>• Some disagreed with classifying income and expenses from associates and joint ventures accounted for using the equity method in the investing category</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Management performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Many supported the rebuttable presumption but requested additional guidance</td>
</tr>
<tr>
<td>• Many supported the simplified tax calculation for reconciling items but some challenged the usefulness or expressed concerns about the cost of the information</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disaggregation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Most agreed with the revised proposal to disclose the amounts of depreciation, amortisation and employee benefits included in each line item</td>
</tr>
<tr>
<td>• Some supported including impairments and write-downs of inventory</td>
</tr>
</tbody>
</table>
Revised definition of MPMs

Subtotals of income and expenses not specified by IFRS Accounting Standards that:

| Are used in public communications outside financial statements (excluding oral communications, transcripts and social media posts) | Communicate management’s view of an aspect of an entity’s financial performance |

Rebuttable presumption that a subtotal used in public communications represents management’s view of an aspect of an entity’s financial performance—rebutted with reasonable and supportable evidence

The rebuttable presumption is intended to:
- reduce the subjectivity involved in identifying the subtotals that represent management’s view; and
- avoid requiring entities to include as management performance measures, subtotals of income and expenses that do not represent management’s view of an aspect of the entity’s performance
Other changes to MPM disclosures from ED

| Reconciliation | Application guidance clarifying that disclosures would refer to the individual reconciling items where doing so would be necessary for a user to understand why an MPM communicates management’s view of performance  
|                | Requirement for an entity to disclose, for each reconciling item, the amount(s) related to each line item(s) in the statement(s) of financial performance. |
| Clear and understandable description | Application guidance added that a clear and understandable description:  
|                | Explains the basis for determining the income and expenses the measure includes or excludes;  
|                | Includes definitions for terms not defined in IFRS Standards needed to understand the aspect of performance being communicated; and  
|                | Discloses whether and how an MPM has been calculated using accounting policies that differ from those selected when applying IFRS Standards. |
| Faithful representation | Clarified requirement applies as a general requirement. Removed specific requirement to avoid confusion. |
Business Combinations—Disclosures, Goodwill and Impairment

Objective

• Improve information companies provide about their acquisitions at a reasonable cost

Current focus

• A package of disclosure requirements about business combinations (decision on some key aspects made in September 2022)

• Changes to the impairment test of cash-generating units containing goodwill in IAS 36 Impairment of Assets

Next milestone

• Publish Exposure Draft
Disclosures about business combinations

- The IASB’s preliminary view was to add disclosure requirements to IFRS Accounting Standards to improve the information entities disclose about business combinations.
- Users said the information is needed but preparers had concerns about disclosing this information.
- In September 2022 the IASB amended its preliminary views to respond to the feedback.

The table below highlights the information that would be required and how it was amended by the IASB in September 2022.

<table>
<thead>
<tr>
<th>Item of Information (as specified by the preliminary view)</th>
<th>Continue with this preliminary view?</th>
<th>Require information for only a subset?</th>
<th>Exempt entities from disclosing information about?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure objectives</td>
<td>✓</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Subsequent performance information:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Strategic rationale</td>
<td>✓</td>
<td>×</td>
<td>×</td>
</tr>
<tr>
<td>• Objective</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>• Metric</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>• Target</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>• Actual performance in subsequent years</td>
<td>✓</td>
<td>✓</td>
<td>×</td>
</tr>
<tr>
<td>Quantitative information about expected synergies in year of acquisition</td>
<td>✓</td>
<td>×</td>
<td>✓</td>
</tr>
</tbody>
</table>
Management Commentary

Objective
- Overhaul IFRS Practice Statement 1—building on innovations in narrative reporting and focusing on capital market needs

Evolving landscape
- Feedback on ED indicated support for the project, in particular from investors
- Calls to work together with the ISSB—possible joint project to be considered in ISSB Agenda Consultation
- Commitment to explore similarities and differences with Integrated Reporting Framework

Next milestone
- Consider project direction
Post-implementation reviews
Post-implementation reviews

Recently completed

- PIR of IFRS 9—Classification and Measurement
- PIR of IFRS 9—Impairment

Ongoing

- PIR of IFRS 15 *Revenue from Contracts with Customers*
- PIR of IFRS 16 *Leases*

Forthcoming

- PIR of IFRS 9—Hedge Accounting
Maintenance projects
Overview: maintenance projects

- Provisions—Targeted Improvements
- Amendments to the Classification and Measurement of Financial Instruments
- International Tax Reform—Pillar Two Model Rules
- Lack of Exchangeability
- Supplier Finance Arrangements
Amendments to the Classification and Measurement of Financial Instruments

Objective

- Narrow-scope amendments in response to the Post-implementation Review of IFRS 9 Classification and Measurement

Areas of focus

- Contractual cash flow characteristics of financial assets
- Derecognition of financial liabilities settled through electronic cash transfers
- Disclosure requirements for equity instruments for which fair value changes are presented in OCI

Next milestone

- Publish Exposure Draft
International Tax Reform—Pillar Two Model Rules

Objective

• Respond to stakeholders’ concerns about the potential implications of the imminent implementation of the OECD’s Pillar Two model rules for income tax accounting

Proposals

• Introduce a temporary exception to the accounting for deferred taxes arising from the implementation of the rules
• Require targeted disclosures for affected companies

Next milestone

• Feedback on Exposure Draft
Strategy and Governance projects

Third Agenda Consultation
Objective and key dates

To seek views on:

1. the strategic direction and balance of the IASB’s activities
2. the criteria for assessing the priority of financial reporting issues that could be added to the IASB’s work plan
3. new financial reporting issues that could be given priority in the IASB’s work plan

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2021</td>
<td>Publication of the Request for Information (RFI)</td>
</tr>
<tr>
<td>September 2021</td>
<td>End of comment period</td>
</tr>
<tr>
<td>November 2021 – April 2022</td>
<td>IASB’s deliberations and decisions</td>
</tr>
<tr>
<td>July 2022</td>
<td>Publication of the Feedback Statement</td>
</tr>
<tr>
<td>2022–2026</td>
<td>IASB execution of activities and work plan</td>
</tr>
</tbody>
</table>
Financial reporting issues that could be added to the IASB’s work plan—feedback

- Respondents commented on or suggested approximately 70 potential projects—more than possible to undertake, given stakeholders’ and the IASB’s capacity.
- The IASB should not add too many new projects to the work plan as it will need capacity to deal with emerging issues and interaction with the ISSB.
- Some projects are related and could be worked on at the same time.
- The IASB should work on climate-related risks in the financial statements and pollutant pricing mechanisms (PPM) together with the ISSB.

Some of the most commonly suggested projects (in alphabetical order)

- Cryptocurrencies and Related Transactions
- Climate-related Risks in the Financial Statements (incl. PPM)
- Going Concern Disclosures
- Intangible Assets
- Operating Segments (highly rated among users)
- Statement of Cash Flows and Related Matters
The IASB’s response—new projects

- **Research project pipeline**
  - **Intangible Assets**—this project will aim to review IAS 38 *Intangible Assets* comprehensively.
  - **Statement of Cash Flows and Related Matters**—as part of the research phase of such a project, the IASB will consider whether the project should aim to review IAS 7 *Statement of Cash Flows* comprehensively or make more targeted improvements.

- **Maintenance project pipeline**
  - **Climate-related Risks in the Financial Statements**—this project will consider whether and, if so, what narrow-scope actions might be needed in relation to accounting for climate-related risks in the financial statements.

- **Reserve list**
  - **Operating Segments**
  - **Pollutant Pricing Mechanisms**
Many investors rated this project as high priority. Stakeholders’ concerns relate to all aspects of IAS 38 *Intangible Assets*: scope; recognition; measurement; disclosures; and difference in accounting between acquired and internally generated intangible assets.

The IASB will undertake a comprehensive review of IAS 38 which may be done in stages.

The IASB will need to consider interactions between this project and the work of the ISSB.

Most investors considered this project to be the highest priority of all potential projects. Stakeholders’ concerns relate to both presentation issues and other issues (such as improved disclosures about non-cash financing).

Views on the scope of the project were mixed. Some stakeholders suggested a comprehensive review of IAS 7 *Statement of Cash Flows*. Others suggested a more targeted approach. The IASB will decide on the scope during the research phase of the project.

This project will have interactions with some other projects (for example, the work on Supplier Finance Arrangements).
Stakeholders raised concerns about:

- inconsistent application of IFRS Accounting Standards to climate-related risks; and
- insufficient information disclosed about climate-related risks in the financial statements.

This project will:

- research the causes of stakeholders’ concerns;
- research whether the educational material on the Effects of climate-related matters on financial statements and application of the ISSB’s future IFRS Sustainability Disclosure Standard on climate-related disclosures help to address these concerns; and
- consider if any narrow-scope actions might be needed.

The IASB will need to consider interactions between this project and the work of the ISSB.
Connectivity between the IASB and the ISSB
Feedback from consultations

Demand for connectivity between the boards

Stakeholders expressed…

- strong support for IFRS Foundation’s creation of ISSB in part because of opportunity for connectivity between the IASB and ISSB
- but also sought prioritisation and progress of each board’s stand-alone projects
Why is connectivity between the IASB and ISSB important?

Connectivity in PROCESS:
- Information sharing
- Joint IASB-ISSB meetings

Connectivity in PRODUCT:
- Shared concepts (eg materiality)
- Complementary requirements (eg intangibles)

Better general purpose financial reporting
Better information for better decisions
What is general purpose financial reporting?
IFRS Standards within the broader reporting landscape

- General-purpose financial reporting (investor focused)
- Sustainability-related financial disclosures
- Financial statements
- Other corporate reporting (multi-stakeholder focus)
- Jurisdictional initiatives
- Management Commentary / Integrated Reporting
- GRI
Digital financial reporting
Why digital financial reporting is important

Provides opportunities to improve capital market efficiency and reduce cost of capital

- By digitalising financial reports, information becomes machine-readable, allowing investors to extract, compare and analyse information efficiently

Investors are increasingly consuming information through digital means to make investment decisions

- Over 90% of global market capitalisation now require some form of digital financial reporting (eg. US, EU, China, UK, India, Japan)

However, there are currently challenges that undermine the full benefits of digital reporting

- Fragmented adoption of the IFRS Accounting Taxonomy
- Data quality issues and fragmented assurance requirements
- Fragmented accessibility of information digitally
Digital financial reporting vision

Decision-useful, high-quality, globally comparable and accessible digital financial reports

How we get there

- Global adoption of IFRS Standards
- Assurance requirements and enforcer reviews
- Global adoption of IFRS Digital Taxonomies
- Accessibility, including platforms to access digital reports

Connectivity between IFRS Accounting Standards, IFRS Sustainability Disclosure Standards, IFRS Accounting Taxonomy, and IFRS Sustainability Disclosure Taxonomy.
# The IASB’s digital financial reporting strategy

**Vision**

- Decision-useful, high-quality, globally comparable and accessible digital financial reports

**Strategic objective**

- Facilitate the digital consumption of general purpose financial reports

## Strategic components

<table>
<thead>
<tr>
<th>IFRS Accounting Standards</th>
<th>IFRS Accounting Taxonomy</th>
<th>Digital ecosystem partners</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Examples of activities that the IASB will undertake</strong></td>
<td><strong>Examples of activities that the IASB will undertake</strong></td>
<td><strong>Examples of activities that the IASB will undertake</strong></td>
</tr>
<tr>
<td>Consideration of digital representation when drafting IFRS Accounting Standards</td>
<td>Update Taxonomy for • changes to IFRS Accounting Standards • common practice</td>
<td>Engage with digital ecosystem stakeholders to gain momentum towards the digital vision and to identify challenges or roadblocks</td>
</tr>
<tr>
<td>Research how users’ needs are changing in light of increased digital consumption and explore implications on IFRS Accounting Standards</td>
<td>Explore Taxonomy enhancements to • represent relationships/context digitally • improve navigability • enhance data validation</td>
<td>Update regulator guide</td>
</tr>
<tr>
<td>Horizon scan for technological disrupters that affect the need for taxonomies</td>
<td></td>
<td>Encourage public statements of support from international policy-makers</td>
</tr>
</tbody>
</table>
Supporting consistent application of IFRS Accounting Standards
Why we support consistent application

**We...**
help stakeholders obtain a common understanding of the requirements—ie what they are aiming for

**In order to...**
support **consistent application** of IFRS Accounting Standards

**Because it...**
protects IFRS Accounting Standards as a single set of **global Standards** for the benefit of users of financial statements

What’s the challenge?

- **Helpful**
- **Responsive**

- Not undermine principle-based nature
- Not unduly disrupt practice
How we support consistent application

<table>
<thead>
<tr>
<th></th>
<th>Interpretations Committee</th>
<th>Agenda decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IASB</td>
<td>Narrow-scope or minor amendments to IFRS Accounting Standards</td>
</tr>
<tr>
<td>2</td>
<td>Staff and individual IASB members</td>
<td>Educational materials</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Working with other organisations (eg regulators and NSS)</td>
</tr>
</tbody>
</table>
Our role versus the role of others

Prepare financial statements applying IFRS Accounting Standards

Audit compliance with IFRS Accounting Standards

Enforce application of IFRS Accounting Standards

Create better market discipline

Consultation and engagement throughout the financial reporting process
Work of the IFRS Interpretations Committee
The Interpretations Committee’s process

Committee receives a question

Is the matter widespread/expected to have a material effect?
Yes

Is it necessary to change IFRS Accounting Standards?
Yes

Can the matter be resolved efficiently and is it sufficiently narrow in scope?
Yes

Narrow scope standard-setting (ie narrow scope amendment or Interpretation)

Discussed and approved by IASB

Agenda decision
Reports decision and often includes explanatory material*

* The publication of an agenda decision is subject to IASB not objecting to its publication
# Sample of agenda decisions

<table>
<thead>
<tr>
<th>Supply Chain Financing Arrangements—Reverse Factoring</th>
<th>Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38)</th>
<th>Costs Necessary to Sell Inventories (IAS 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7)</td>
<td>Principal versus Agent: Software Reseller (IFRS 15)</td>
<td>Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)</td>
</tr>
<tr>
<td>Negative Low Emission Vehicle Credits (IAS 37)</td>
<td>Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition</td>
<td>Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17)</td>
</tr>
</tbody>
</table>
IFRS Accounting Taxonomy facilitates communication between preparers and users.

It consists of ‘elements’ used by preparers to mark-up the information in IFRS financial statements.

It makes IFRS disclosures more accessible to users of electronic information.

IFRS Accounting Taxonomy reflects the presentation and disclosure requirements of IFRS Accounting Standards and related common reporting practice in a timely and accurate manner.
IFRS Accounting Taxonomy: focus areas in 2023

New and amended IFRS Accounting Standards
- keeping the taxonomy in line with the issued standards
- looking ahead to significant changes (e.g. Primary Financial Statements)

Content improvements
- enabling high-quality tagging for financial instruments and the financial sector
- analysing reporting practice of IFRS electronic filers

Implementation support
- supporting regulators adopting the IFRS Accounting Taxonomy, including translations
- updating supporting materials
New / amended IFRS Accounting Standards

Common Practice / General Improvements

Final IFRS Taxonomy Update
Annual IFRS Accounting Taxonomy

 général improvements
Amendments to IFRS 16 and IAS 1

Financial Instruments
Amendments to IAS 7, IAS 12 and IAS 21

Primary Financial Statements