

# IASB Technical Update

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8 February 2022

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# Overview

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Introduction and update on current work plan

Strategy and governance – ISSB

Strategy and governance – Third Agenda Consultation

Highlighting a few major projects

Highlighting a few narrow(er) scope projects

New requirements

Other items and resources

# IFRS Foundation participants

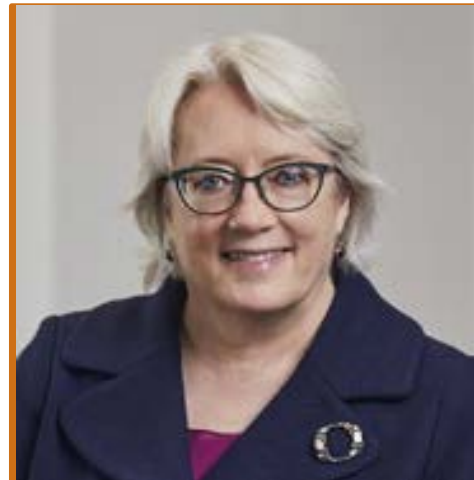
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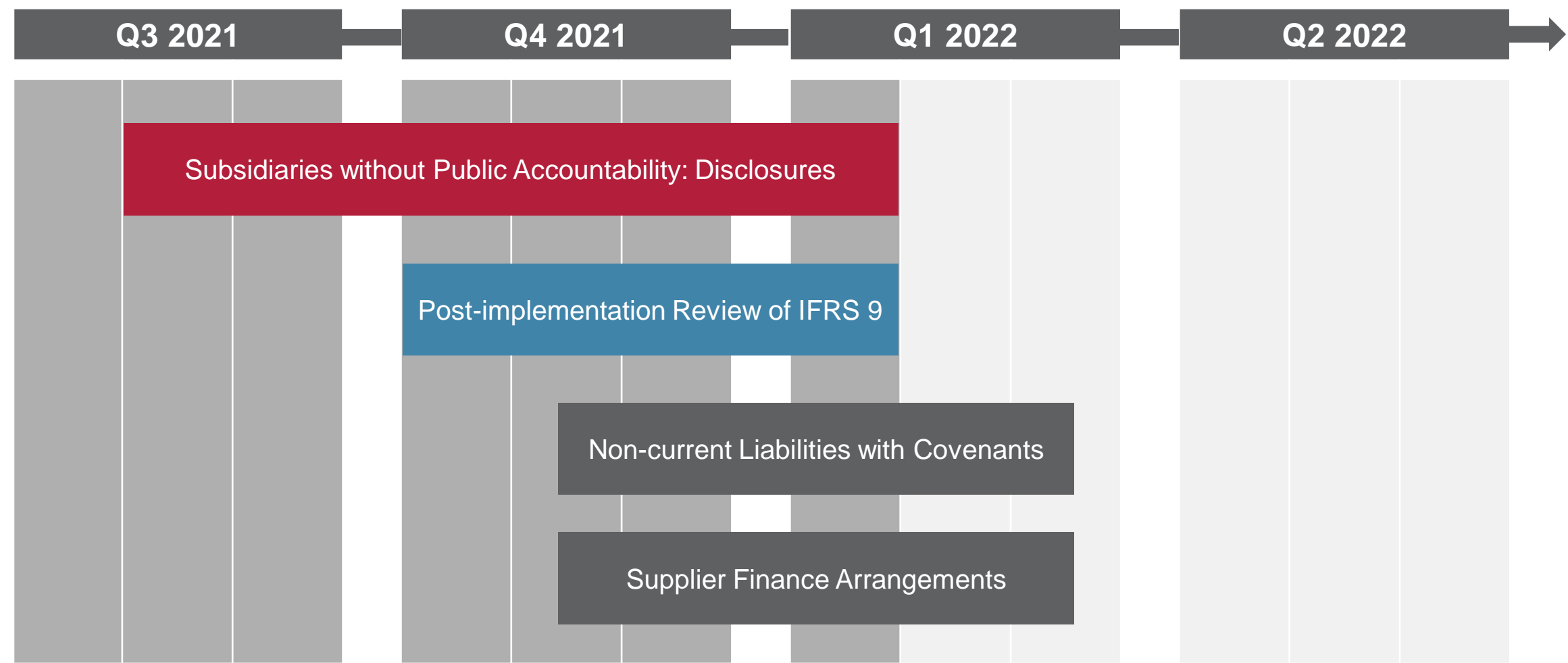
# Update on current workplan

# New IFRS accounting standards requirements: What is required when?

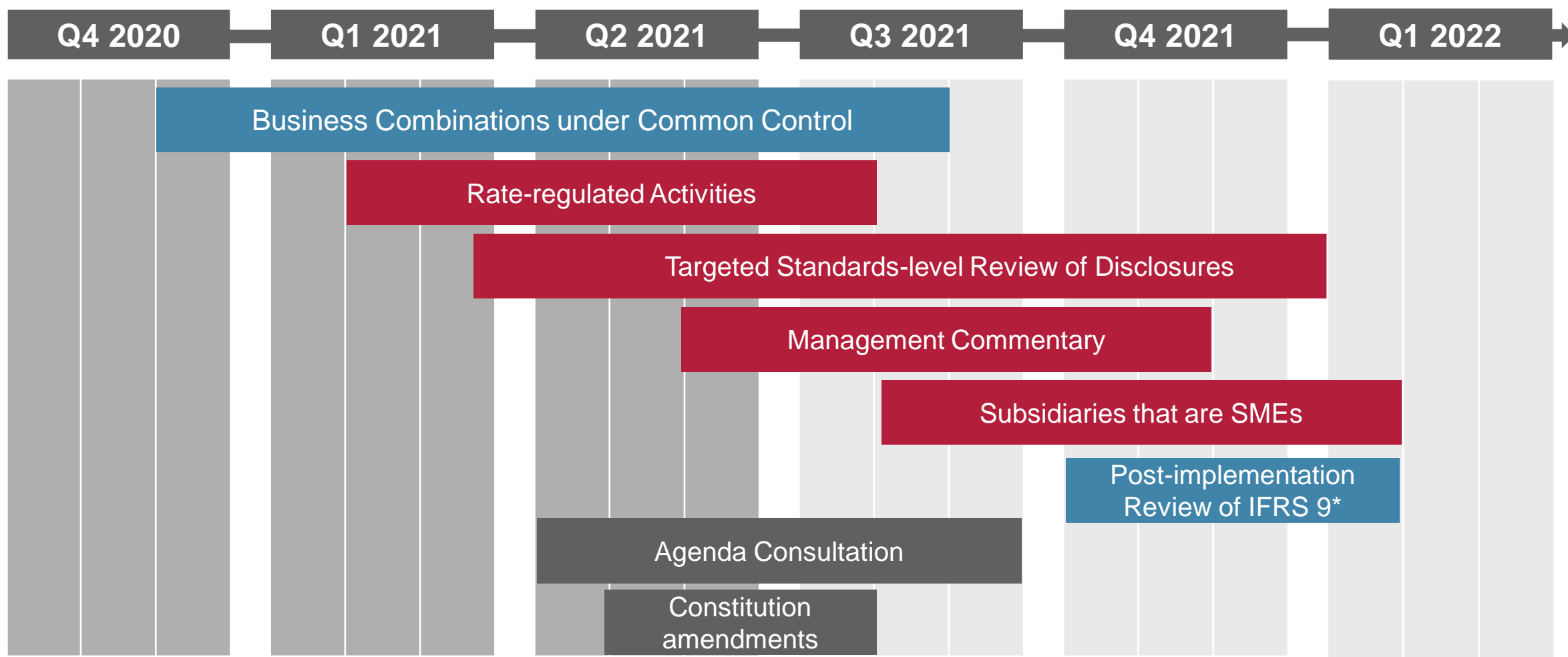
1 January 2022	1 January 2023	1 January 2024
<i>Property, Plant and Equipment: Proceeds before Intended Use</i> (Amendments to IAS 16)	<i>IFRS 17 Insurance Contracts</i> 	<i>Classification of Liabilities as Current or Non-current</i> (Amendments to IAS 1)*
<i>Reference to the Conceptual Framework</i> (Amendments to IFRS 3)	<i>Definition of Accounting Estimates</i>	
<i>Onerous Contracts—Cost of Fulfilling a Contract</i> (Amendments to IAS 37)	<i>Disclosure of Accounting Policies</i>	
<i>Annual Improvements to IFRS Standards 2018–2020</i>	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> (Amendments to IAS 12)	

\* IASB tentatively decided to defer the effective date of the amendments to 1 January 2024

# Overview of current main consultations



# IASB – Overview of main consultations



\*Comment period of 120-days expected as of June 2021

# IASB discussing ...

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## Next step: IFRS Standard

- Primary Financial Statements
- Rate-regulated Activities

## Next step: IFRS Amendment

- Lease Liability in a Sale and Leaseback

## Next step: Exposure Draft

- Second Review of the *IFRS for SMEs* Standard

## Next step: Decide Project Direction

- Goodwill and Impairment

## Next step: Feedback Statement

- Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12

## Next step: Feedback Discussion

- Business Combinations under Common Control
- Lack of Exchangeability
- Management Commentary
- Disclosure Initiative—Targeted Standards-level Review of Disclosures



A grayscale world map serves as the background, with several thick, light-gray curved lines and dotted lines overlaid, suggesting a globe or a network. The text "Strategy and Governance" is centered in a large, white, sans-serif font.

# Strategy and Governance

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# Formation of ISSB

# COP26 announcement

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1. Formation of the International Sustainability Standards Board (ISSB)



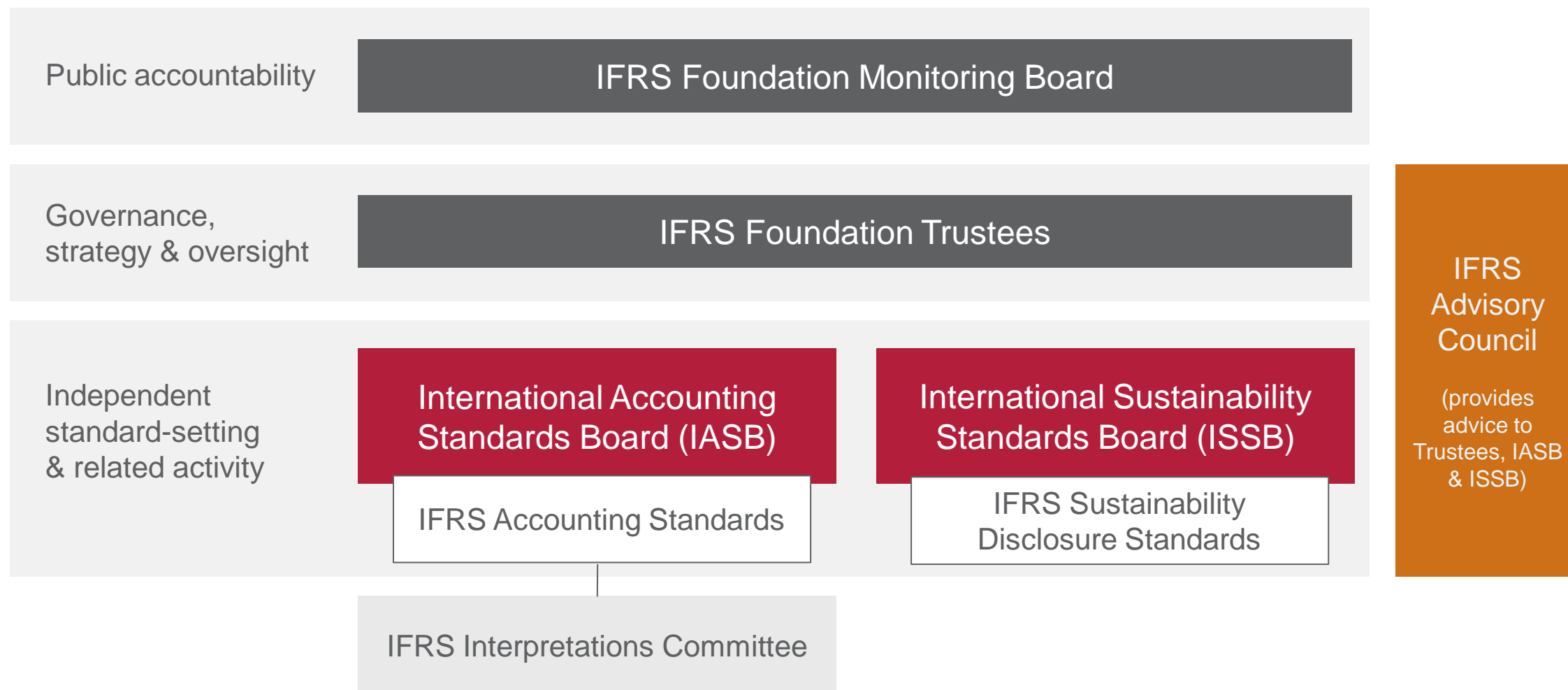
2. Consolidation with Climate Disclosure Standards Board (CDSB) & Value Reporting Foundation (VRF)



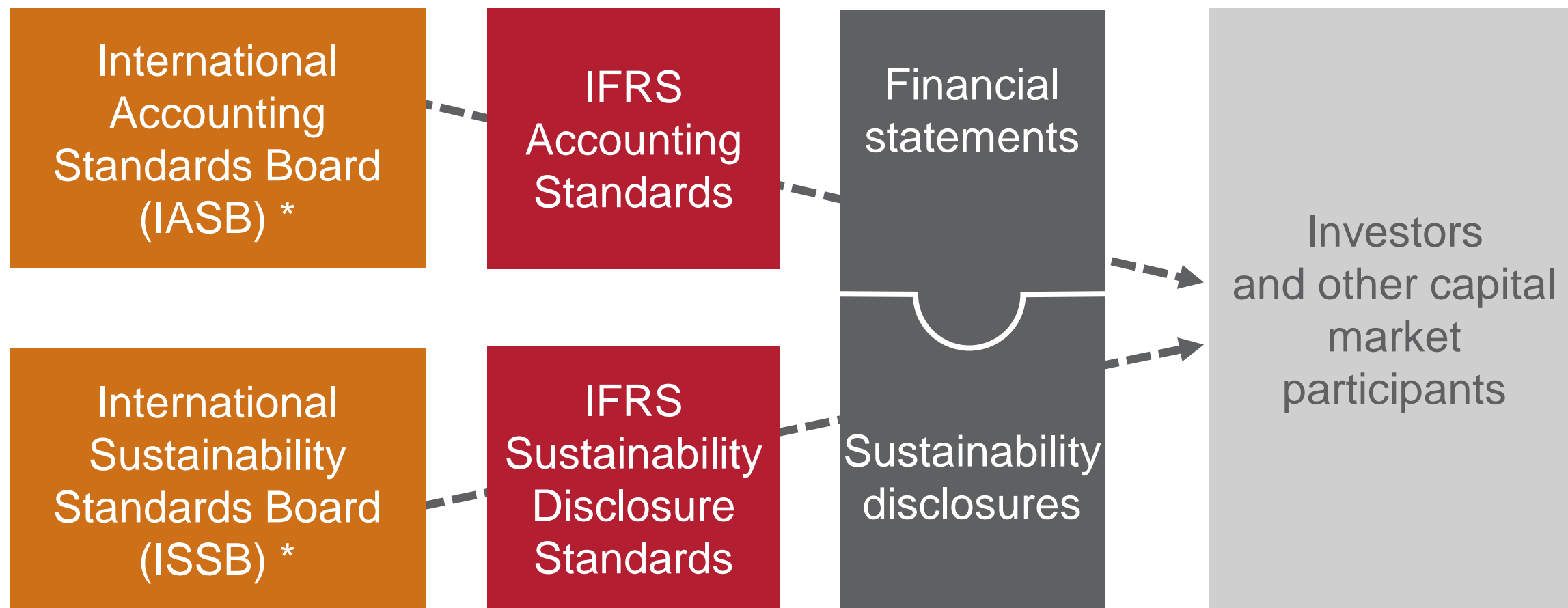
3. Publication of climate and general disclosure prototype requirements

Creates the necessary institutional arrangements and technical groundwork for a global sustainability standard-setter for the financial markets

# ISSB within IFRS Foundation Governance structure



# Compatible standards to meet investors' needs

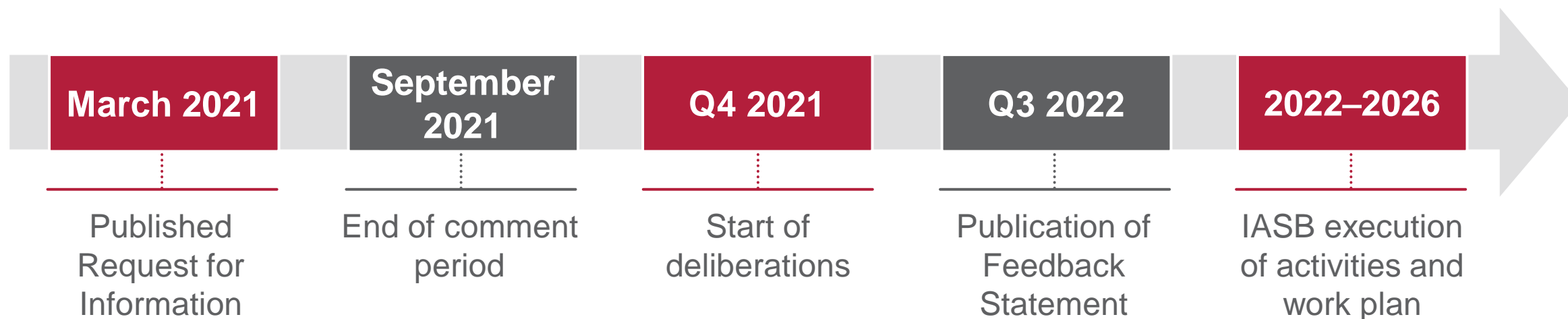


\* Integrated Reporting Council to advise IASB and ISSB on connectivity via fundamental concepts / guiding principles of integrated reporting

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# Third Agenda Consultation

# Third Agenda Consultation



## Objective of the agenda consultation

To seek views on

- the strategic direction and balance of the IASB's activities
- the criteria for assessing the priority of financial reporting issues that could be added to the work plan
- new financial reporting issues that could be given priority in the IASB's work plan

# Third Agenda Consultation—feedback overview (1/3)



- The Board’s **strategic direction** is about right; consider some minor changes to **rebalance** the level of focus
- Set aside capacity for interactions with the International Sustainability Standards Board (ISSB) and to respond to emerging issues
- Partnering with national standard-setters could help increase the Board’s capacity in some areas (but would we overload stakeholders?)

Activity	Current level of focus	Feedback
Research and standard-setting projects	40%–45%	Decrease or leave unchanged
Maintenance and consistent application of IFRS Standards	15%–20%	Increase or leave unchanged
The <i>IFRS for SMEs</i> Standard	5%	Leave unchanged
Digital financial reporting	5%	Increase
Understandability and accessibility	5%	Increase
Stakeholder engagement	20%–25%	Leave unchanged



# Third Agenda Consultation—feedback overview (2/3)



- Stakeholders generally agreed with the IASB's proposed **criteria** for assessing the priority of financial reporting issues
- Stakeholders would like to understand how the criteria have been applied
- Consider including all proposed criteria in the *Due Process Handbook*

## Overarching consideration

whether a potential project will meet investors' needs, while taking into account the costs of producing the information

- ① the importance of the matter to **investors**
- ② whether there is a **deficiency** in current reporting
- ③ the **type of companies** affected and jurisdictions where the matter is more prevalent
- ④ how **pervasive or acute** the matter is likely to be for companies
- ⑤ the potential project's **interaction with other projects**
- ⑥ the **complexity and feasibility** of the potential project and its solutions
- ⑦ the **capacity** of the IASB and its stakeholders to progress the potential project

# Third Agenda Consultation—feedback overview (3/3)



- The IASB should not add too many **new projects** to the work plan as 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—for example, intangible assets and cryptocurrencies
- The IASB should work on climate-related risks and pollutant pricing mechanisms (PPM) together with the ISSB

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

Climate-related risks (incl. PPM)



Cryptocurrencies and related transactions



Going concern



Intangible assets



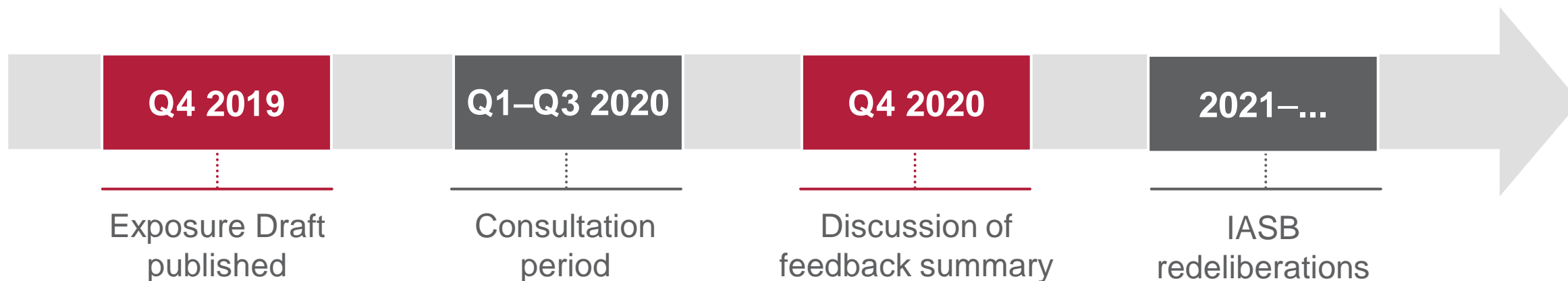
Statement of cash flows and related matters



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# Highlighting a few major projects

# Primary Financial Statements



## 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 Strengthen requirements for **disaggregating information**
- 3 Require disclosures about **management performance measures**

# PFS – Key factors considered in redeliberations planning

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## Project objective and focus

Improve how information is communicated in the financial statements, with a focus on the statement of profit or loss



## Linkages between topics

Decisions on one topic may affect approach on another topic



## Timeliness

Users want to see improvements as soon as possible



## Efficiency

Use staff and Board time efficiently

# PFS – General approach to redeliberations

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## Priority topics

- Profit or loss subtotals and categories (except associates and joint ventures)
- Management performance measures (except scope)
- Disaggregation principles and roles of primary financial statements and the notes
- Statement of cash flows

## Staged approach

- Minimum line items
- Analysis of operating expenses
- Unusual income and expenses
- Integral and non-integral associates and joint ventures
- Scope of management performance measures

# PFS – Management performance measures

What is confirmed from the ED?	What has changed?	Remaining topics to be discussed
<ul style="list-style-type: none"><li>• Requirement for disclosure of MPMs in financial statements</li><li>• Scope of MPMs would not be beyond the income and expense subtotals</li><li>• Reference to management view of an aspect of an entity's performance in the definition of MPMs</li><li>• Requirement for an entity to disclose why an MPM communicates management's view of performance</li><li>• Requirement to disclose a reconciliation</li></ul>	<ul style="list-style-type: none"><li>• MPMs to include a subtotal of income and expense used in the numerator or denominator of a ratio</li><li>• In the definition, remove the reference to 'complementing'</li><li>• Introduce a rebuttable presumption that a subtotal used in public communications represents management's view of an aspect of the entity's financial performance, and add application guidance on rebuttal</li><li>• Add application guidance, and refer to general requirement for faithful representation</li><li>• Add application guidance to support disclosure of why an MPM communicates management's view of performance</li><li>• Introduce a requirement to disclose, for each reconciling item, amount(s) related to each line item in the statement(s) of financial performance</li></ul>	<ul style="list-style-type: none"><li>• Timing of public communications</li><li>• Disclosures including tax and non-controlling interests</li><li>• Interaction with other requirements</li><li>• Other proposals including columns</li></ul>

# Goodwill and impairment



## Preliminary views



### Objective

- Improve information companies provide about their acquisitions

1

- Disclose management's objectives for acquisitions and subsequently disclose the performance against those objectives
- Some targeted improvements to existing standards

2

- Retain impairment-only model for goodwill
- Simplify impairment test

3

- Present amount of total equity excluding goodwill
- Do not change recognition of intangibles separately from goodwill



# G&I – tentative decisions by the Board

June 2021

- The Board tentatively decided to retain the objective of the project unchanged from that described in the Discussion Paper. The objective is to explore whether entities can, at a reasonable cost, provide users with more useful information about the acquisitions those entities make.
- The Board also tentatively decided to make no changes to the project scope. The Board views its preliminary views as a package that meets the project objective.

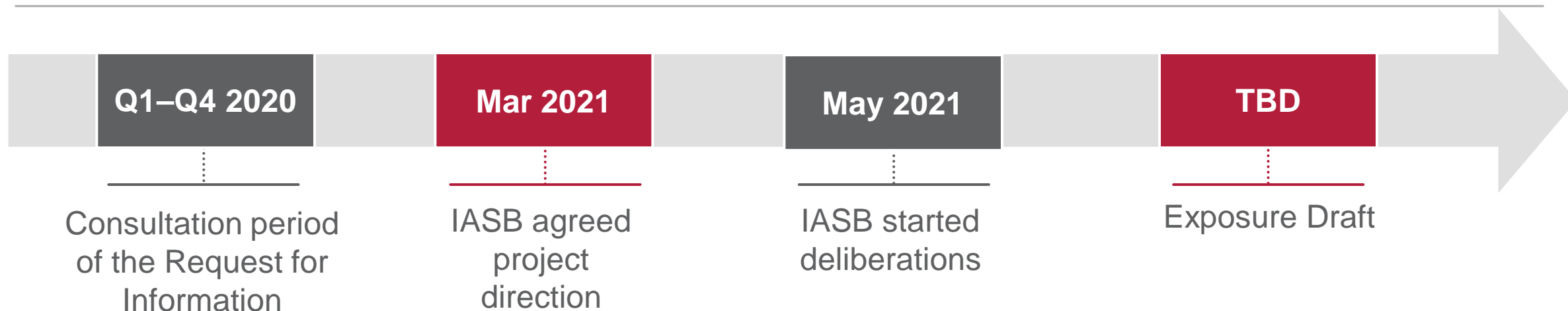
September  
2021

- The Board decided on a project plan. As part of that project plan the Board is prioritising analysis of feedback on:
  - disclosures about business combinations; and
  - whether to retain the impairment-only model or whether to reintroduce amortisation for goodwill (the subsequent accounting for goodwill).

October  
2021

- The Board tentatively decided that, based on the *Conceptual Framework for Financial Reporting*, information can be required in financial statements about the benefits an entity's management expects from a business combination and the extent to which management's objectives are being met.
- The Board will continue its redeliberations on its preliminary views on the package of disclosure requirements at future meetings, including whether not to proceed with some or all of the disclosure requirements for practical reasons.

# Second Review of the *IFRS for SMEs* Standard



## Objective

- Update the *IFRS for SMEs* Standard for new requirements in IFRS Standards that are in the scope of the review

## Approach


- Apply alignment approach to decide how to update the *IFRS for SMEs* Standard
- The alignment approach uses the principles of relevance to SMEs, simplicity and faithful representation, including the assessment of costs and benefits, to identify possible amendments



# Highlighting a few narrow(er) scope projects

# Post-implementation Review of IFRS 9— Classification and Measurement

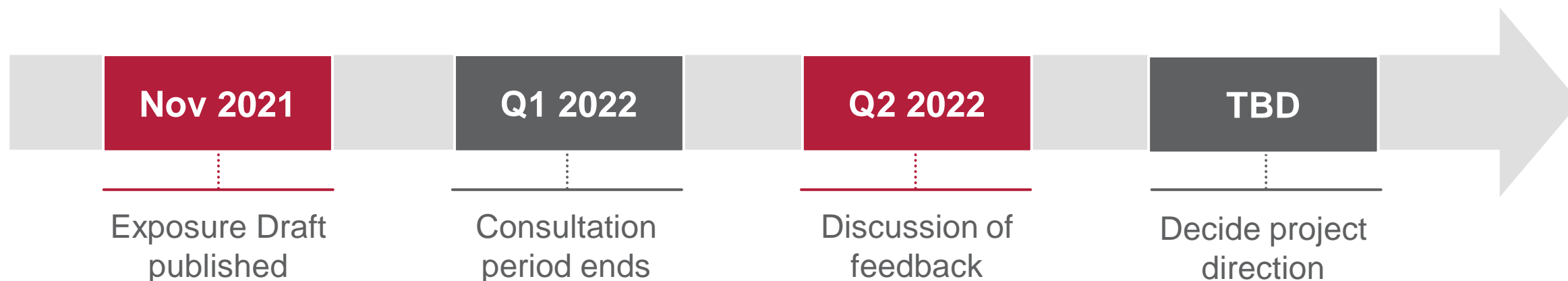


**Objective**

- Assess whether the classification and measurement requirements in IFRS 9 are working as intended

Topics in the Request for Information		
1	Business model, SPPI, Fair value changes in equity instruments	Financial assets
2	Presentation of own credit gains and losses	Financial liabilities
3	Modifications to contractual cash flows, Effective interest method, Transition to IFRS 9	Other topics

# Supplier Finance Arrangements



## Objective

Provide information that enable investors to assess the effects of supplier finance arrangements on a company's liabilities and cash flows.

## Proposed amendments to IAS 7 and IFRS 7

- 1 Describe** the characteristics of an arrangement for which an entity would be required to provide the proposed disclosure
- 2 Add qualitative and quantitative disclosure** requirements for supplier finance arrangements to meet the disclosure objective
- 3 Highlight** the required disclosure of liquidity risk and risk management and of non-cash changes in financing liabilities arising from supplier finance arrangements

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# New requirements

# Disclosure of Accounting Policies

## Identified problem

- Users say that accounting policy disclosures today are often not useful
- Stakeholders' views differ about 'significant' accounting policies required by IAS 1 *Presentation of Financial Statements*

## The amendments



- Amend IAS 1 to require companies to disclose their *material* accounting policy information rather than their significant accounting policies
- Clarify that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements
- Add guidance and examples to the materiality practice statement, which will explain how to apply the materiality process to identify material accounting policy information



**Effective date**

**Annual reporting periods beginning on or after 1 January 2023**

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# Digital Reporting



# IFRS Taxonomy

IFRS Taxonomy facilitates communication between preparers and users



consists of '**elements**' used by preparers to mark-up the information in IFRS financial statements

makes IFRS disclosures **more accessible to users** of electronic information

IFRS Taxonomy reflects the presentation and disclosure *requirements of IFRS Standards* and related common *reporting practice* in a timely and accurate manner

# IFRS Accounting Taxonomy elements

## Example – a single element

IFRS  
Accounting  
Standards

IFRS  
Accounting  
Taxonomy

### IAS1 *Presentation of Financial Statements*

**81B** An entity shall present the following items, in addition to the profit or loss and other comprehensive income sections, as allocation of profit or loss and other comprehensive income for the period:

- (a) profit or loss for the period attributable to:
  - (i) non-controlling interests, and
  - (ii) owners of the parent.



Computer tag	ifrs-full:ProfitLossAttributableToOwnersOfParent
Label	Profit (loss), attributable to owners of parent
Reference	IAS1 81B (a) (ii)
Documentation	The profit (loss) from continuing and discontinued operations attributable to owners of the parent. [Refer: Profit (loss)]

# Digital reporting – what is our role?

## *Strategic objective and components*

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### Strategic objective

Facilitate digital consumption of a company's general-purpose financial reports



### Strategic components

IFRS Standards

IFRS Taxonomies

Historical focus of  
digital strategy

Digital ecosystem partners

We are talking about more than just the IFRS Taxonomies



# Helpful materials

# Topic-specific educational materials

November 2019

In Brief

## IFRS® Standards and climate-related disclosures



**Nick Anderson**  
Climate-change is increasingly asked about in financial statements. In this update, Nick Anderson provides an overview of the current requirements and how they relate to climate-change risks by IFRS Standards. This article has been published on the IFRS Standards Board website.

**What is this publication about?**  
The International Accounting Standards Board (IASB) is often asked why IFRS Standards don't mention climate change. While the phrase 'climate-change' does not feature in our requirements, IFRS Standards do address issues that relate to climate-change risks and other emerging risks. The Board is also updating its non-mandatory guidance on management commentary, where it would expect companies to address material environmental and societal issues, complementing the information in financial statements.  
In April 2019 the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) issued a joint bulletin, 'Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2'. The focus of that publication was to illustrate how qualitative external factors, such as the industry in which the company operates, and investor expectations may make such risks 'material' and warrant disclosure in the financial statements, regardless of their numerical impact.

[1 https://www.aasb.gov.au/sites/default/files/2019-04/AASB\\_AUASB\\_bulletin\\_1901.pdf](https://www.aasb.gov.au/sites/default/files/2019-04/AASB_AUASB_bulletin_1901.pdf)

November 2020

## Effects of climate-related matters on financial statements

**This document is intended to support the consistent application of requirements in IFRS® Standards**

Climate change is a topic in which investors and other IFRS stakeholders are increasingly interested because of its potential effect on companies' business models, cash flows, financial position and financial performance. Most industries have been, or are likely to be, affected by climate change and efforts to manage its impact. However some companies, industries and activities will be affected more than others.

IFRS Standards do not refer explicitly to climate-related matters. However, companies must consider climate-related matters in applying IFRS Standards when the effect of those matters is material in the context of the financial statements taken as a whole. Information is material<sup>1</sup> if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users of financial statements (hereafter, investors) make on the basis of those financial statements, which provide financial information about a specific company. For example, information about how management has considered climate-related matters in preparing a company's financial statements may be material with respect to

specific paragraph references to IFRS requirements to assist those applying IFRS Standards. For purposes of illustration, the descriptions in the table do not always explain the relevant requirements completely; it is therefore important to refer to the requirements in the Standards when preparing financial statements. This document does not address management commentary.

In addition to the specific requirements outlined in the table below, IAS 1 *Presentation of Financial Statements* contains some overarching requirements that could be relevant when considering climate-related matters. For example, paragraph 112 of IAS 1 requires disclosure of information not specifically required by IFRS Standards and not presented elsewhere in the financial statements but that is relevant to an understanding of any of the financial statements. This paragraph, together with paragraph 31 of IAS 1, requires a company to consider whether any material information is missing from its financial statements—ie a company is required to consider whether to provide additional disclosures when compliance

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by Nick Anderson, member of the International Accounting Standards Board. This educational material complements that article, adding for example

in IAS 1 may be especially relevant for companies whose financial position or financial performance is particularly affected by climate-related matters.

<sup>1</sup> Companies may find the IFRS Practice Statement 2 *Making Materiality Judgments* useful in assessing whether the effect of climate-related matters is material. The article by Nick Anderson includes further information on making materiality judgments.

 IFRS®

<https://www.ifrs.org/news-and-events/2020/11/educational-material-on-the-effects-of-climate-related-matters>

January 2021

## Going concern—a focus on disclosure

**This document is intended to support the consistent application of requirements in IFRS® Standards**

A fundamental decision management has to make in preparing financial statements applying IFRS Standards is whether to prepare them on a going concern basis. In the current stressed economic environment arising from the covid-19 pandemic, many entities have seen a significant downturn in their revenue, profitability and hence liquidity which may raise questions about their ability to continue as a going concern. For such entities deciding whether financial statements are required to be prepared on a going concern basis may therefore involve a greater degree of judgement than is usual.

Most stakeholders are familiar with the specific discussion of going concern and related requirements in IAS 1 *Presentation of Financial Statements* to disclose material uncertainties relating to an entity's ability to continue as a going concern. However, questions raised about going concern in recent months have highlighted the relevance of other 'overarching' disclosure requirements in IAS 1 that interact with the specific going concern requirements. Considering this interaction is an important step in identifying material disclosures required by IFRS Standards; those disclosures are likely to be relevant for users of financial statements. One aspect of this interaction was highlighted in a [2014 Agenda Decision](#) published by the IFRS Interpretations Committee. This document not only recaps the content of that agenda decision

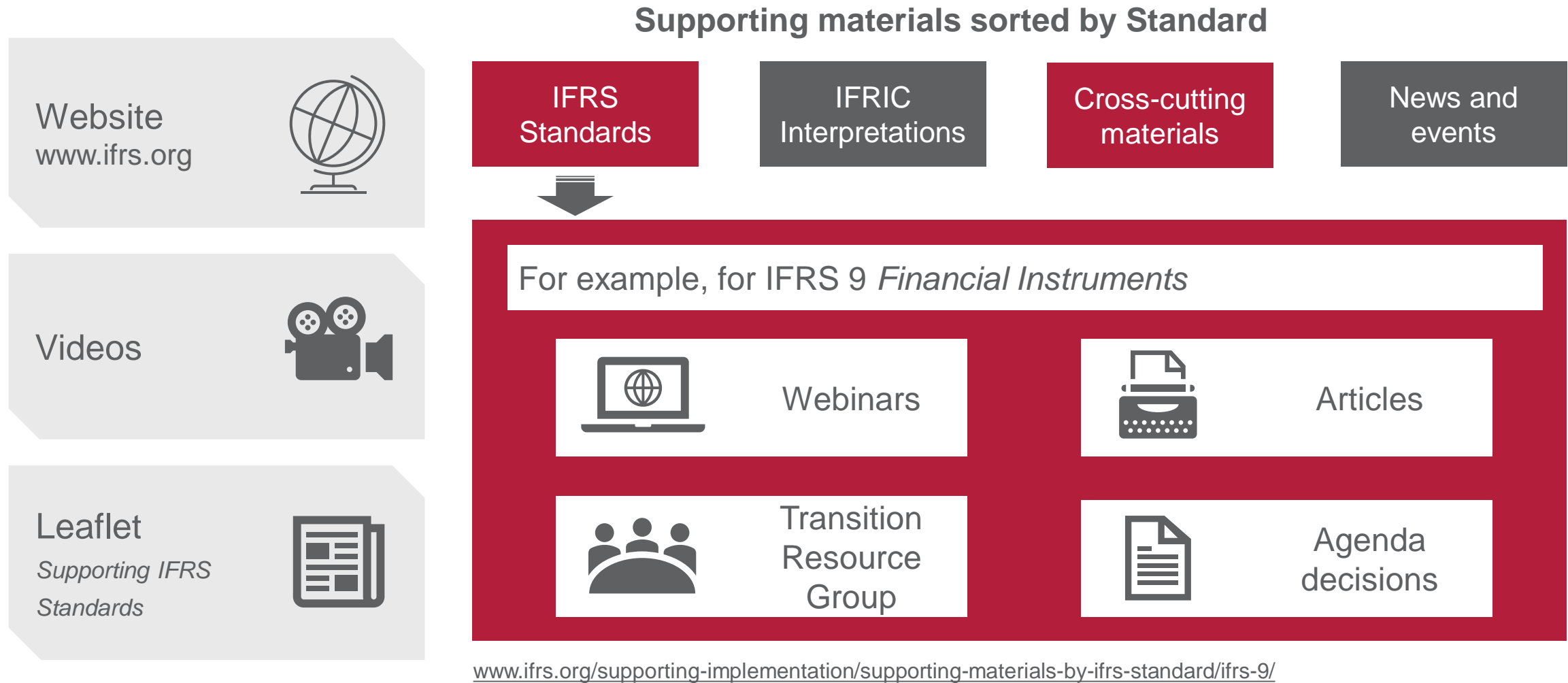
Paragraph 26 of IAS 1 states that factors that management may need to consider when assessing whether the going concern basis of preparation is appropriate are those factors that relate to the entity's current and expected profitability, the timing of repayment of existing financing facilities and potential sources of replacement financing. In the current stressed economic environment, an entity may be affected by a wider range of factors than in the past. IAS 1 requires management to take into account all available information about the future. Therefore, management may need to consider this wider range of factors before it can conclude whether preparing financial statements on a going concern basis is appropriate. For instance, among the factors management may need to consider are the effects of any temporary shut-down or curtailment of the entity's activities, possible restrictions on activities that might be imposed by governments in the future, the continuing availability of any government support and the effects of longer-term structural changes in the market (such as changes in customer behaviour).

When assessing whether to prepare financial statements on a going concern basis, IAS 1 requires management to look out at least 12 months from the end of the reporting period—but emphasises that the outlook is not limited to 12 months. Some national regulations require consideration of going concern

<https://www.ifrs.org/content/dam/ifrs/news/2021/going-concern-jan2021.pdf>

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# Resources available on our website



# IFRS Standards and their Annotated equivalents



## IFRS Standards

The IFRS<sup>®</sup> Standards  
Required 2021

The IFRS<sup>®</sup> Standards  
Issued 2021

## IFRS Standards + extensive cross-references + annotations

The Annotated IFRS<sup>®</sup>  
Standards Required 2021

The Annotated IFRS<sup>®</sup>  
Standards Issued 2021

Annotated IFRS Standards also available in Spanish





# Appendix

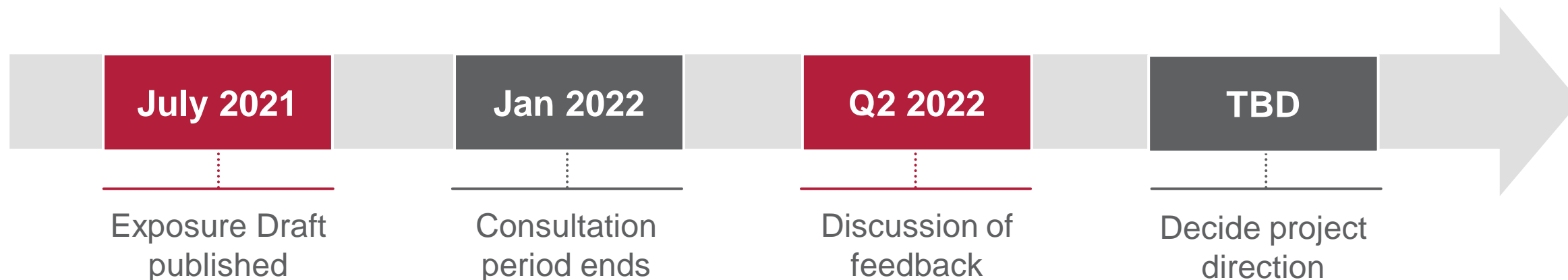
## Information about other projects and recent amendments





# Active projects

# Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures



## Objective

Improve the information about liabilities with covenants provided through classification (as current or non-current), presentation and disclosure in financial statements

## Features of the proposals

- 1 Sets out **reduced disclosure requirements** for eligible subsidiaries
- 2 A **voluntary standard** forming part of the IFRS Standards
- 3 Would **reduce costs** for preparers and **maintain usefulness** of the financial statements

# Disclosure Initiative—Targeted Standards-level Review of Disclosures



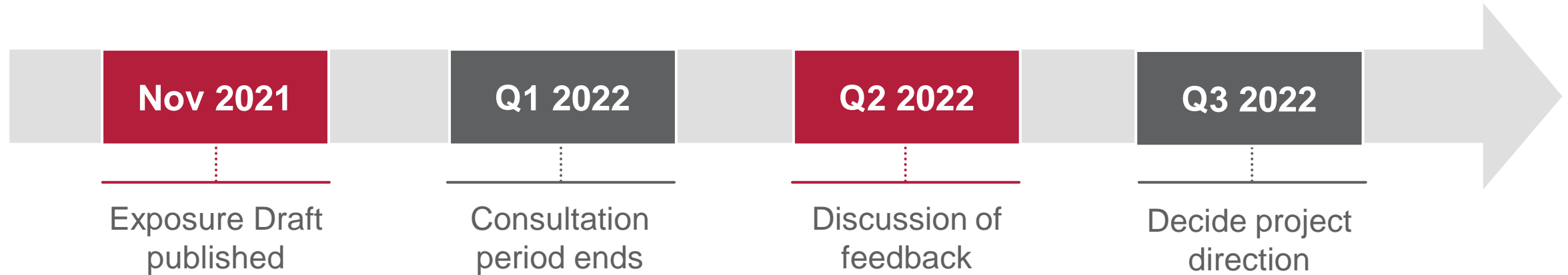
## Objective

- Improve the Board's approach to developing disclosure requirements in a way that enables companies to enhance their judgement and provide more decision-useful information for investors

## Main proposals

- 1 New approach for the Board to use when developing and drafting disclosure requirements in IFRS Standards (proposed Guidance)
- 2 Replace disclosure requirements in IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* with a new set of disclosure requirements developed applying the proposed Guidance
- 3 Focus compliance on detailed disclosure objectives rather than prescriptive requirements, thus requiring companies to apply judgement

# Non-current Liabilities with Covenants – proposed change



## Objective

To permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Standards

## Proposed amendments to IAS 1

- 1 Specify that covenants with which an entity must comply **after the reporting period** do not affect classification of a liability as current or non-current at the end of the reporting period
- 2 Add **presentation and disclosure requirements** for non-current liabilities subject to covenants
- 3 Clarify situations in which an entity **does not have a right to defer settlement**

# Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

## Criterion in IAS 1

Liability is classified as non-current only if a company has right to defer settlement for at least 12 months after reporting period

The amendments to IAS 1 clarify this criterion

### General clarifications

- Right to defer settlement must exist at end of reporting period
- If right is subject to lending conditions, a company must satisfy those conditions at end of reporting period
- Classification is unaffected by expectations about *whether* company will exercise its right

### Clarifications affecting convertible bonds

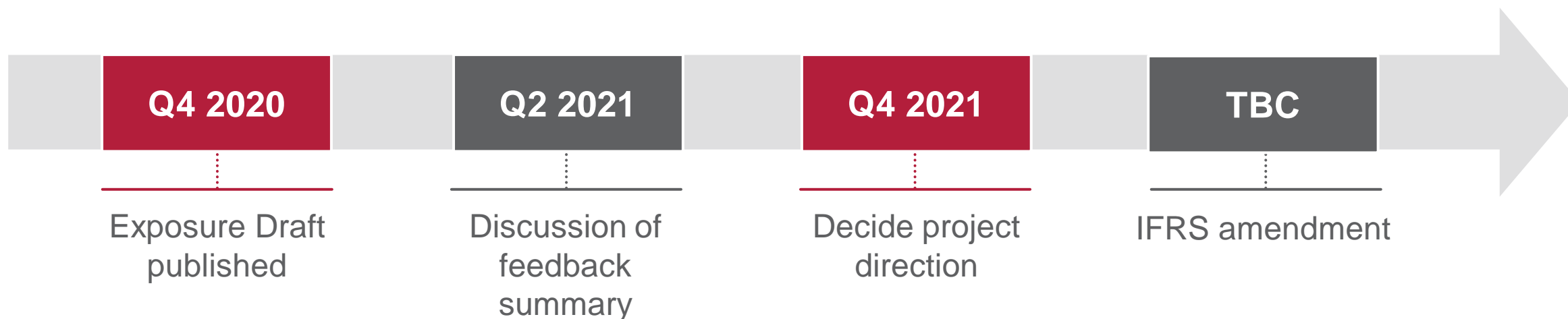
- Counterparty conversion option disregarded when assessing classification if recognised separately as equity component of compound financial instrument
- Any other obligation to convert liability is considered when assessing classification—ie conversion is regarded as settlement



### Effective date

Annual reporting periods beginning on or after 1 January 2023 – tentative decision to defer to 1 January 2024

# Lease Liability in a Sale and Leaseback



## Objective

Improve the measurement requirements for sale and leaseback transactions — particularly those with variable payments

## Proposed amendments to IFRS 16

- 1 Specify **the method** used in initially measuring the right-of-use asset and liability arising in a sale and leaseback transaction
- 2 Specify **subsequent measurement requirements** for the lease liability in a sale and leaseback transaction

# Rate-regulated Activities



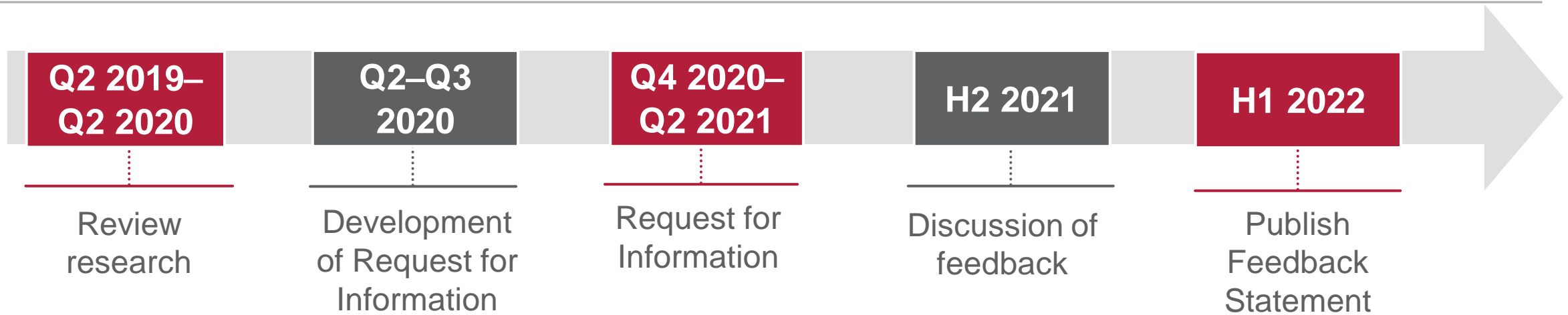
## Objective

- Provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on companies' financial performance and financial position

## Main proposals

- 1 Require recognition of **regulatory assets**, **regulatory liabilities**, **regulatory income** and **regulatory expense**
- 2 Reflect **compensation** for goods or services supplied as part of a company's reported financial performance for the period in which it supplies those goods or services
- 3 Measure regulatory assets and regulatory liabilities using a **cash-flow-based** measurement technique

# Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12



## Topics in the Request for Information



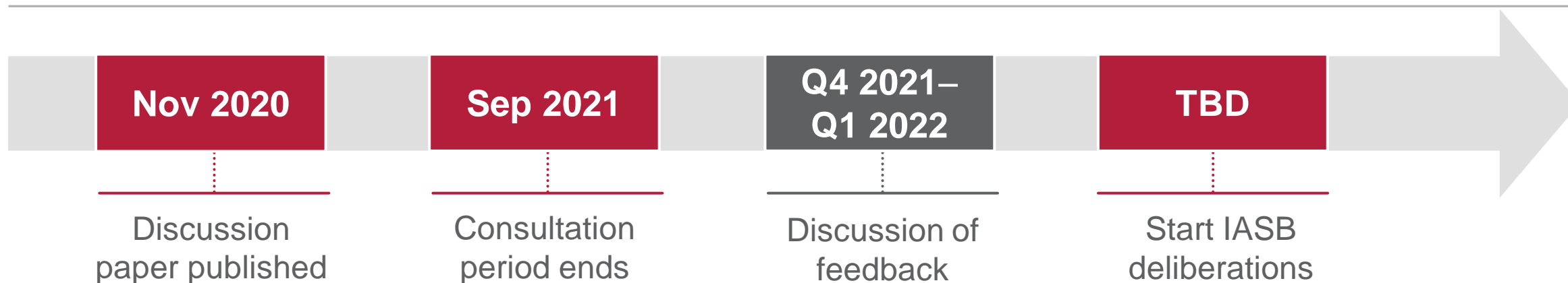
### Objective

- Assess whether IFRS 10, IFRS 11 and IFRS 12 are working as intended

1	Control assessment, investment entities, specific accounting requirements	Consolidated reports
2	Collaborative arrangements, classifying joint arrangements, requirements for joint operations	Joint arrangements
3	Whether the disclosures provided applying IFRS 12 meet the Standard's objective	Disclosures



# Business Combinations under Common Control



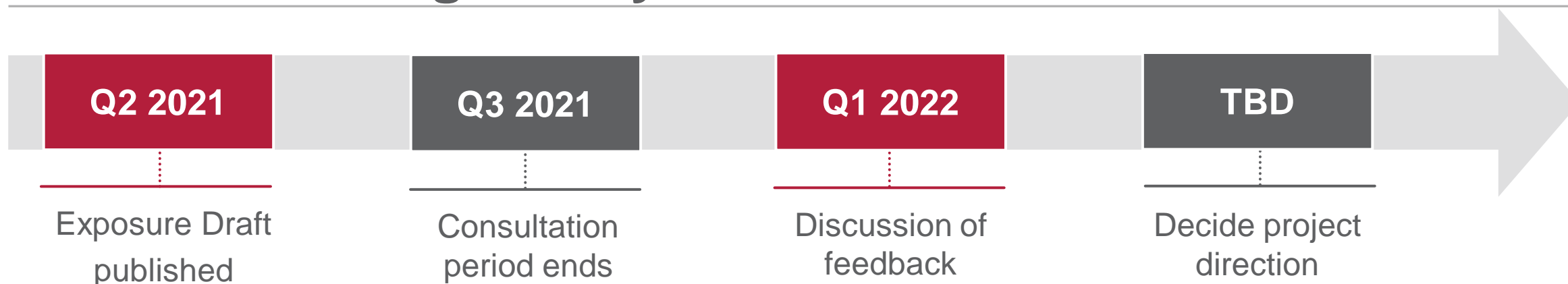
## Objective

- Fill a 'gap' in IFRS Standards
- Give investors the information they need without imposing unnecessary costs on companies

## Preliminary views

- 1 Specify which method should be applied in which circumstances to reduce diversity in practice and improve transparency in reporting
- 2 Use the **acquisition method** set out in IFRS 3 *Business Combinations* for combinations that affect investors outside the group, including all combinations by companies whose shares are publicly traded
- 3 Use a **book-value method** to be specified in IFRS Standards in all other cases – such as group restructurings involving wholly-owned subsidiaries

# Lack of Exchangeability



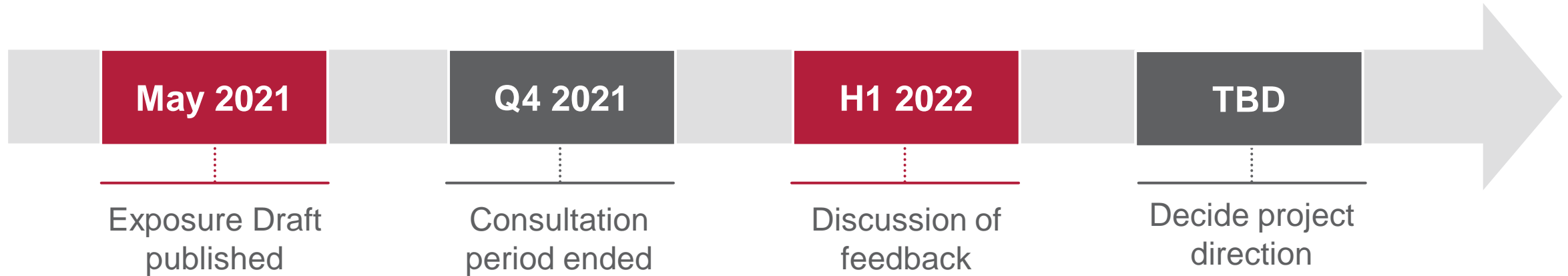
## Objective

Improve usefulness of information provided by requiring a consistent approach to determining whether a currency is exchangeable into another currency and the exchange rate to use when it is not

## Proposed amendments to IAS 21

- 1 Specify when exchangeability between two currencies is lacking and **how to make** that assessment
- 2 **Estimate the spot exchange rate** when exchangeability is lacking
- 3 **Disclose** how the lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position, and cash flows

# Management Commentary



## Objective

Overhaul IFRS Practice Statement 1 to provide a **comprehensive framework** for preparing management commentary—building on recent developments in narrative reporting

## Features of the proposals

- 1 Focus on information needs of **investors** and **creditors**
- 2 Disclosure objectives + supporting guidance
- 3 Would bring together in one report **financial**, **sustainability** and **other** information about matters fundamental to entity's long-term prospects

# Financial Instruments with Characteristics of Equity

## Purpose

- Improve the information that companies provide in their financial statements about financial instruments that they have issued
- Address challenges with applying IAS 32 *Financial Instruments: Presentation*

## Approach

- Explore clarifying IAS 32 classification principles (rather than rewriting IAS 32) to address practice issues (eg classification of financial instruments settled in the issuer's own equity instruments)
- Provide classification guidance and illustrative examples
- Improve presentation and disclosure

## Next milestone

Exposure Draft

# Dynamic Risk Management

## Objective

Develop an accounting model that will better reflect a company's dynamic risk management process in the financial statements. The process involves understanding and managing the amount, timing and uncertainty caused by interest rate risks

## Overview of the DRM model

- Companies dynamically manage the **current net open risk position**—that is, the net of eligible assets and liabilities, including core demand deposits
- The **risk mitigation intention** is the extent of current net open position that the company dynamically manages using derivatives
- When designated derivatives are successful in mitigating the repricing risk due to changes in interest rates and achieving the entity's **target profile**, changes in the fair value of such derivatives are recognised in OCI and reclassified to the statement of profit or loss over time

## Next steps

Continue the redeliberation of key issues identified in the meetings with preparers

# Equity Method

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## Objective

- Assess whether application questions with the equity method as set out in IAS 28 *Investments in Associates and Joint Ventures* can be addressed in consolidated and individual financial statements by identifying and explaining the principles of IAS 28

## Project plan

- Identify application questions in the equity method and decide which of these problems to address
- Address application questions by identifying and explaining the principles that underlie IAS 28

## Next steps

Decide project direction

A grayscale world map is visible in the background, showing the continents. Overlaid on the left side of the map are several concentric, curved lines that sweep from the bottom left towards the center. These lines are composed of a solid gray line and a dotted gray line, creating a sense of motion or a stylized globe.

# Recent amendments

# IFRS 17 *Insurance Contracts* (amended in June 2020)



More useful and transparent information



Better information about profitability

- Requires **consistent accounting** for all insurance contracts
- Based on a **current measurement** model
- Provides useful information about the **profitability** of insurance contracts
- Presents **comparable** data across companies
- Assists investors to fulfil **stewardship** responsibilities

The **targeted amendments** issued in June 2020

- do not change the fundamental principles of IFRS 17
- help companies implement IFRS 17 and make it easier for them to explain their results



**Effective date**

Annual reporting periods beginning on or after 1 January 2023



# Initial Application of IFRS 17 and IFRS 9— Comparative Information (Amendment to IFRS 17)

## Identified problem

Possible accounting mismatches between financial assets and insurance contract liabilities in the prior periods presented on initial application of IFRS 17

## The amendment



- Provides a classification overlay
- Relates only to comparative information presented on initial application of IFRS 17
- Enables companies to present comparative information about particular financial assets in a manner consistent with how IFRS 9 is expected to be applied



## Effective date

Annual reporting periods beginning on or after 1 January 2023

# Interest Rate Benchmark (IBOR) Reform—Phase 2

## Identified problem

The replacement of interest rate benchmarks with alternative benchmark rates could affect the usefulness of information provided in financial statements prepared applying IFRS Standards

## The amendments



- Provide a practical expedient for changes to contractual cash flows required by IBOR reform
- Amend hedge accounting requirements to prevent discontinuation of hedge accounting
- Require companies to provide disclosures explaining the risks arising from IBOR reform and how they are managing transition to alternative benchmark rates



**Effective date**

**Annual reporting periods beginning on or after 1 January 2021**

# Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

## Identified problem

Diversity in reporting the proceeds from selling items before an item of PPE is available for use

## The amendments



- Prohibit deducting sales proceeds from the cost of an item of PPE
- Require a company to recognise any such proceeds (and related costs) in profit or loss in accordance with applicable IFRS Standards

## Other requirements

- Measurement of the costs of items produced and sold in accordance with IAS 2 *Inventories*
- Specific disclosures for proceeds and costs when the sale of items is not part of a company's ordinary activities
- Definition of testing activities—assessment of the technical and physical performance of the asset only (not financial performance)



**Effective date**

**Annual reporting periods beginning on or after 1 January 2022**

# Reference to the Conceptual Framework (Amendments to IFRS 3)

## Identified problem

- IFRS 3 *Business Combinations* referred to an old version of the *Conceptual Framework*
- IFRS 3 requires acquirers of businesses to recognise at acquisition date items meeting *Conceptual Framework* definitions of assets and liabilities

## The amendments



- Replace reference to old version of *Conceptual Framework* with reference to revised version issued in 2018
- Prevent increase in liabilities recognised by adding exception for liabilities in scope of IAS 37 *Provisions, Contingent Liabilities or Contingent Assets* or IFRIC 21 *Levies*

**Overall effect**



No change to IFRS 3 requirements



**Effective date**

Annual reporting periods beginning on or after 1 January 2022

# Onerous Contracts—Costs of Fulfilling a Contract (Amendments to IAS 37)

## Identified problem

Diverse views on which costs to include in the cost of fulfilling a contract when assessing whether a contract is onerous

## The amendments



Specify that when assessing whether a contract is onerous, the cost of fulfilling the contract comprises those costs that **relate directly** to the contract. This includes both:

- the **incremental costs**; and
- an **allocation of other costs** that relate directly to contract activities



Effective date

Annual reporting periods beginning on or after 1 January 2022

# Annual Improvements to IFRS Standards 2018–2020

## IFRS 1

Subsidiary as a first-time adopter

Simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to measurement of cumulative translation differences

## IFRS 9

Fees in the 10% test for derecognition of financial liabilities

Clarify the fees a company includes in assessing the terms of a new or modified financial liability for determining whether to derecognise a financial liability

## Illustrative Examples accompanying IFRS 16

Lease Incentives

Remove potential for confusion regarding lease incentives by amending Illustrative Example 13

## IAS 41

Taxation in fair value measurements

Align the fair value measurement requirements in IAS 41 with those in other IFRS Standards



**Effective date**

Annual reporting periods beginning on or after 1 January 2022

# Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

## Objective

- Clarify the **deferred tax** accounting for transactions for which an entity recognises, on initial recognition, both an asset and a liability, such as **leases** and **decommissioning obligations**

## The amendments



- Narrow the scope of the recognition exemption** in IAS 12 so that it does not apply to transactions that give rise to equal amounts of taxable and deductible temporary differences
- Will result in **all entities recognising deferred tax for leases** and other transactions in the scope of the amendments, reducing diversity in reporting



## Effective date

Annual reporting periods beginning on or after 1 January 2023

# *Due Process Handbook* and agenda decisions



Revised *Due Process Handbook* published in August 2020

## The explanatory material in agenda decisions

- cannot add or change requirements in IFRS Standards
- derives its authority from IFRS Standards
- may provide additional insights that might change a company's understanding of how to apply IFRS Standards

IASB now  
formally involved  
in finalisation

A company is entitled to sufficient time to determine and implement any necessary accounting policy change as a result of an agenda decision



If an accounting practice is not aligned with an agenda decision, then it's not IFRS



# Sample of recent agenda decisions

Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition  
(IAS 32 *Financial Instruments: Presentation*)

Non-refundable Value Added Tax on Lease Payments  
(IFRS 16 *Leases*)

Hedging Variability in Cash Flows due to Real Interest Rates  
(IFRS 9 *Financial Instruments*)

Supply Chain Financing Arrangements—Reverse Factoring

Economic Benefits from Use of a Windfarm  
(IFRS 16 *Leases*)

Attributing Benefit to Periods of Service  
(IAS 19 *Employee Benefits*)

Configuration or Customisation Costs in a Cloud Computing Arrangement  
(IAS 38 *Intangible Assets*)

Costs Necessary to Sell Inventories  
(IAS 2 *Inventories*)

Preparation of Financial Statements when an Entity is No Longer a Going Concern  
(IAS 10 *Events after the Reporting Period*)

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