
IASB Technical Update to the IAASB

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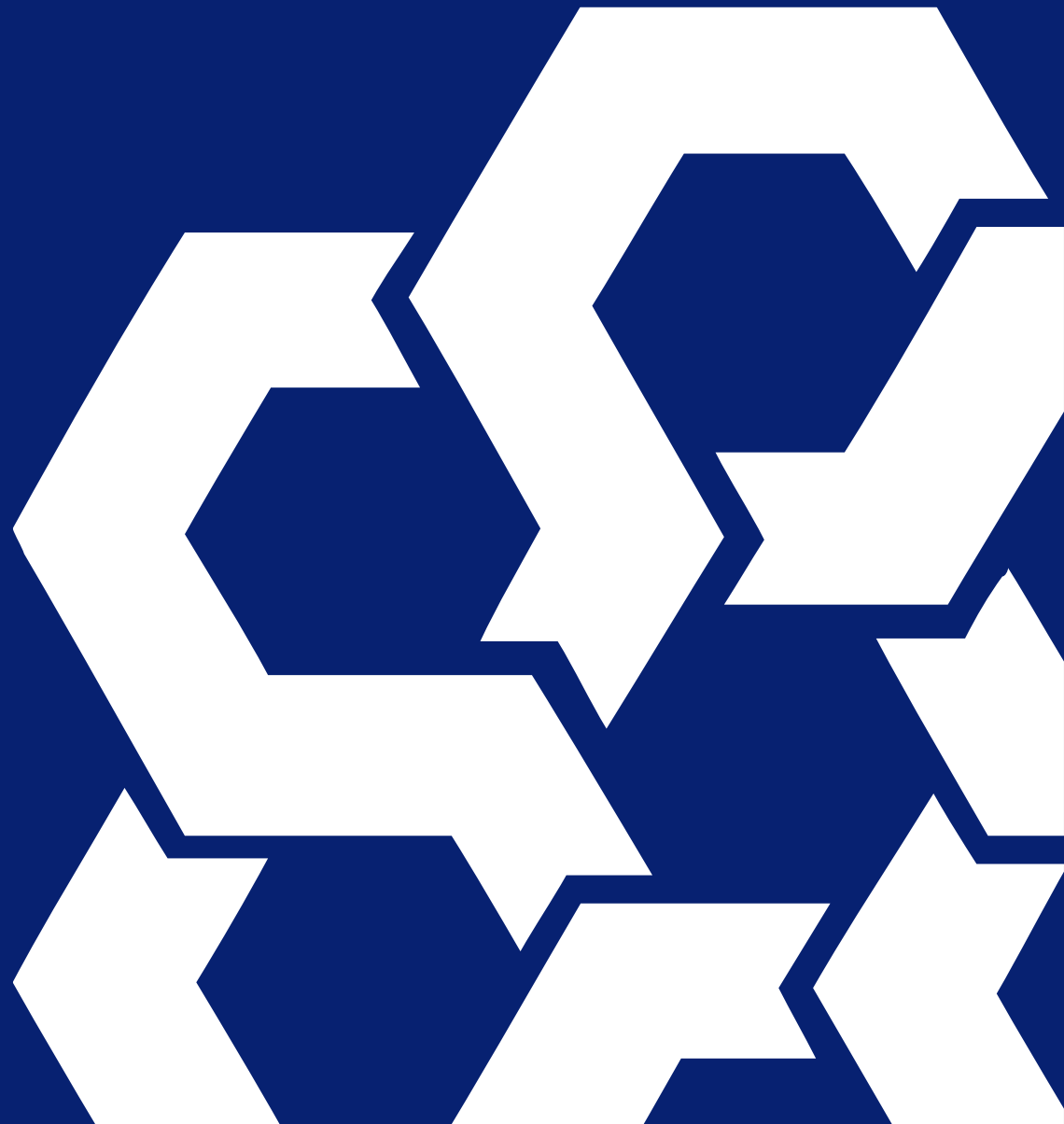
12 December 2023

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Overview

- New requirements
- Recently published and forthcoming documents
- Post-implementation reviews
- Standard-setting projects
- Maintenance projects
- Other topics — Going Concern
- Connections 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* (Amendments to IAS 1)
- *Disclosure of Accounting Policies* (Amendments to IAS 8)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12)
- *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12 and to IFRS for SMEs)*

*Selected paragraphs are immediately effective upon issuance

1 January 2024

- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Non-current Liabilities with Covenants* (Amendments to IAS 1)
- *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)

1 January 2025

- *Lack of Exchangeability* (Amendments to IAS 21)

International Tax Reform—Pillar Two Model Rules

Objective

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

The amendments to IAS 12

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



Effective date

- The temporary exception is effective immediately
- The disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2023 (but not required for interim periods ending in 2023)

Supplier Finance Arrangements

Objective

- Provide information to enable investors to assess the effects of supplier finance arrangements on a company's liabilities, cash flows and exposure to liquidity risk

The amendments to IAS 7 and IFRS 7

- Describe the arrangements for which the proposed disclosure would be required
- Add qualitative and quantitative disclosure requirements
- Highlight the required disclosure of liquidity risk and risk management



Effective date

Annual reporting periods beginning on or after 1 January 2024

Lack of Exchangeability

Objective

- Improve the usefulness of information provided to investors and fill a gap in IFRS Accounting Standards related to the effects of changes in foreign exchange rates

The amendments to IAS 21

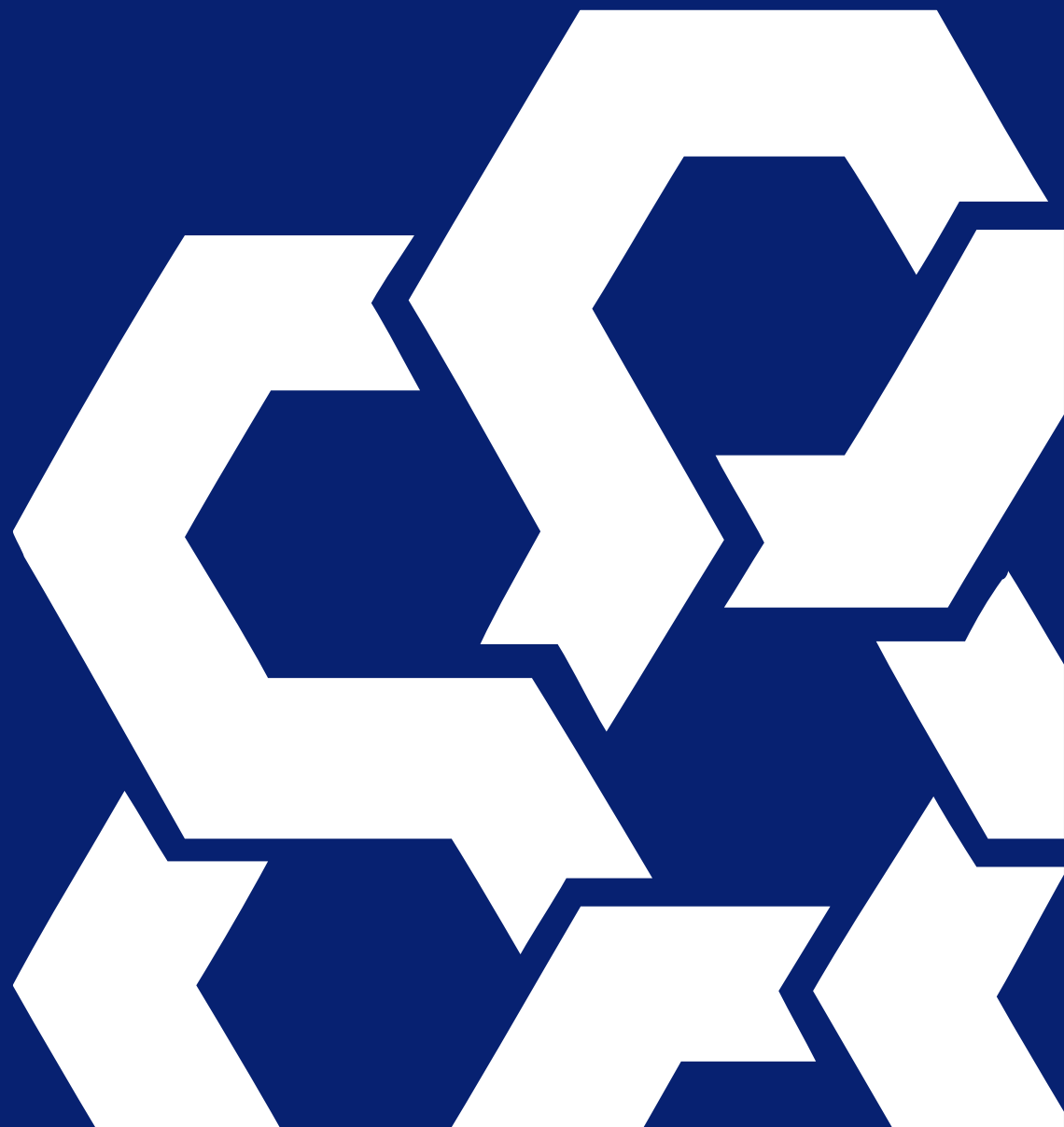
- Require companies to apply a consistent approach in assessing whether a currency is exchangeable into another currency — and when a currency is not exchangeable, to estimate the spot exchange rate
- Provide disclosure requirements to enable investors to understand the financial statement effects of a currency not being exchangeable into another currency



Effective date

Annual reporting periods beginning on or after 1 January 2025

Recently published and forthcoming documents



New Standards and amendments

Recently issued



Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

Non-current Liabilities with Covenants (Amendments to IAS 1)

International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

Lack of Exchangeability (Amendments to IAS 21)

International Tax Reform—Pillar Two Model Rules (Amendments to IFRS for SMEs Accounting Standard)

New IFRS Standards

Expected in 1H 2024:

- ✓ Primary Financial Statements
- ✓ Subsidiaries without Public Accountability: Disclosures

Effective date - for annual reporting periods beginning on or after 1 January 2027

Amendments to IFRS Standards

Expected in 1H 2024:

- ✓ Amendments to the classification and measurement of financial instruments (IFRS 9)

Primary Financial Statements

Objective

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

Proposals

- Require two additional defined subtotals in statement of profit or loss—operating profit and profit before financing and income tax
- Require disclosures about management-defined performance measures
- Strengthen requirements for disaggregating information

Next milestone

- Issue IFRS Accounting Standard in H1 2024

Subsidiaries without Public Accountability: Disclosures

Objective

- Simplify and reduce the cost of financial reporting for subsidiaries while maintaining the usefulness of their financial statements

Proposal

- Eligible subsidiaries apply IFRS Accounting Standards with reduced disclosure requirements

Next milestone

- Issue IFRS Accounting Standard in H1 2024

Consultations

Open for comments

Proposed IFRS Taxonomy update 2023—*International Tax Reform, Supplier Finance Arrangements and Lack of Exchangeability*

Comments due
04 Dec 2023

Exposure Draft *Annual Improvements to IFRS Accounting Standards—Volume 11*

Comments due
11 Dec 2023

Proposed IFRS Taxonomy update 2023—*Common Practice (Financial Instruments) and General Improvements*

Comments due
05 Jan 2024

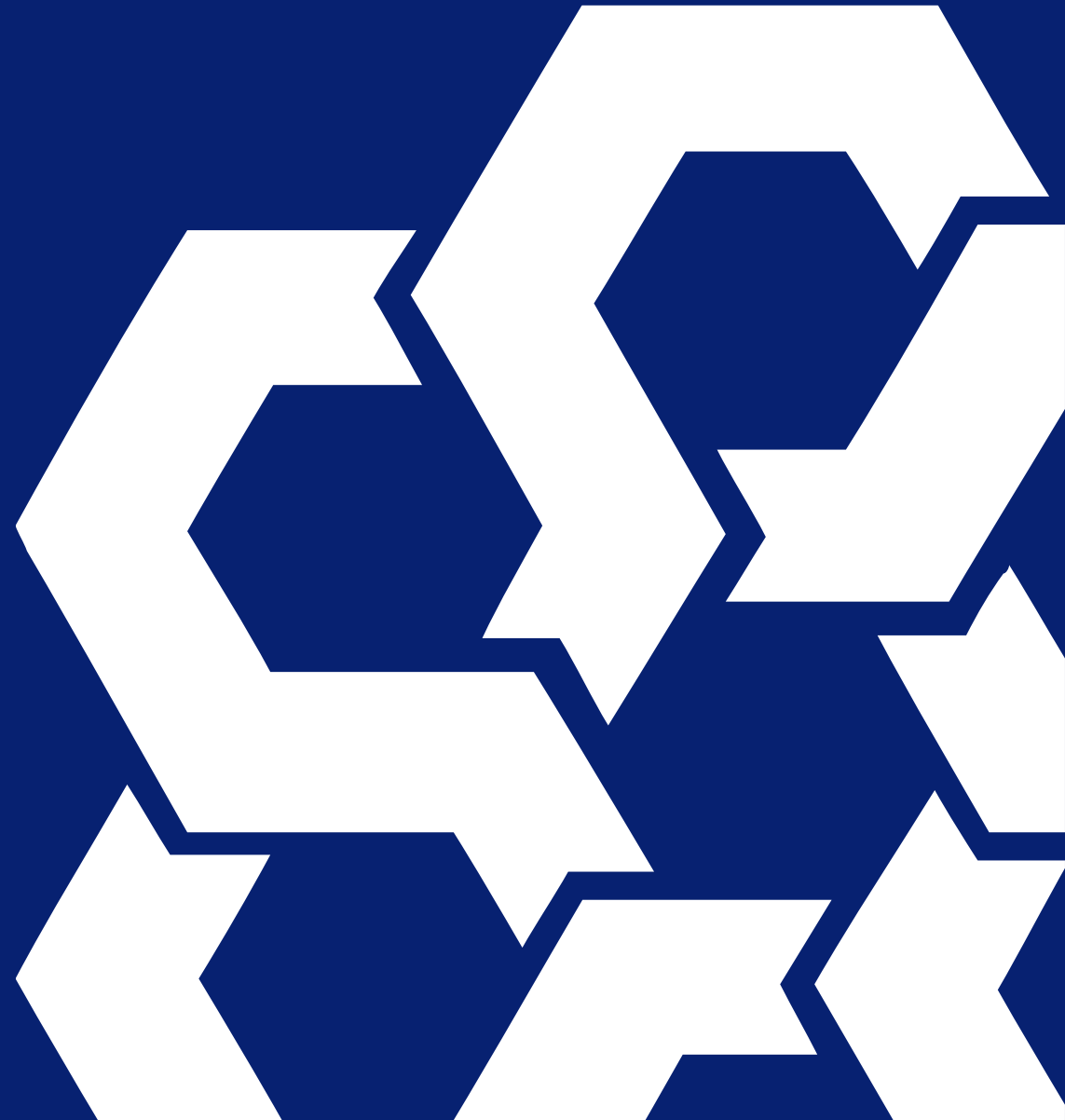
Exposure Draft *Financial Instruments with Characteristics of Equity*

Comments due
29 Mar 2024

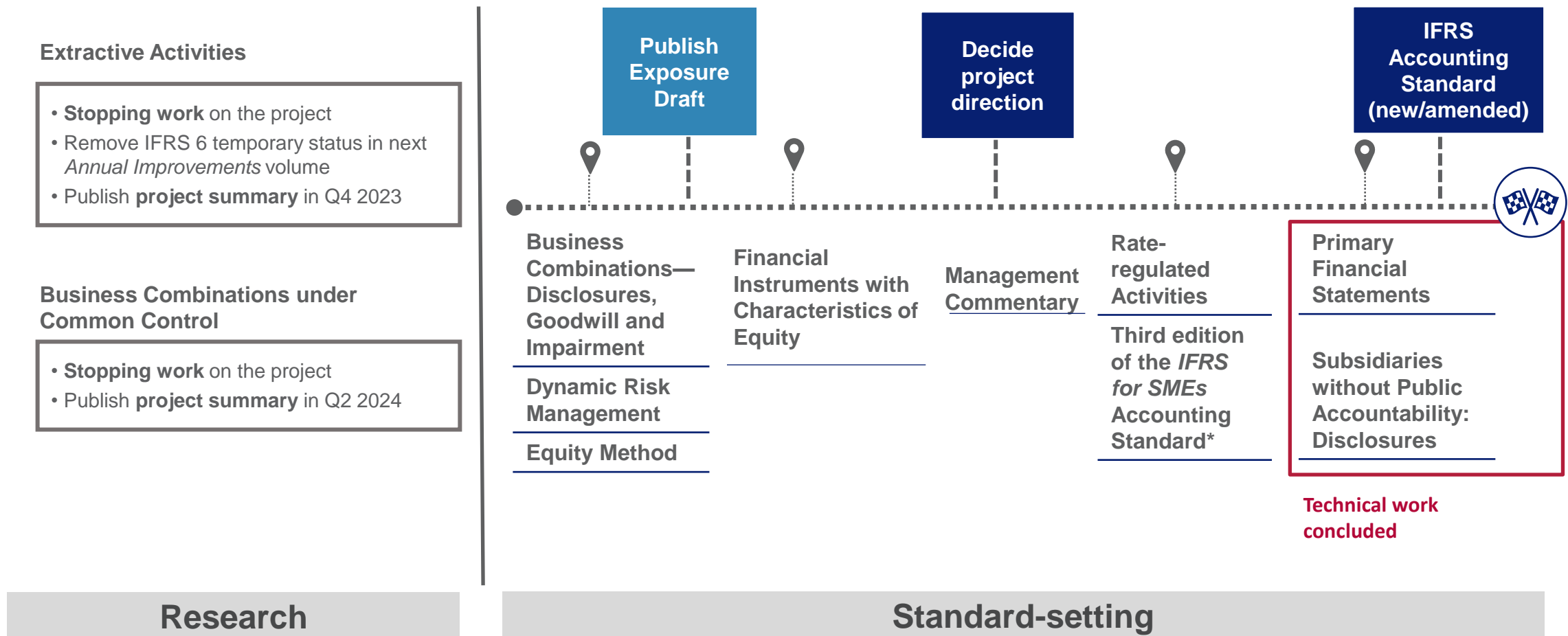
Forthcoming

- **H1 2024:** Exposure draft proposing amendments to IFRS 3 and IAS 36 (*Business Combinations—Disclosures, Goodwill and Impairment* project)
- **H2 2024:** Exposure draft proposing amendments to IAS 28 (*Equity Method* project)

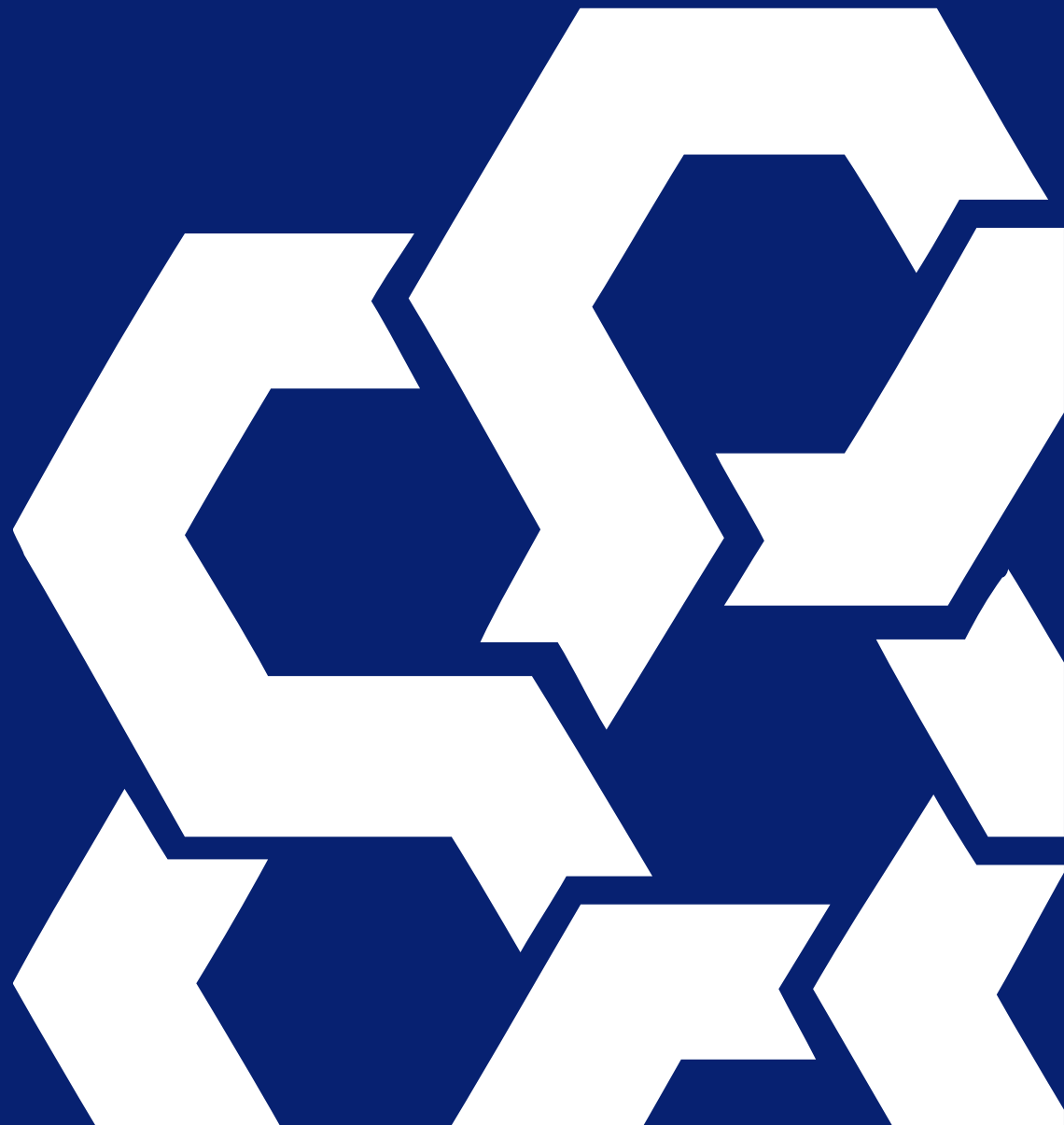
Update on current IASB work plan



Current projects are in different stages



Post-implementation reviews



Post-implementation reviews

Recently completed

PIR of IFRS 9—Classification and Measurement

Feedback analysis

PIR of IFRS 9—Impairment

PIR of IFRS 15 *Revenue from Contracts with Customers*

Out for comment

PIR of IFRS 16 *Leases*

Forthcoming

PIR of IFRS 9—Hedge Accounting

PIR of IFRS 9—*Financial Instruments*: Impairment

Objective

- Assess the effects on stakeholders of applying the expected credit losses (ECL) requirements to financial instruments

Request for Information feedback

- Overall, the PIR feedback is very positive. Almost all respondents said that the ECL requirements:
 - result in more timely recognition of credit losses compared to IAS 39; and
 - work as intended with no fundamental questions ('fatal flaws').
- Respondents however identify specific application challenges and suggest the IASB make targeted improvements to the requirements, including disclosure requirements.

Next milestone

- The IASB will analyse detailed feedback on the Request for Information.
- The IASB expects to complete its discussions by the end of Q2 2024.

PIR of IFRS 15—*Revenue from Contracts with Customers*

Objective

- Assess whether the effects of applying IFRS 15 on users of financial statements, preparers, auditors and regulators are as intended when the Standard was issued

Request for information

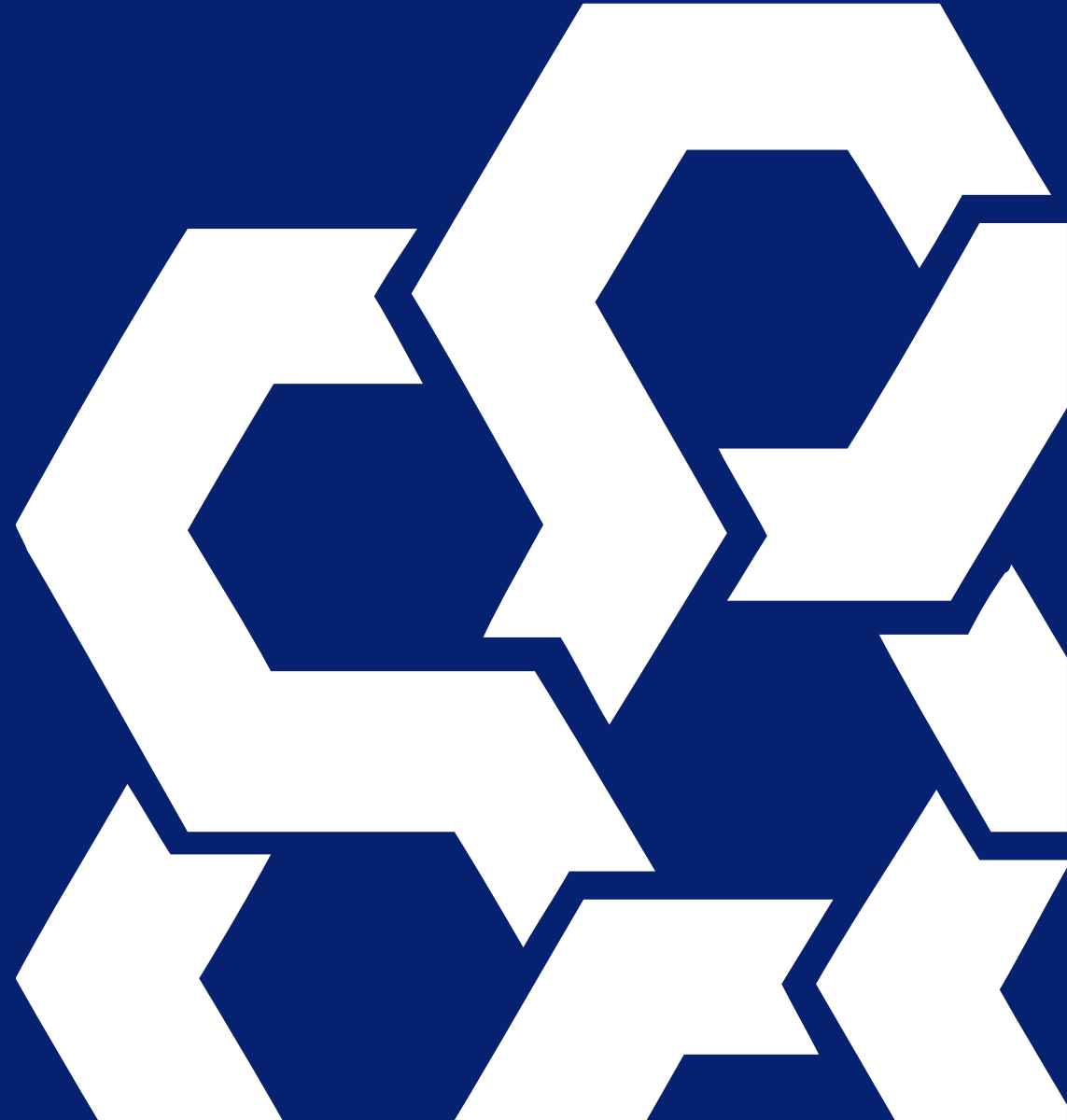
Will examine:

- identifying the performance obligations
- determining the transaction price
- determining the timing of revenue recognition
- principal versus agent considerations
- licensing
- disclosure requirements
- transition requirements
- interaction with other IFRS Accounting Standards
- convergence with US GAAP Topic 606

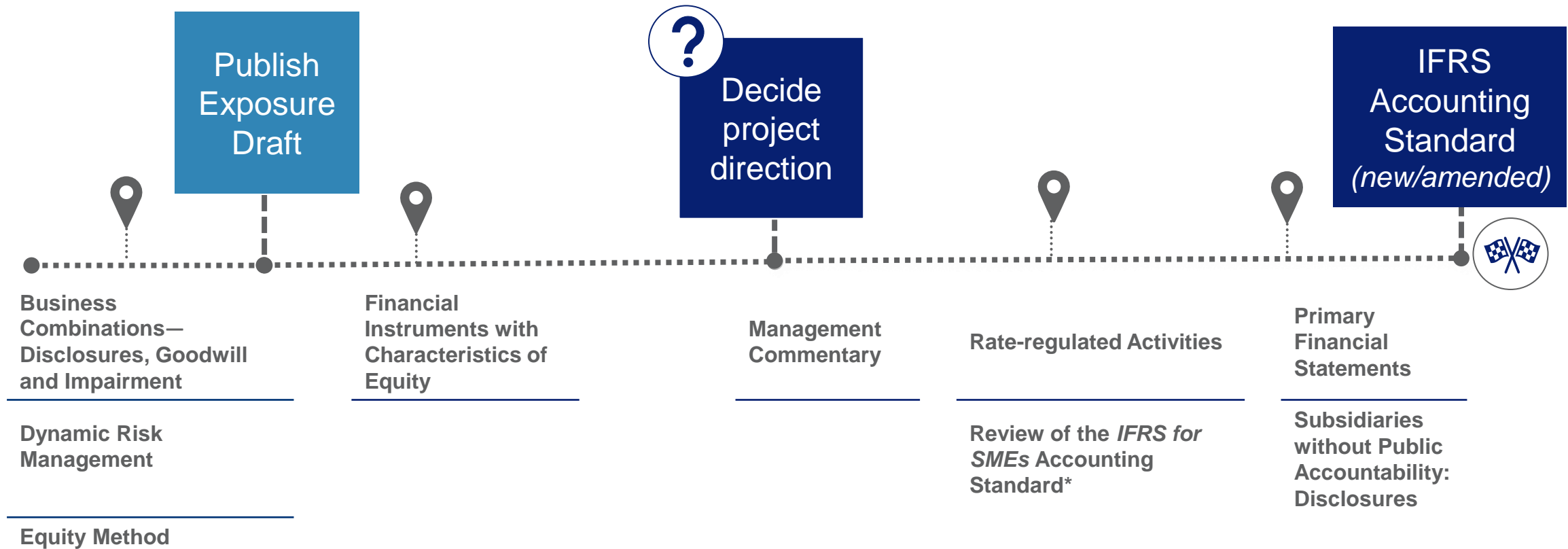
Next milestone

- Request for Information feedback

Standard-setting projects



Overview: standard-setting projects



*A maintenance project was added for the addendum to the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard*.

Financial Instruments with Characteristics of Equity

Purpose

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

Approach

- Clarify IAS 32 classification principles to address practice issues:
 - fixed-for-fixed condition
 - effects of laws or regulations
 - obligations to purchase own equity instruments
 - contingent settlement provisions
 - shareholder discretion
 - reclassification
- Improve presentation and disclosure
- Provide application guidance and illustrative examples

Next milestone

- Comment period for Exposure Draft closes 29 March 2024

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

Next milestone

- Publish Exposure Draft — expected in Q1 2024

Dynamic Risk Management

Objective

- Develop an accounting model to better reflect the effect of dynamic risk management in a company's financial statements

DRM model

- The DRM model addresses the challenges in applying the hedge accounting requirements to dynamic interest rate risk management activities
- Showing the effect of using derivatives to mitigate repricing risk on the current net open risk position
- Tentative decisions made about the mechanics of the DRM model and
- Next focus area is presentation and disclosure requirements

Next milestone

- Publish Exposure Draft – expected in 2025

Equity Method

Objective

- To develop answers to application questions about the equity method, as set out in IAS 28 *Investments in Associates and Joint Ventures*, using the principles derived from IAS 28.

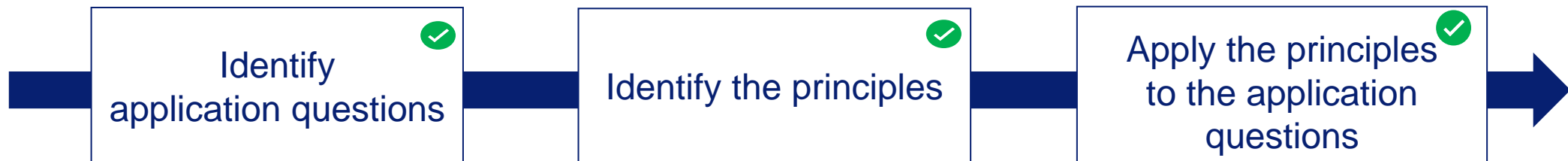
Project update

- IASB has concluded discussions and made tentative decisions on:
 - application questions;
 - improvements to disclosure requirements; and
 - transitional requirements.

Next steps

- Discuss whether the IASB has satisfied the required due process steps to publish an exposure draft of amendments to IAS 28.

Project approach



Review of the *IFRS for SMEs* Accounting Standard

Objective

- Second comprehensive review the *IFRS for SMEs* Accounting Standard.
- Apply ‘alignment approach’ to update the *IFRS for SMEs* Accounting Standard

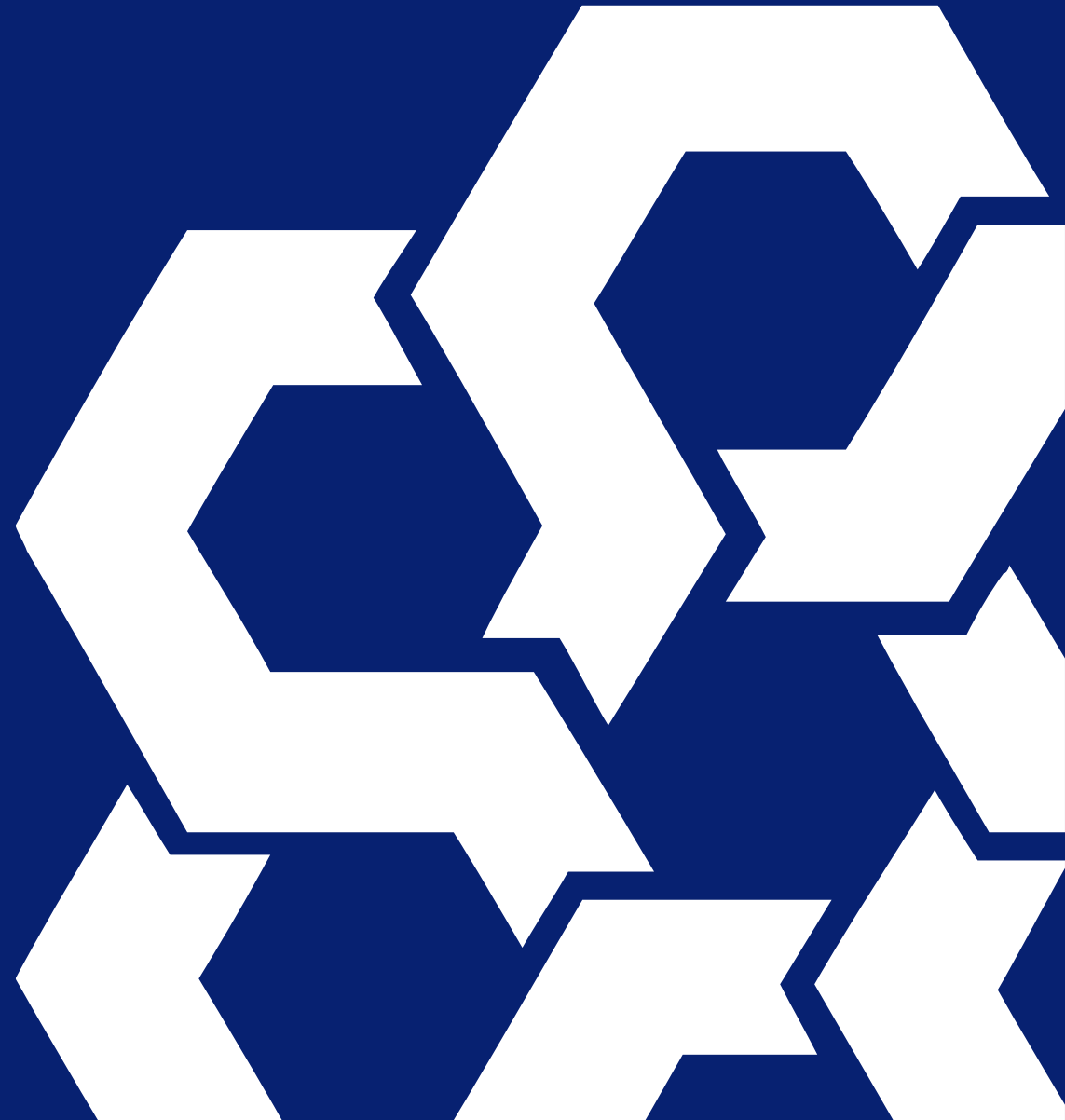
Approach

- 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

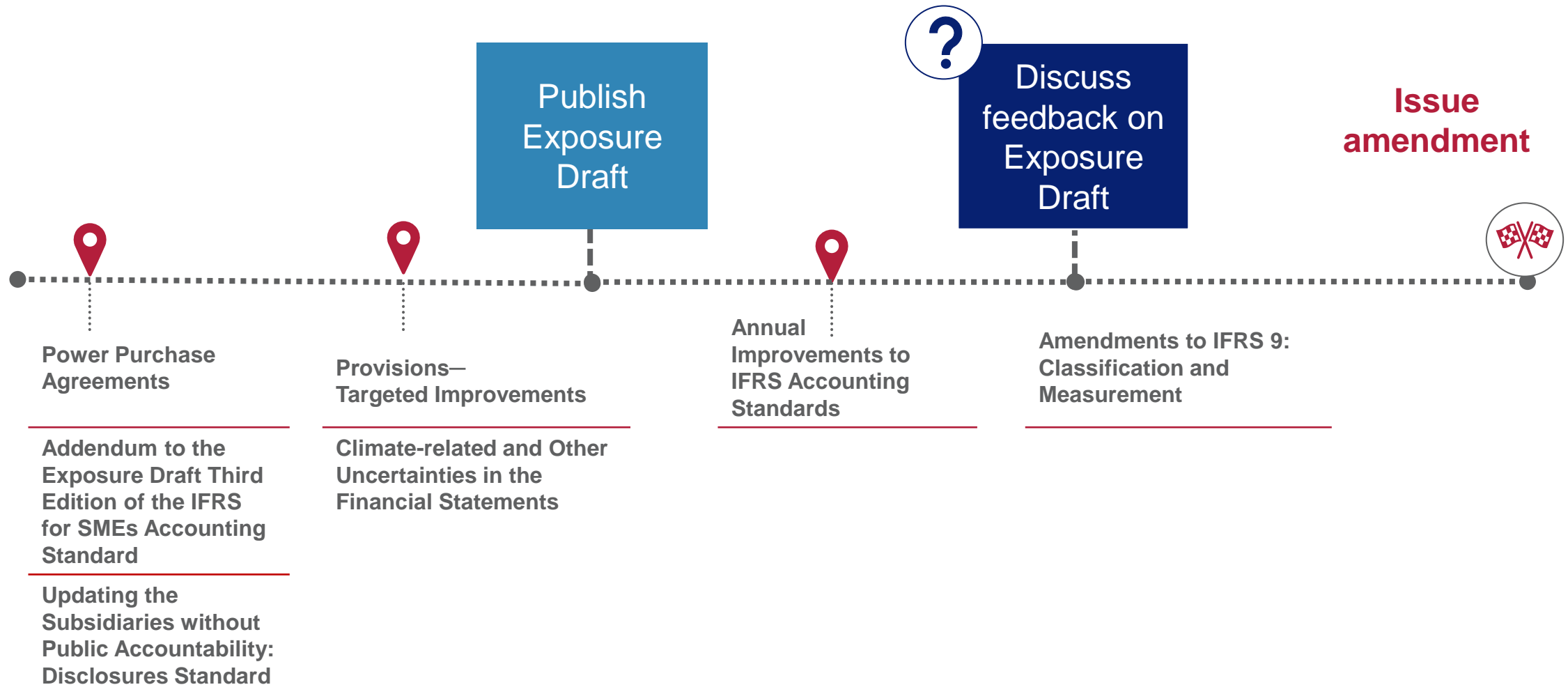
Next milestone

- Discuss feedback on the [Exposure Draft](#)
- Publish an Addendum to the Exposure Draft for:
 - Supplier Finance Arrangements; and
 - Lack of Exchangeability (Amendments to IAS 21)
- The third edition of the *IFRS for SMEs* Accounting Standard is expected in 2024

Maintenance projects



Overview: maintenance projects



Amendments to IFRS 9: Classification and Measurement

Objective

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

Areas of focus

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

Next milestone

- IFRS Amendment expected in H1 2024

Climate-related and Other Uncertainties in the Financial Statements

Objective

- To explore whether and how targeted actions could improve the reporting of financial information about climate-related and other uncertainties in the financial statements

Areas of focus

- Explore development of examples to help improve application of IFRS Accounting Standards
- Explore targeted amendments to improve disclosures about estimates in the financial statements
- Work with the ISSB technical staff to ensure both boards' work is connected

Next milestone

- Decide project direction in Q1 2024

Power Purchase Agreements (PPAs)

Objective

- Explore whether narrow-scope amendments could be made to better reflect PPAs in financial statements

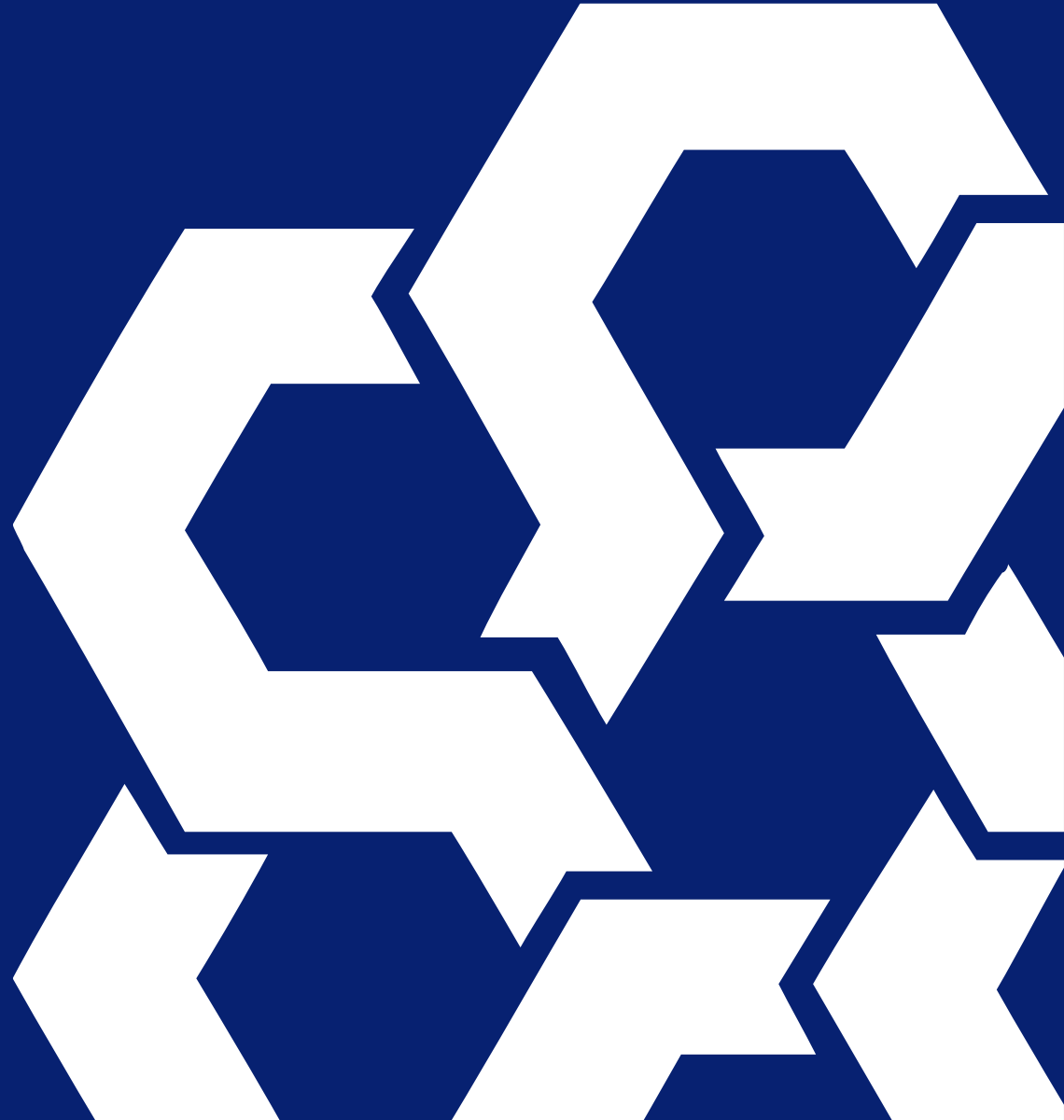
Project scope

- Own-use requirements for physical PPAs
- Hedge accounting requirements for virtual PPAs

Next steps

- IASB will decide on project direction in Q1 2024

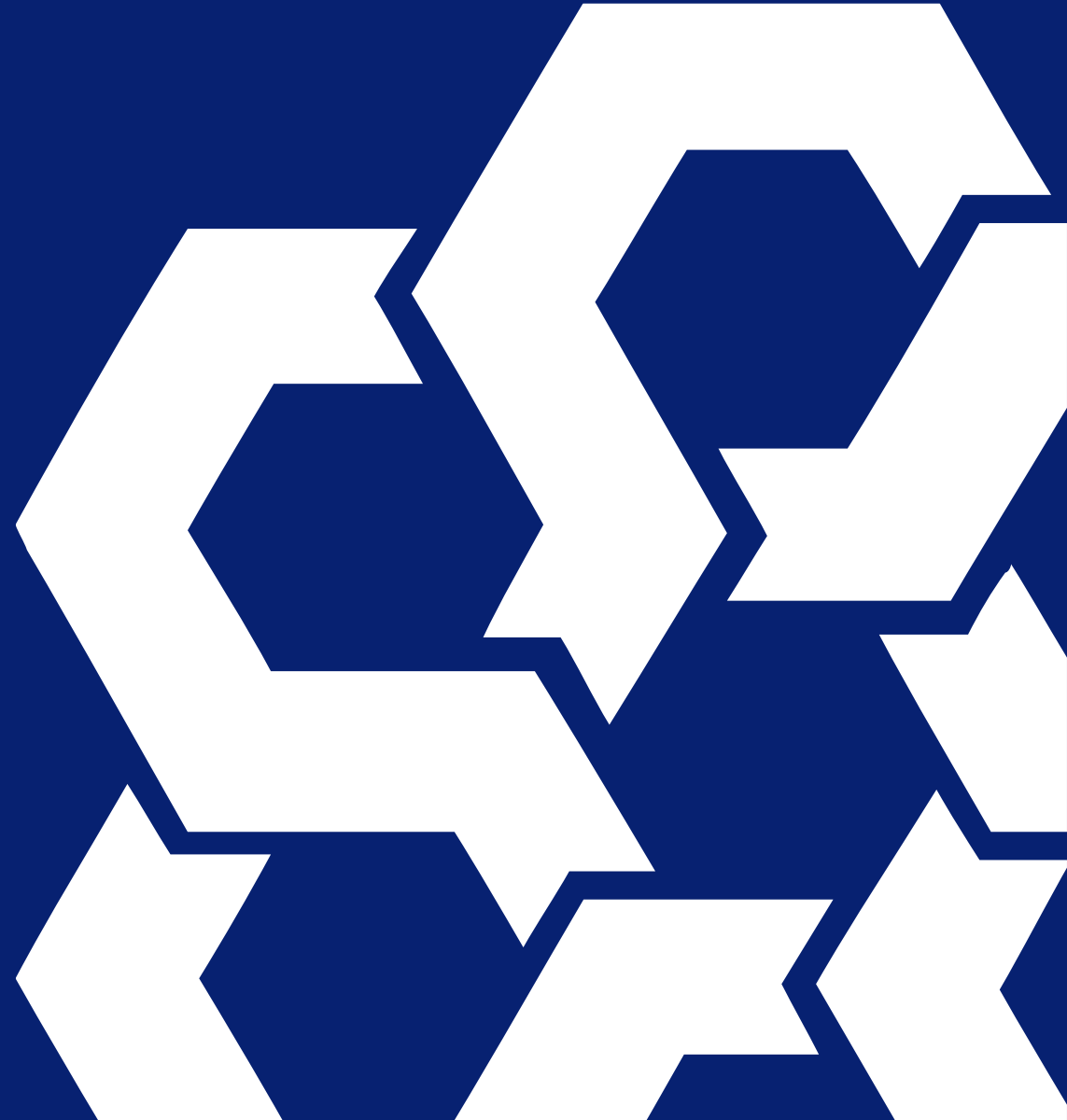
Other Topics



Going concern update

- IAASB exposure draft *Proposed International Standard on Auditing 570 (Revised 202x) Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs* — comment period closed in August 2023
- In developing the proposed revisions, we understand the IAASB considered consistency with IFRS Accounting Standards, including IAS 1, and the guidance in IFRS Interpretations Committee agenda decisions and IFRS Foundation educational materials
 - For example, the assessment period required by IAS 1 is at least, but not limited to, twelve months from the end of the reporting period—and therefore does not preclude a longer period.
- Individual IASB members and staff are monitoring the IAASB project and are providing informal feedback on aspects of the proposals relevant to our work.

Connections between the ISSB and the IASB



Why are connections between the IASB and ISSB important?



[Webcast: Connections between accounting and sustainability disclosures](#)

[Article: Connectivity—what is it and what does it deliver?](#)

Digital Financial Reporting



Digital financial reporting vision

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

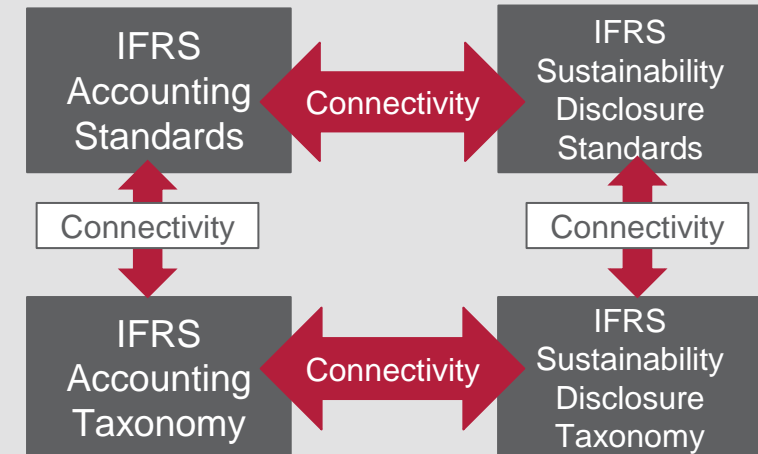
How we get there

Global adoption of
IFRS Standards

Global adoption of IFRS
Digital Taxonomies

Assurance requirements
and enforcer reviews









Digital accessibility of all
information included in
financial reports



Achieving this vision will require a coordinated effort by multiple players in the financial reporting and digital ecosystems

IASB's priority digital financial reporting activities

Priority activities that the IASB will undertake through to 2026, include:

IFRS Standards	IFRS digital taxonomies	Digital ecosystem partners
 Considering digital representation when drafting IFRS Accounting Standards	 Updating the IFRS Accounting Taxonomy for changes to IFRS Accounting Standards and common practice	 Developing regulator guides / capacity building materials to support optimal adoption of taxonomies
 Considering the implications for IFRS Accounting Standards from increasing digital consumption of GPFR	 Exploring enhancements to the IFRS Accounting Taxonomy to represent relationships/context digitally, improve navigability and enhance data validation	 Engaging with digital ecosystem stakeholders to gain momentum towards the digital vision and to identify challenges or roadblocks
	 Horizon scanning for technological disrupters that affect the need for digital taxonomies	 Encouraging public statements of support from international policy-makers

** Many of the IASB's priority DFR activities will be connected to the ISSB's DFR activities*

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