
IASB Technical Update

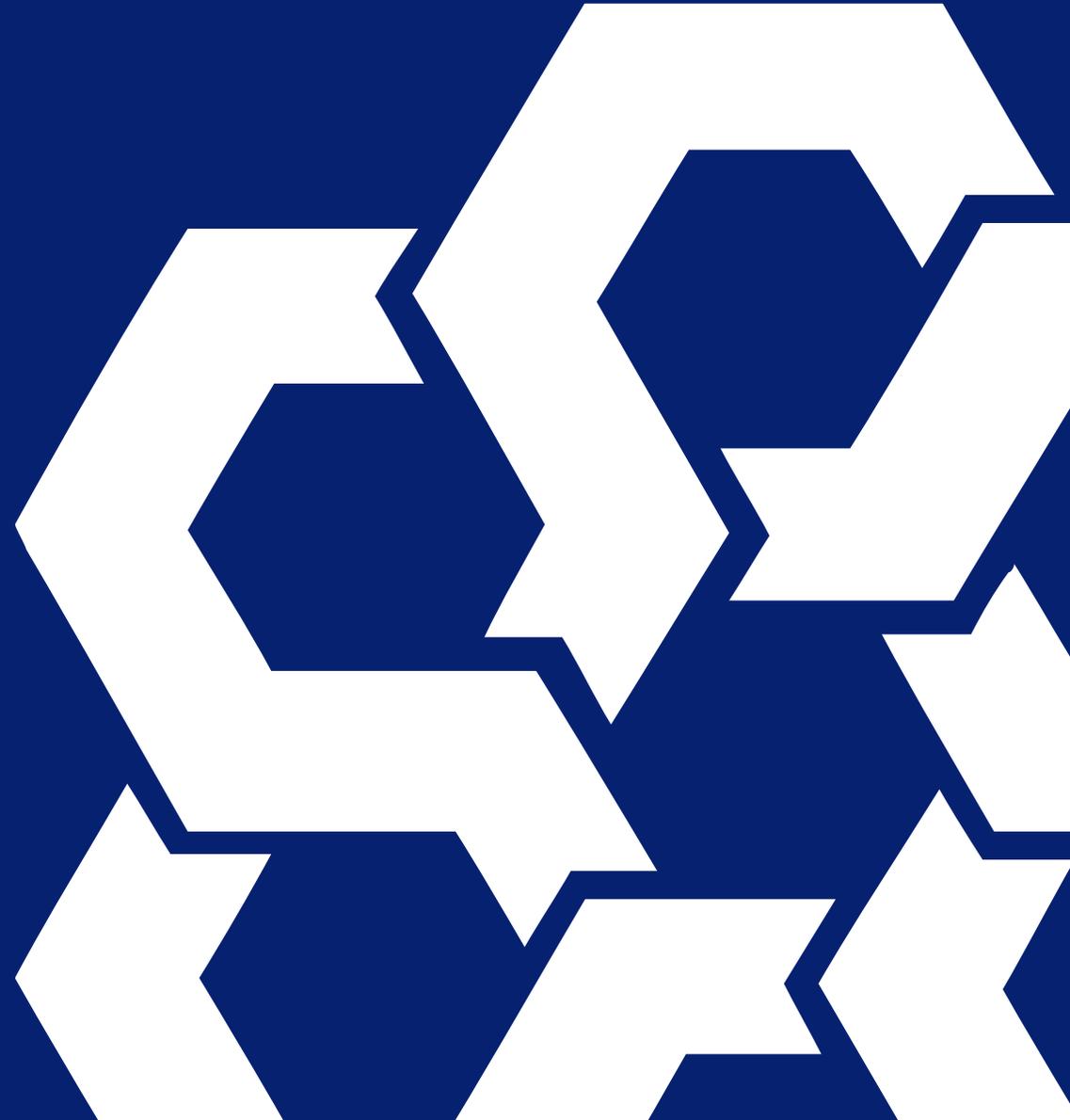
IAASB Mid-Quarter Board Call

7 February 2023

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?

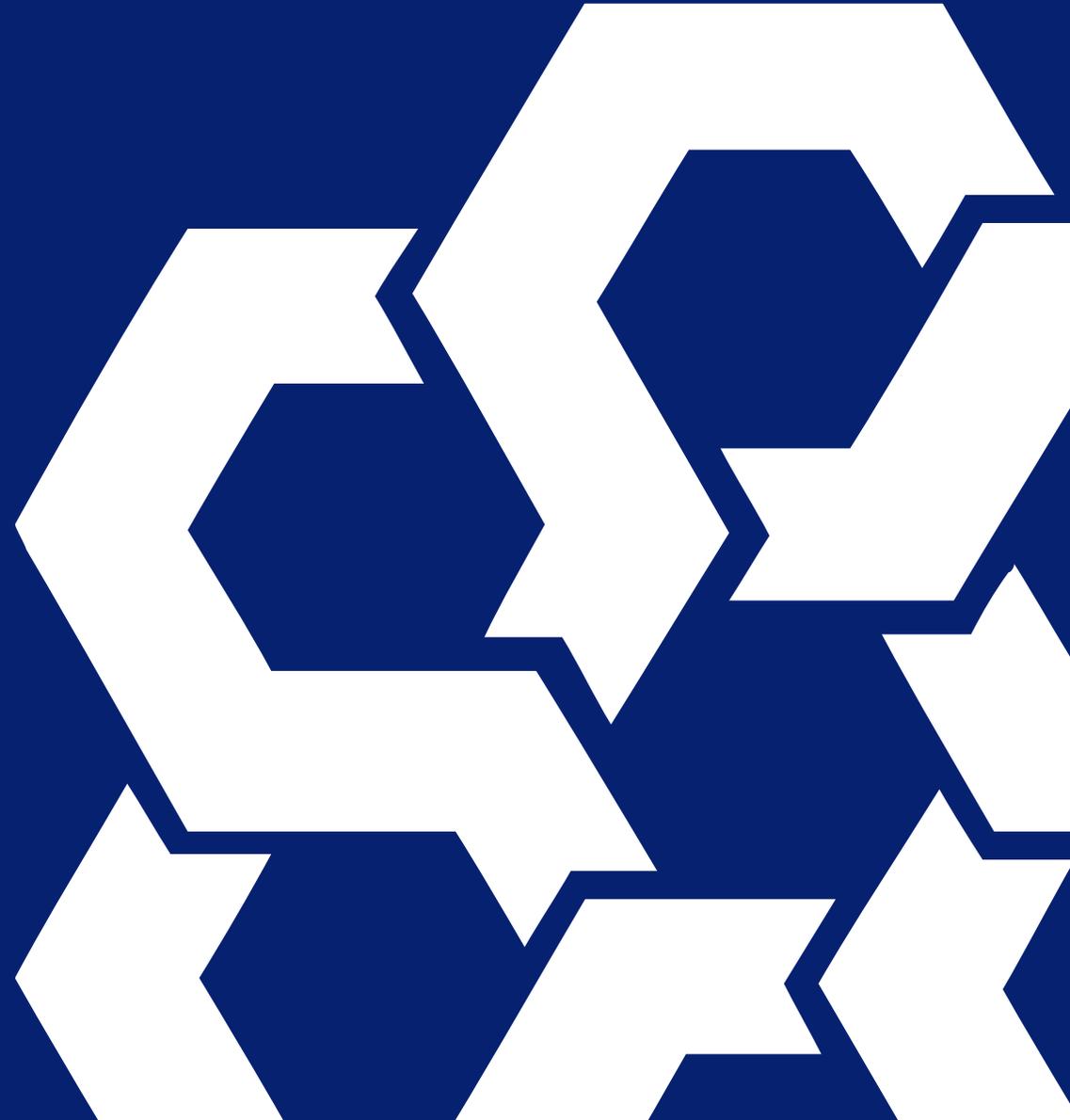
1 January 2023

- *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

Third Agenda
Consultation

Feedback Statement

International Tax Reform—
Pillar Two Model Rules

Exposure Draft Proposed
Amendments to IAS 12
Income Taxes



Comments due by 10 **March 2023**

Non-current Liabilities
with Covenants

Amendment to IAS 1
*Presentation of Financial
Statements*

PIR of IFRS 9—
Classification and
Measurement

Feedback Statement

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**

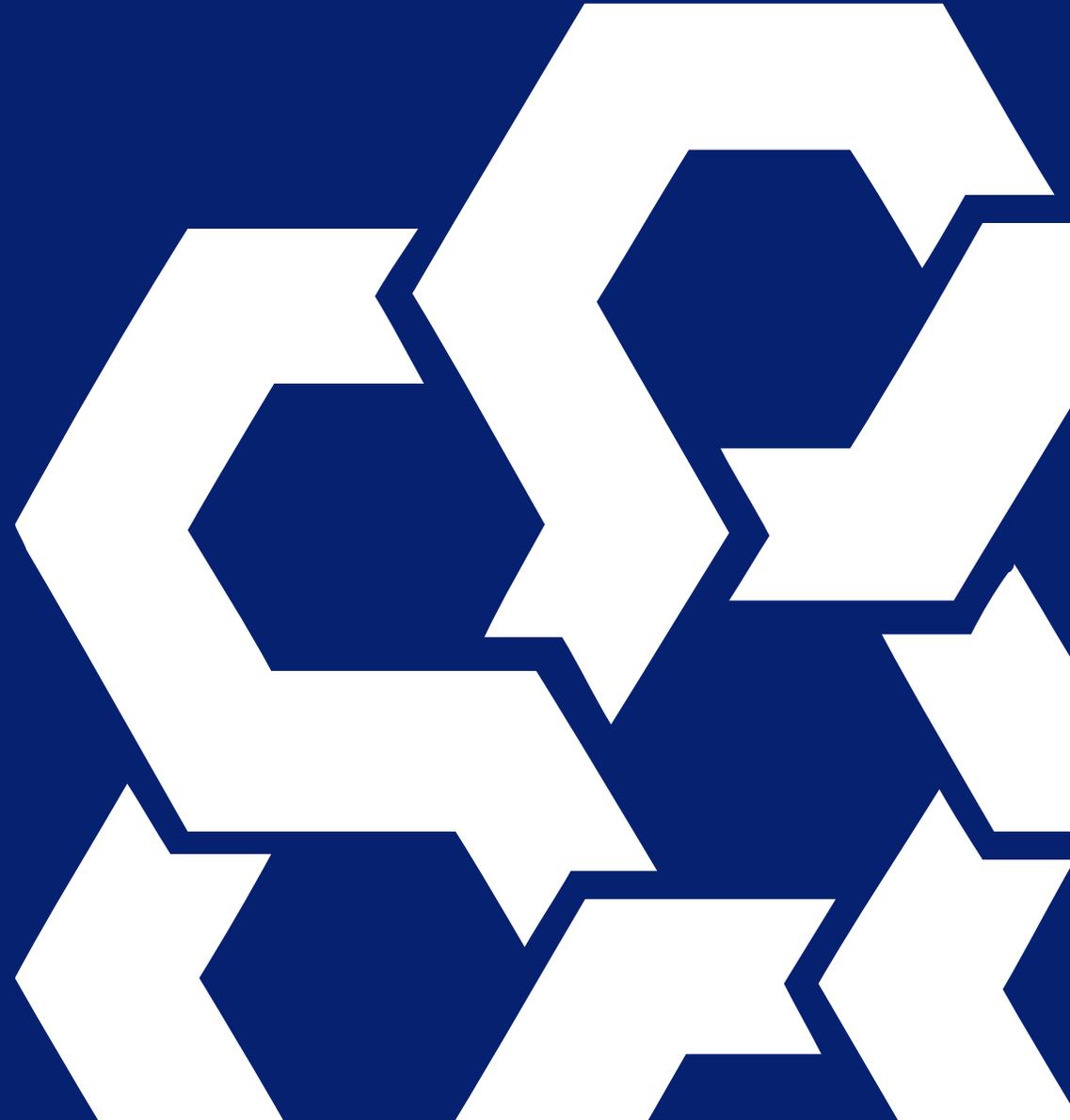
Forthcoming documents

- 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

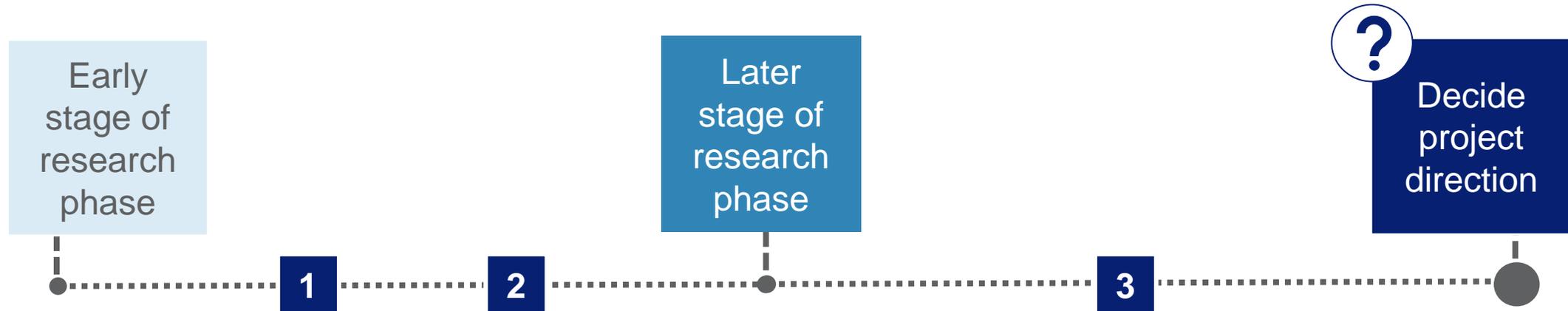
Expected

H1 2023

Research projects



Overview: research projects

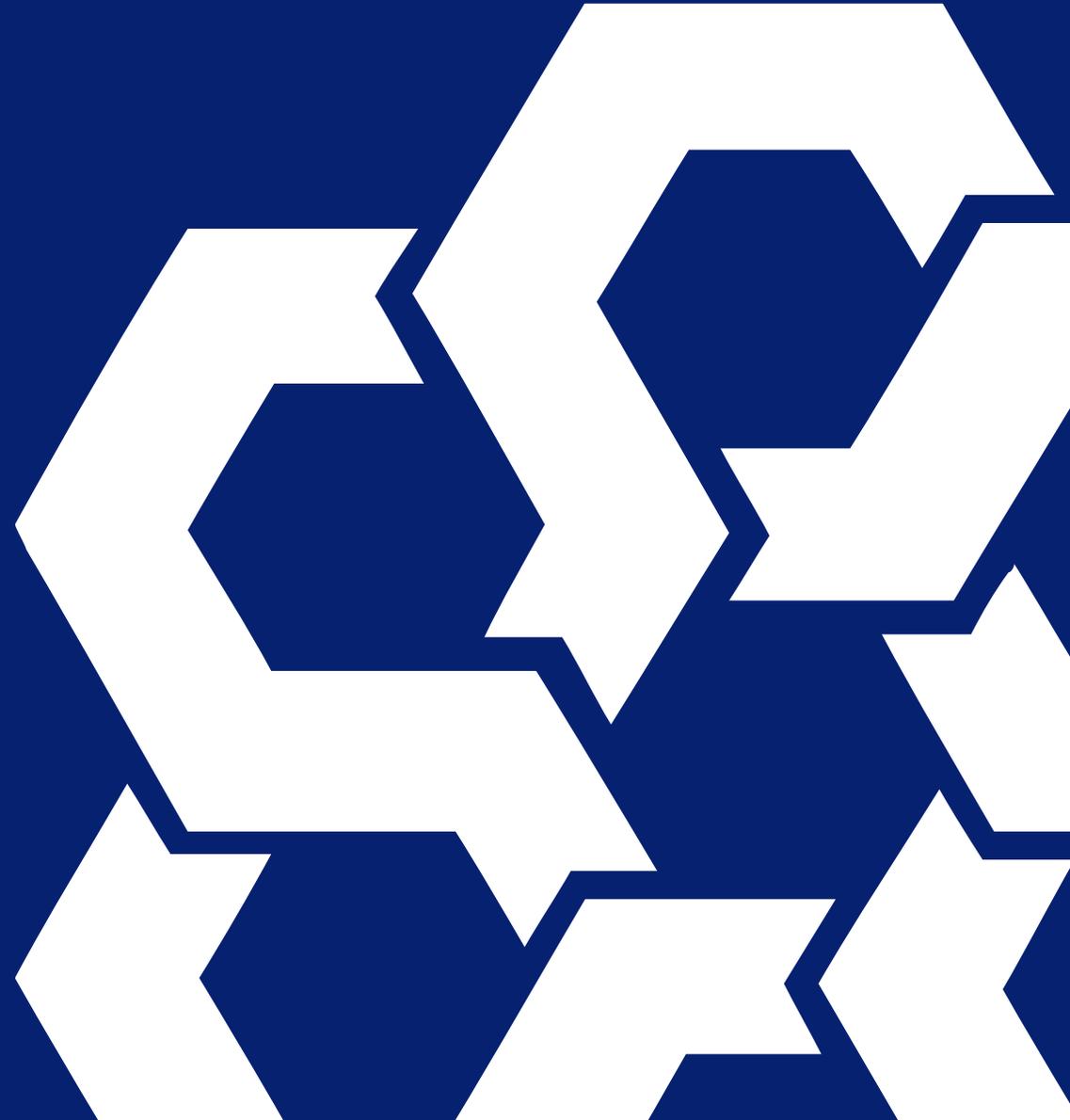


1 Equity Method

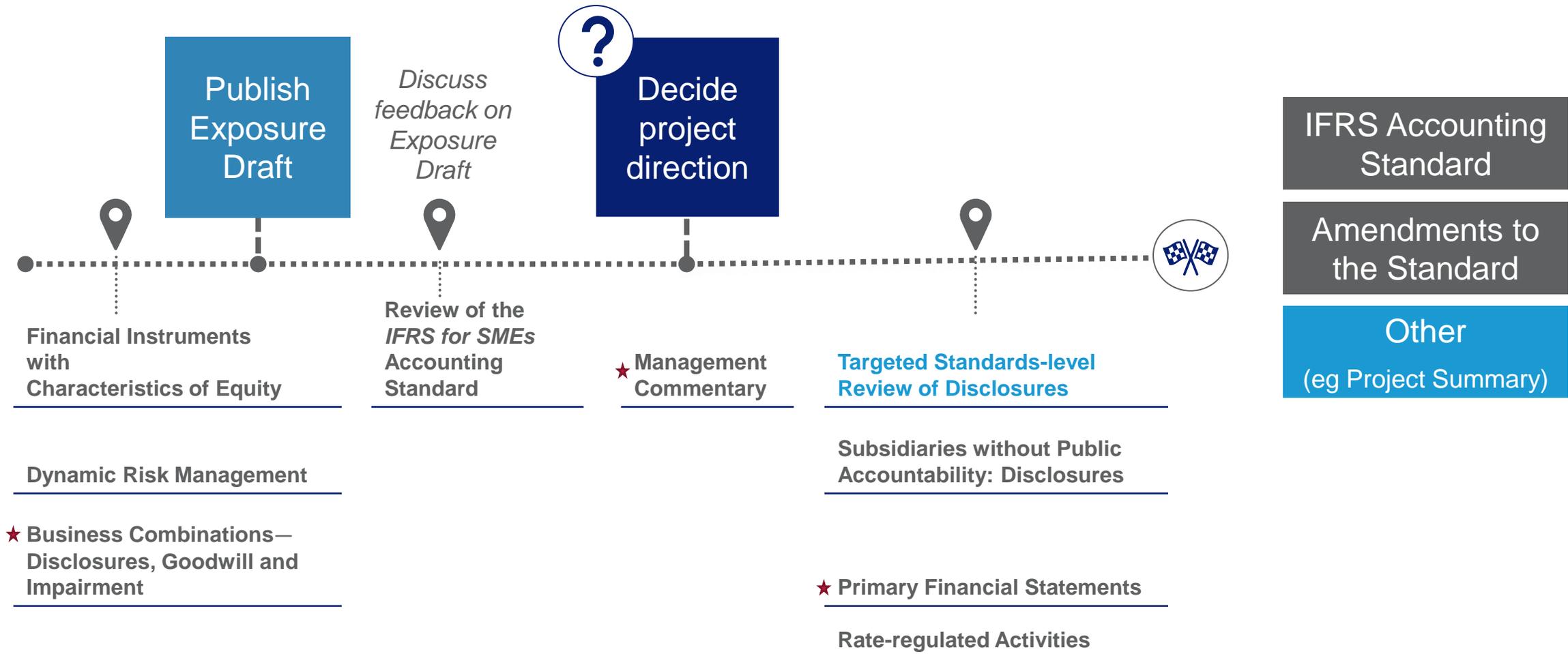
2 Extractive Activities

3 Business Combinations under Common Control

Standard-setting projects



Overview: standard-setting projects



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

<p>Overall comments</p>	<ul style="list-style-type: none"> • Most supported the direction of the redeliberations and would like to see the project completed as soon as possible
<p>Subtotals and categories</p>	<ul style="list-style-type: none"> • Most agreed with the revised approach for classifying income and expenses in the financing category but requested additional guidance • Some disagreed with classifying income and expenses from associates and joint ventures accounted for using the equity method in the investing category
<p>Management performance measures</p>	<ul style="list-style-type: none"> • Many supported the rebuttable presumption but requested additional guidance • Many supported the simplified tax calculation for reconciling items but some challenged the usefulness or expressed concerns about the cost of the information
<p>Disaggregation</p>	<ul style="list-style-type: none"> • Most agreed with the revised proposal to disclose the amounts of depreciation, amortisation and employee benefits included in each line item • Some supported including impairments and write-downs of inventory

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

<p>Reconciliation</p>	<ul style="list-style-type: none"> • 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.
<p>Clear and understandable description</p>	<p>Application guidance added that a clear and understandable description:</p> <ul style="list-style-type: none"> • 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.
<p>Faithful representation</p>	<ul style="list-style-type: none"> • 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.

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

Management Commentary

Objective

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

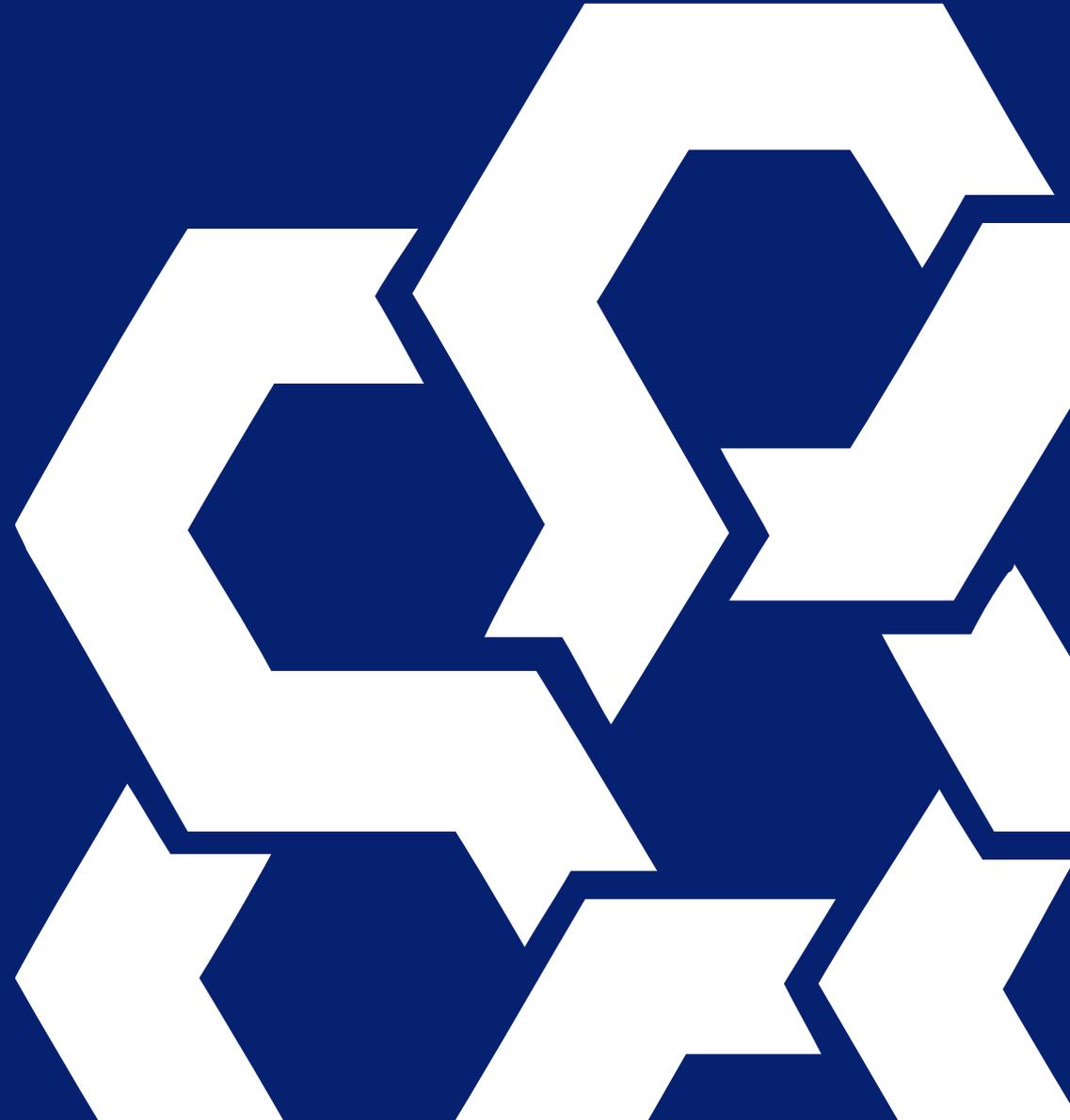
Evolving landscape

- 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 10, IFRS 11 and IFRS 12

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*

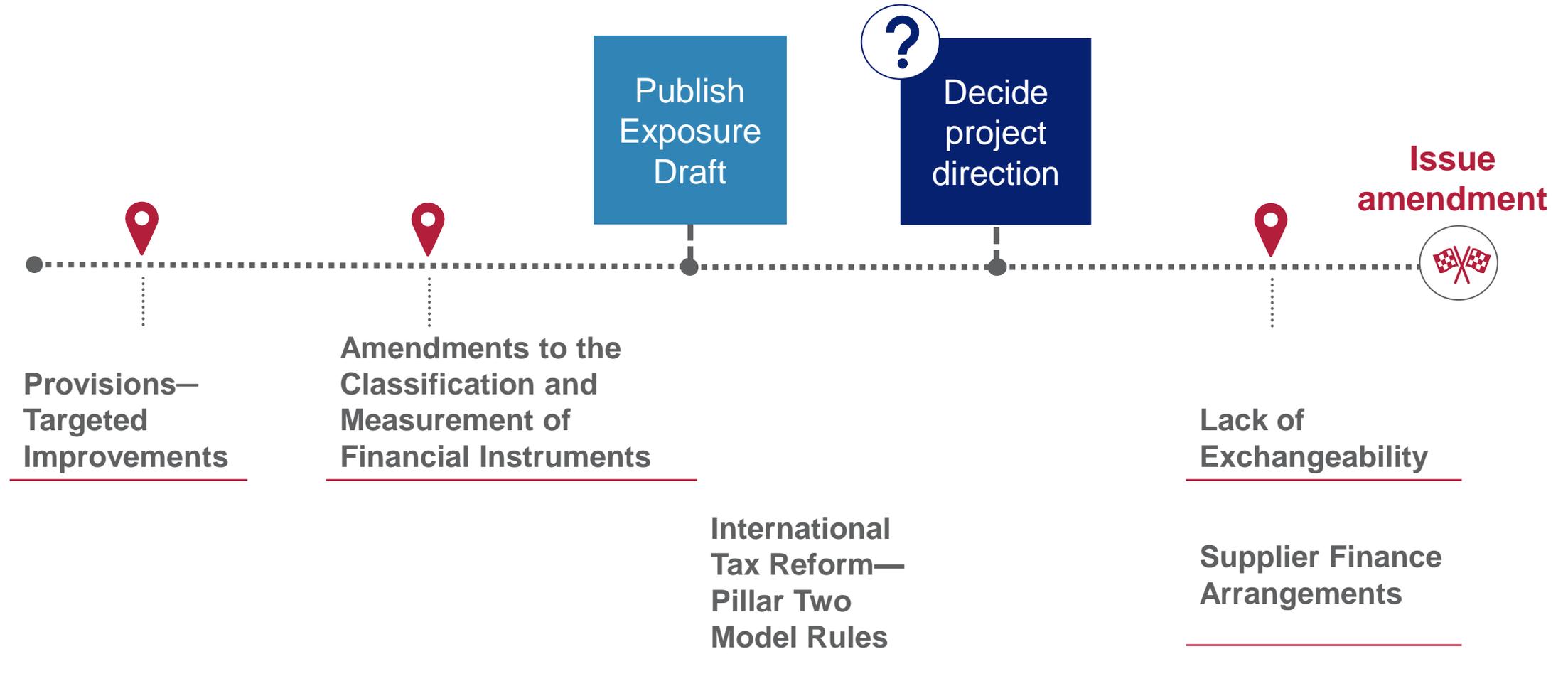
Forthcoming

PIR of IFRS 9—Hedge Accounting

Maintenance projects



Overview: maintenance projects



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



Objective

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



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)

Climate-related Risks in the Financial Statements (incl. PPM)



Cryptocurrencies and Related Transactions



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

Research project pipeline—deep dive



Intangible Assets

- 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.



Statement of Cash Flows and Related Matters

- 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).

Maintenance project pipeline—deep dive



Climate-related Risks in the Financial Statements



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**

Examples:

- *Information sharing*
- *Joint IASB-ISSB meetings*

leads to

Connectivity in **PRODUCT**

Examples:

- *Shared concepts (eg materiality)*
- *Complementary requirements (eg intangibles)*

leads to

Better general purpose financial reporting
Better information for better decisions

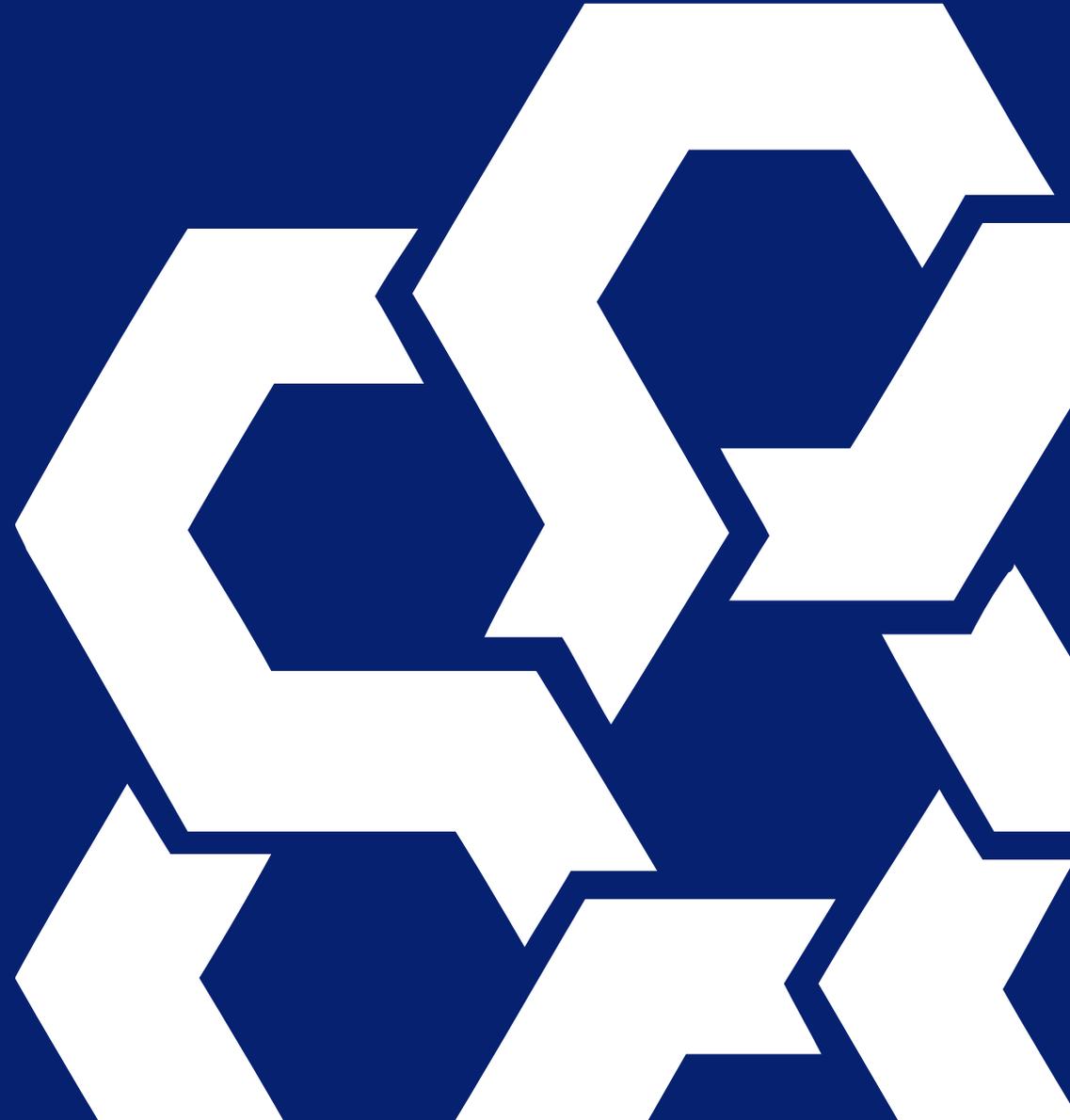
What is general purpose financial reporting?



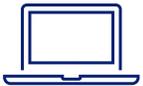
IFRS Standards within the broader reporting landscape



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



Reducing search costs



Increasing analyst coverage



Increasing access to capital



Levelling the playing field for investors



Reducing language barriers



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

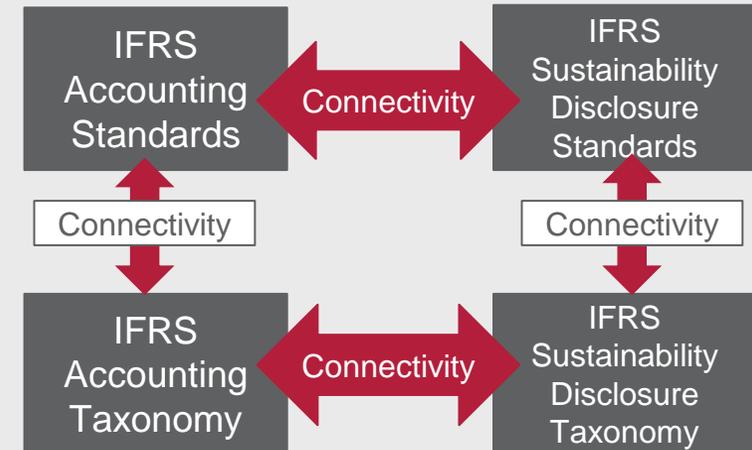
How we get there

Global adoption of IFRS Standards

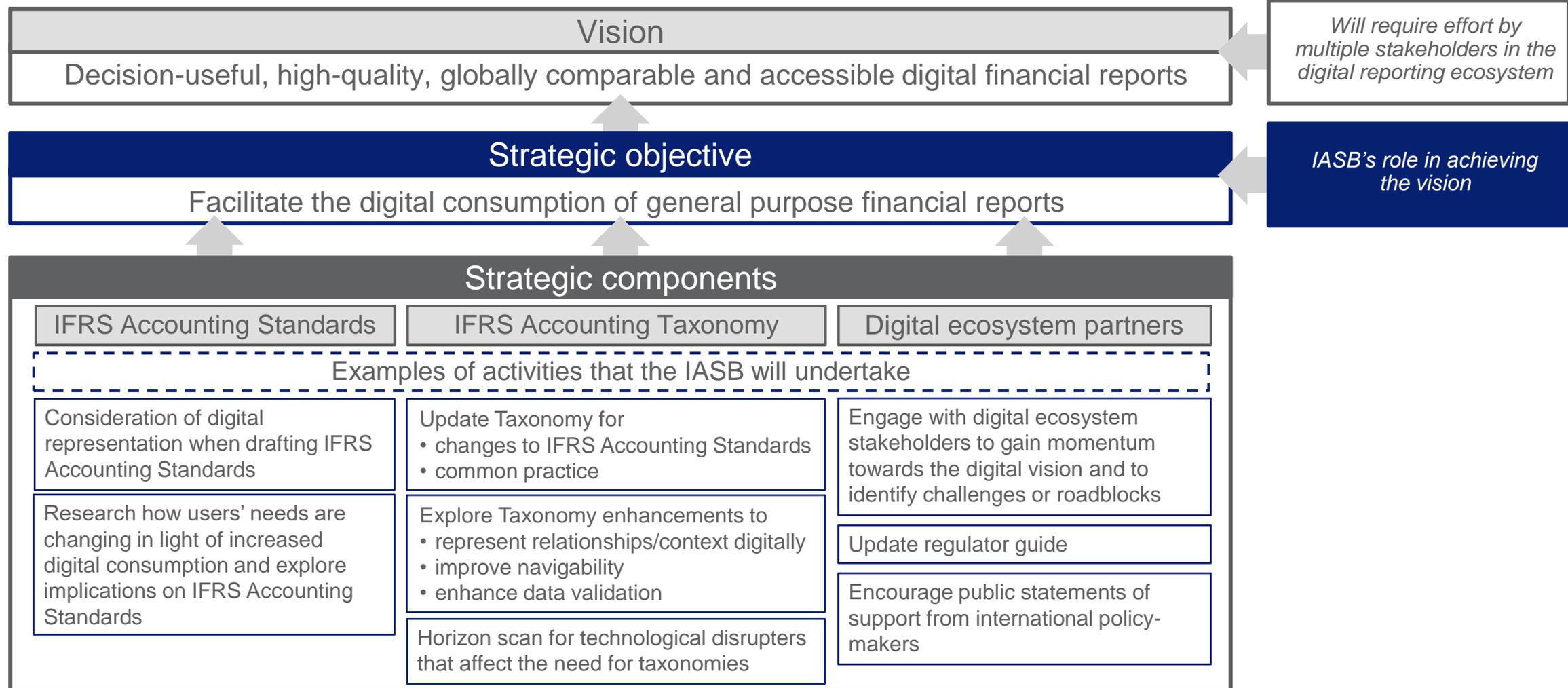
Global adoption of IFRS Digital Taxonomies

Assurance requirements and enforcer reviews

Accessibility, including platforms to access digital reports



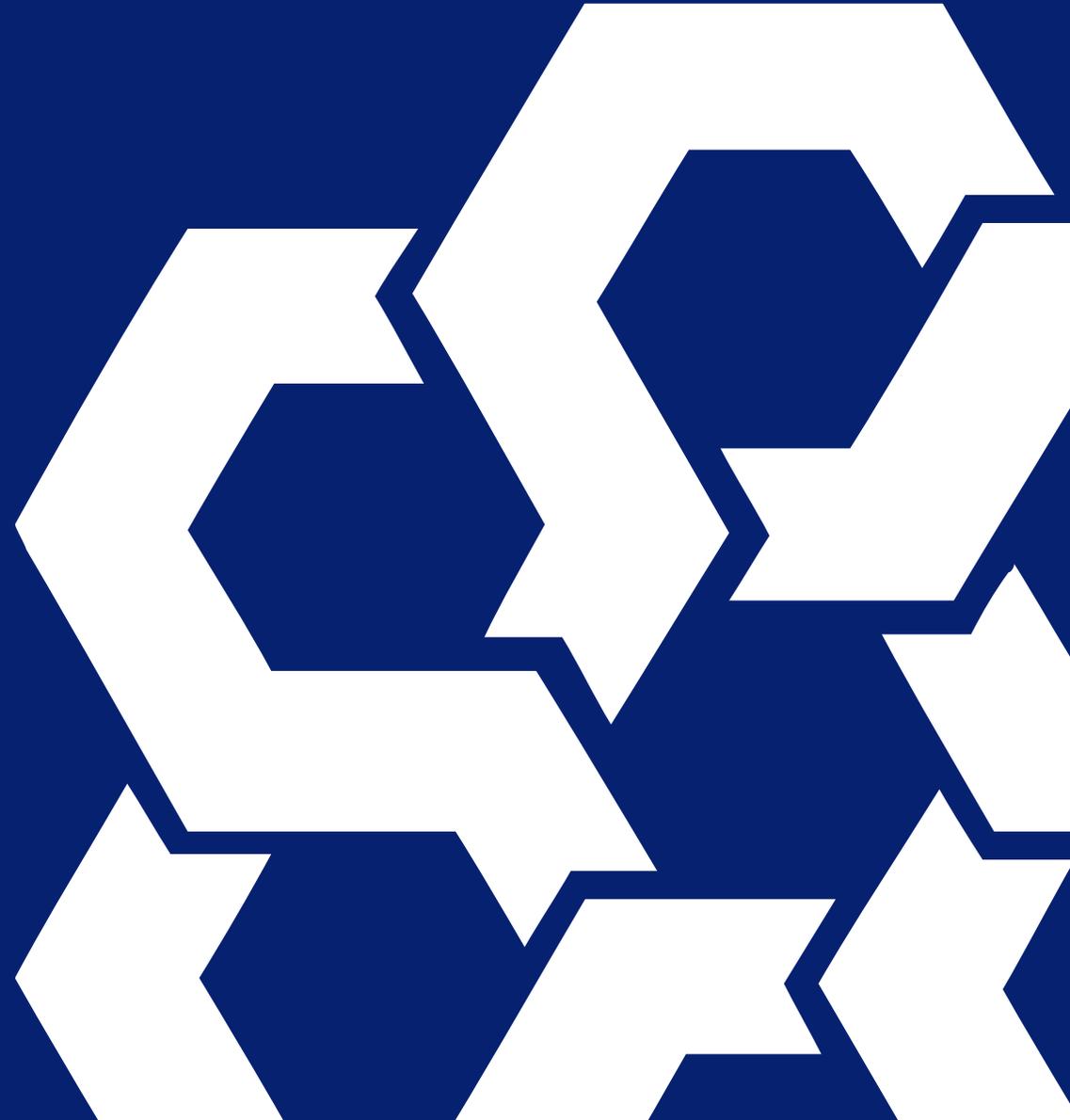
The IASB's digital financial reporting strategy



Appendix



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

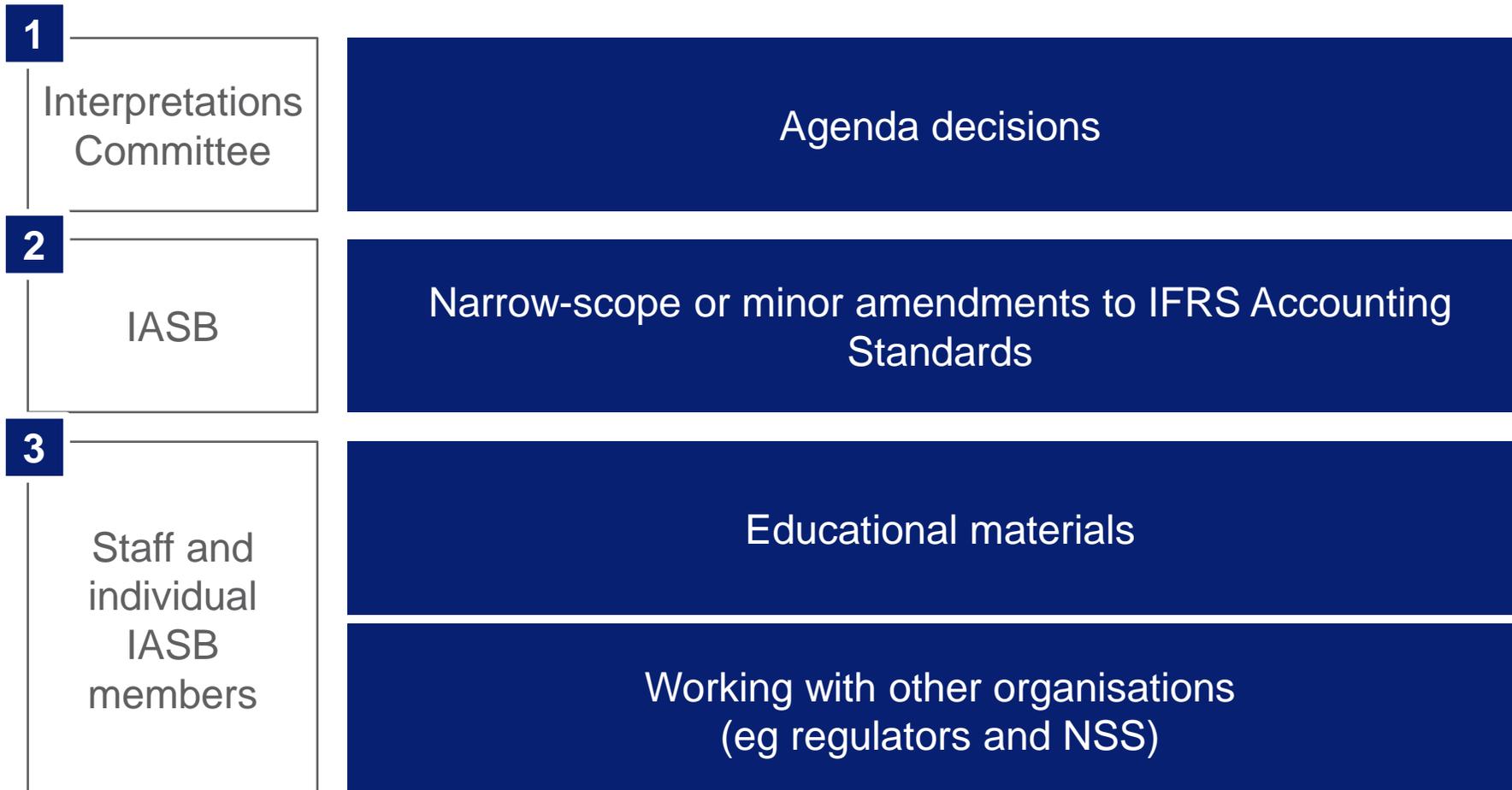
Responsive



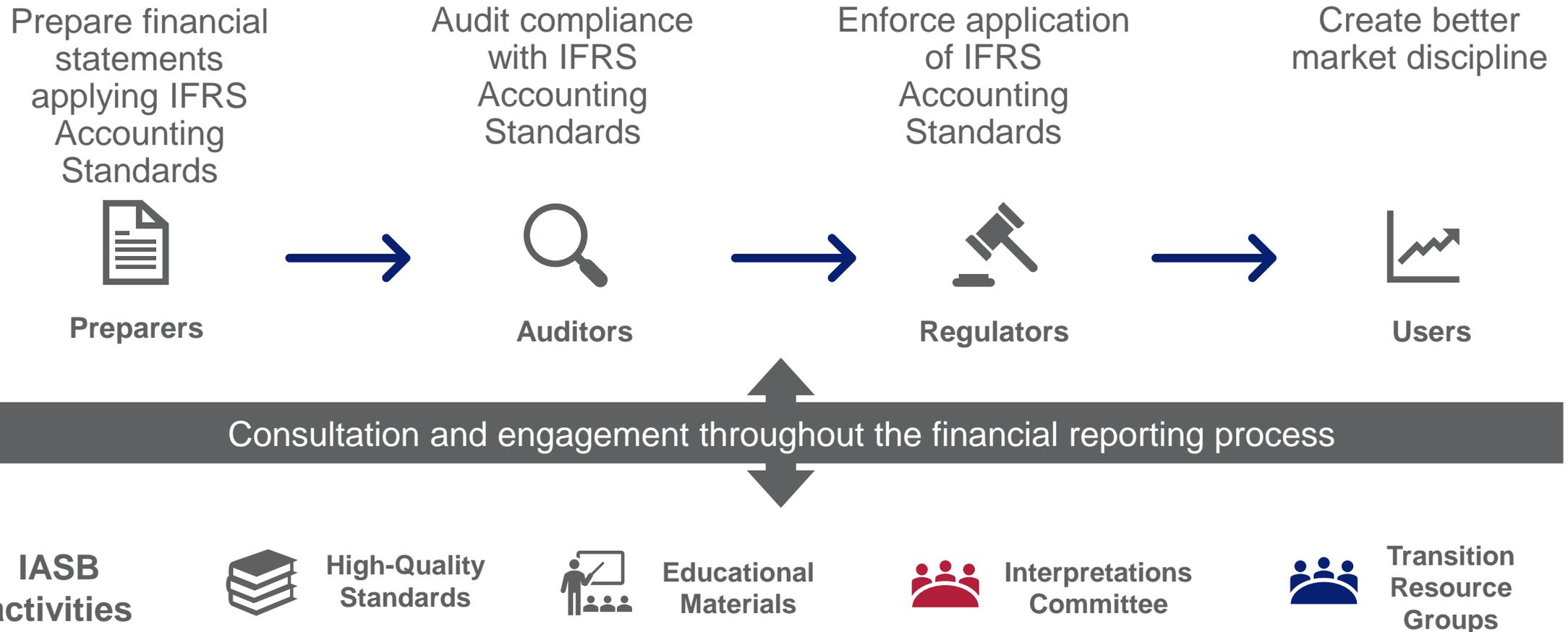
Not undermine principle-based nature

Not unduly disrupt practice

How we support consistent application

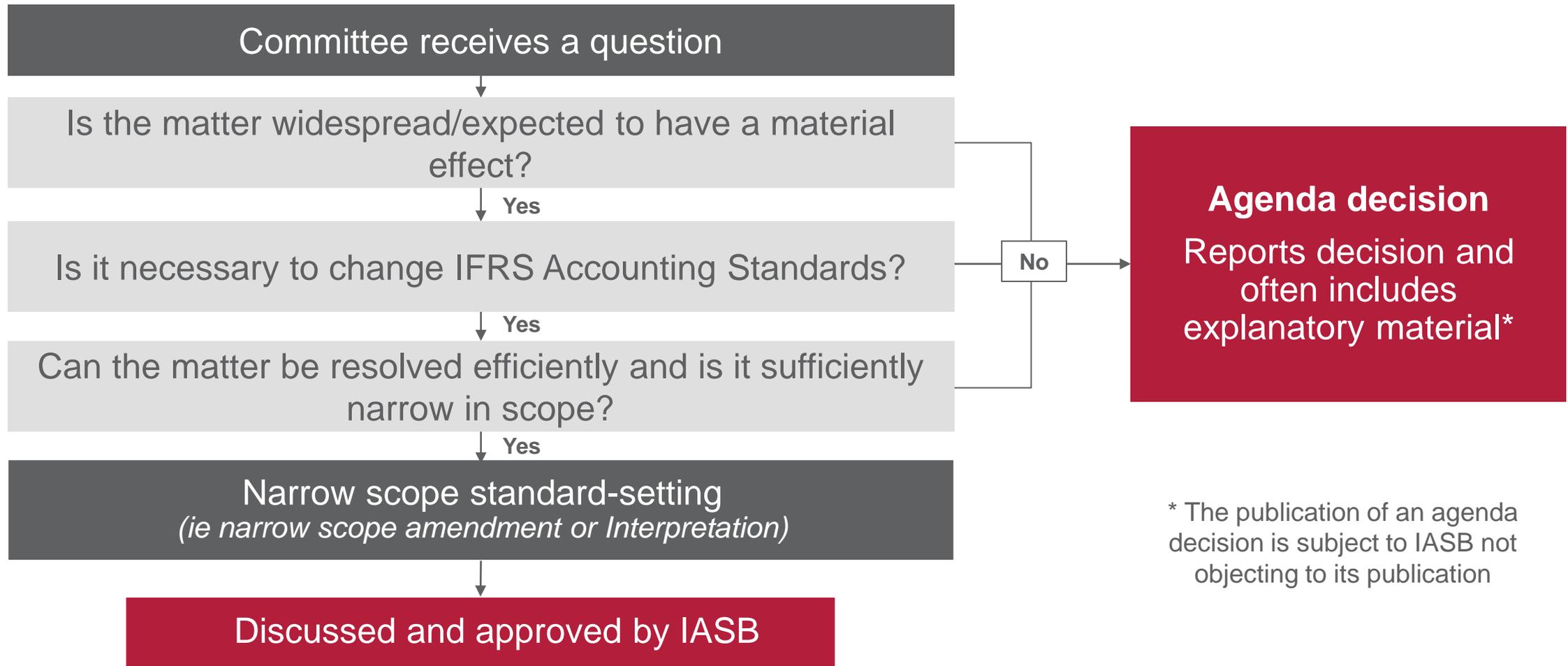


Our role versus the role of others



Work of the IFRS Interpretations Committee

The Interpretations Committee's process



Sample of agenda decisions

Supply Chain Financing Arrangements—Reverse Factoring

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

Costs Necessary to Sell Inventories (IAS 2)

Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7)

Principal versus Agent: Software Reseller (IFRS 15)

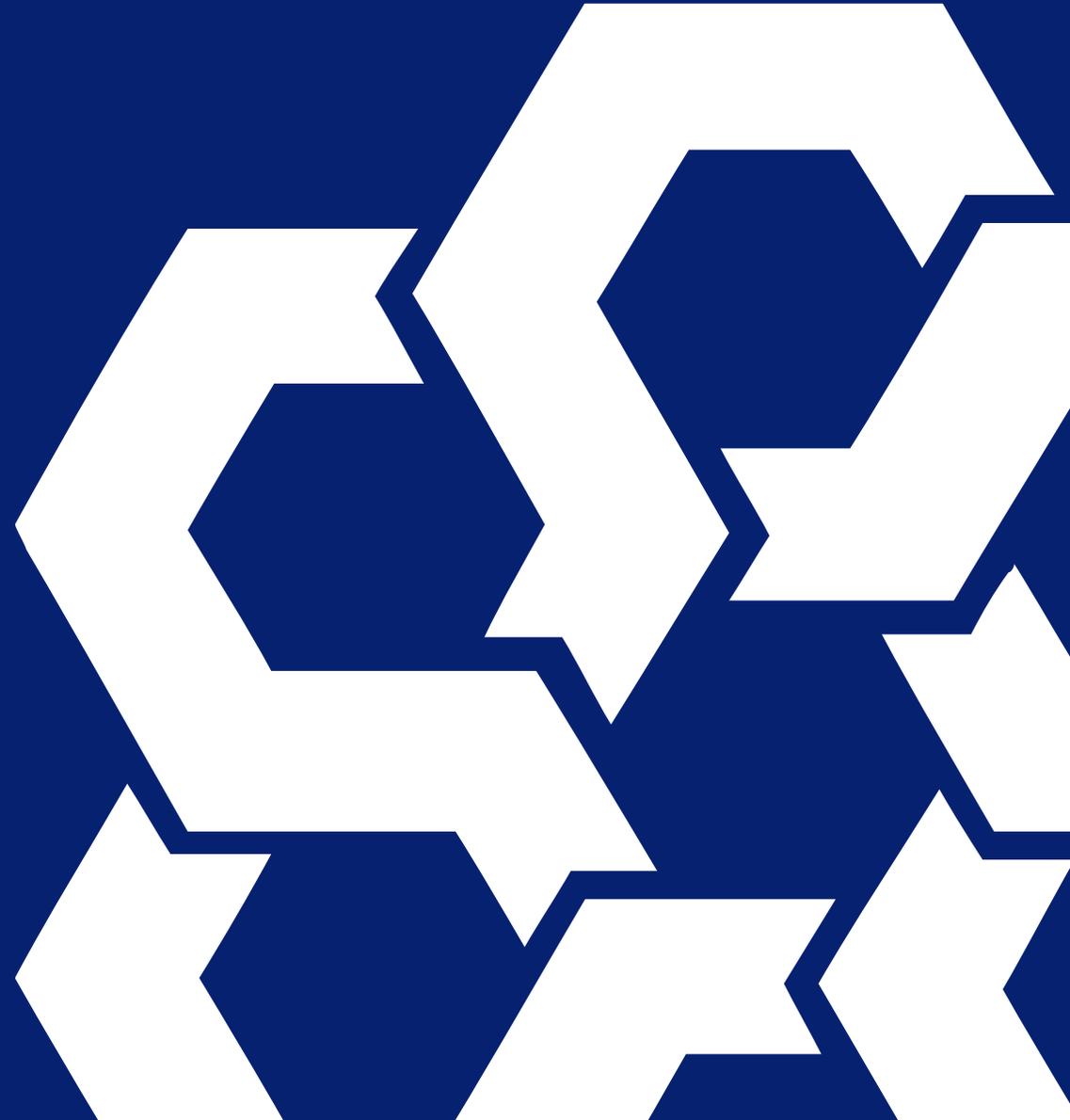
Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)

Negative Low Emission Vehicle Credits (IAS 37)

Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition

Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17)

IFRS Accounting Taxonomy



IFRS Accounting Taxonomy

IFRS Accounting 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 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

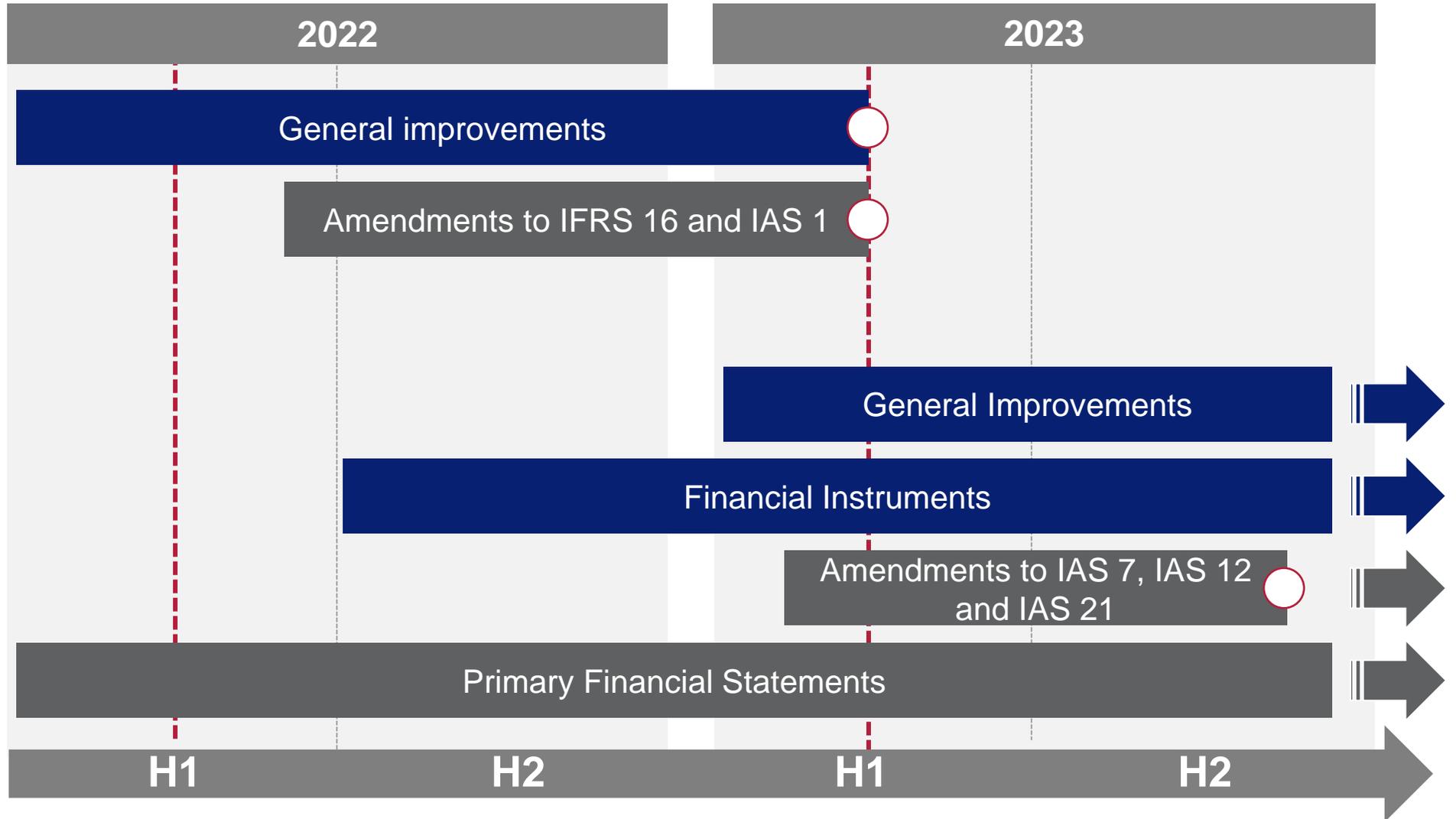
updating supporting materials

New / amended IFRS Accounting Standards

Common Practice / General Improvements

○ Final IFRS Taxonomy Update

┆ Annual IFRS Accounting Taxonomy



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