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# IASB Technical Update

## IAASB Mid-Quarter Board Call

7 February 2023

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# 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**

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# New requirements



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# 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)

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## 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**

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## 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

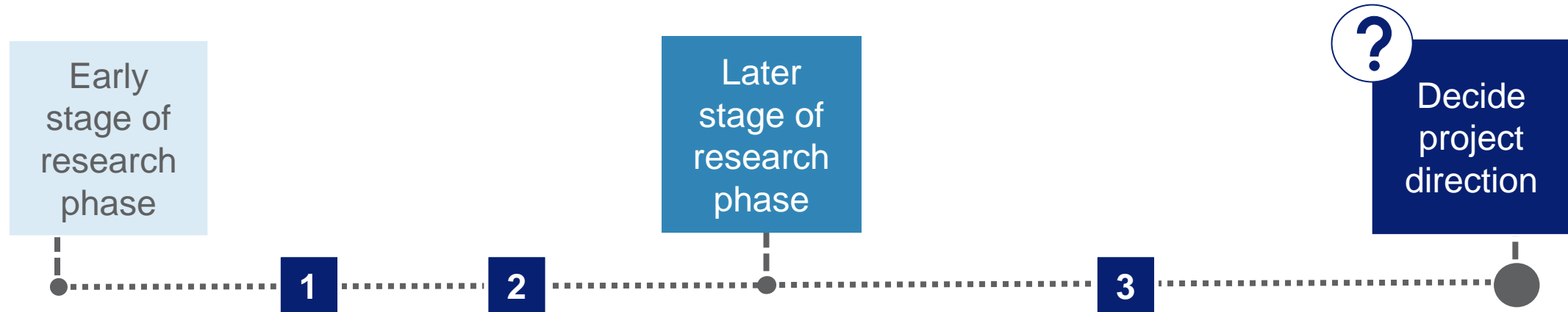
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## Research projects





# Overview: research projects



**1**

**Equity Method**

**2**

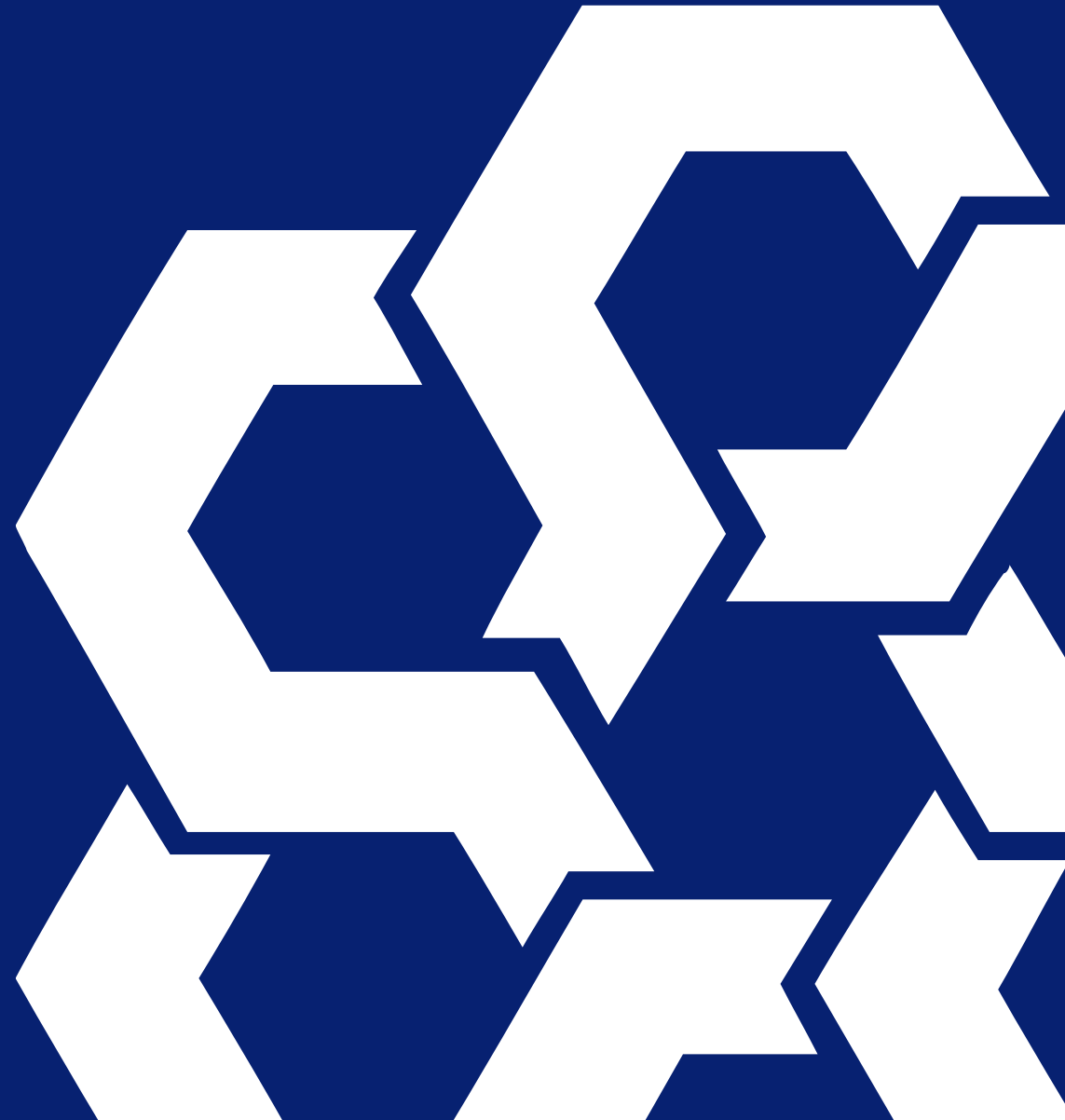
**Extractive Activities**

**3**

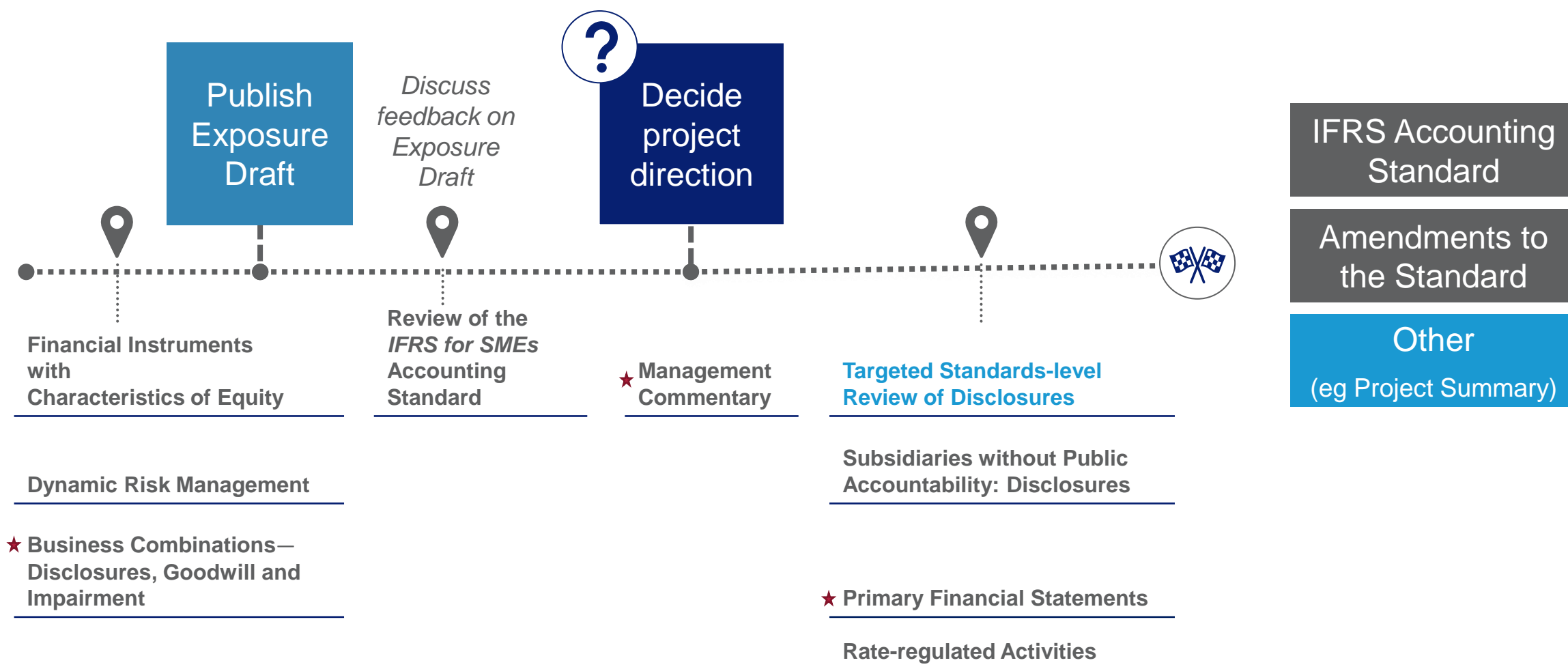
**Business Combinations under Common Control**

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## 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

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

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# 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	<ul style="list-style-type: none"><li>• 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</li><li>• 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.</li></ul>
Clear and understandable description	<p>Application guidance added that a clear and understandable description:</p> <ul style="list-style-type: none"><li>• Explains the basis for determining the income and expenses the measure includes or excludes;</li><li>• Includes definitions for terms not defined in IFRS Standards needed to understand the aspect of performance being communicated; and</li><li>• Discloses whether and how an MPM has been calculated using accounting policies that differ from those selected when applying IFRS Standards.</li></ul>
Faithful representation	<ul style="list-style-type: none"><li>• Clarified requirement applies as a general requirement. Removed specific requirement to avoid confusion.</li></ul>

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# 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	✓	✗	✓

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# Management Commentary

## Objective

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

## Evolving landscape

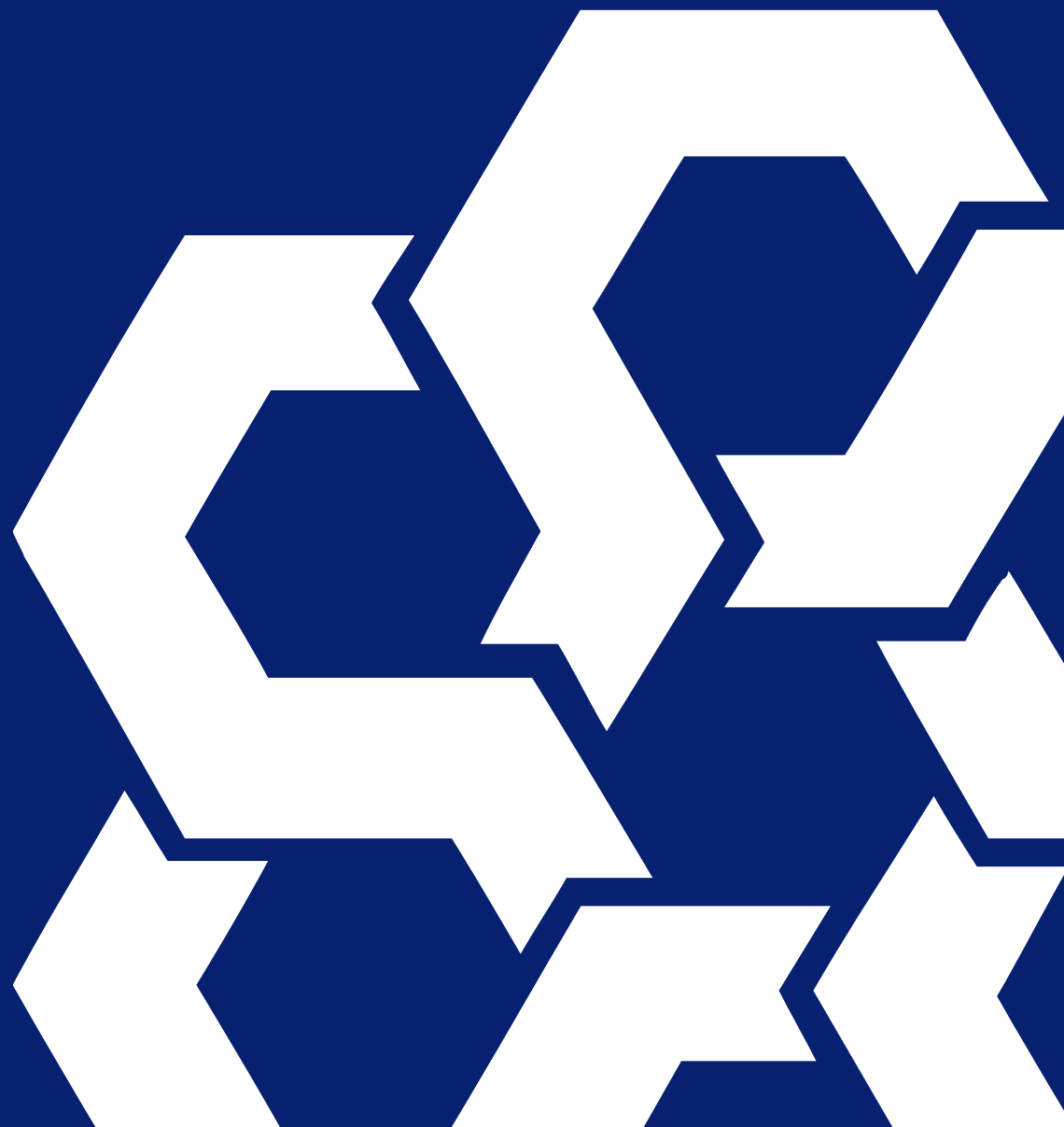
- Feedback on ED indicated support for the project, in particular from investors
- Calls to work together with the ISSB—possible joint project to be considered in ISSB Agenda Consultation
- Commitment to explore similarities and differences with *Integrated Reporting Framework*

## Next milestone

- Consider project direction

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# Post-implementation reviews



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# 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*

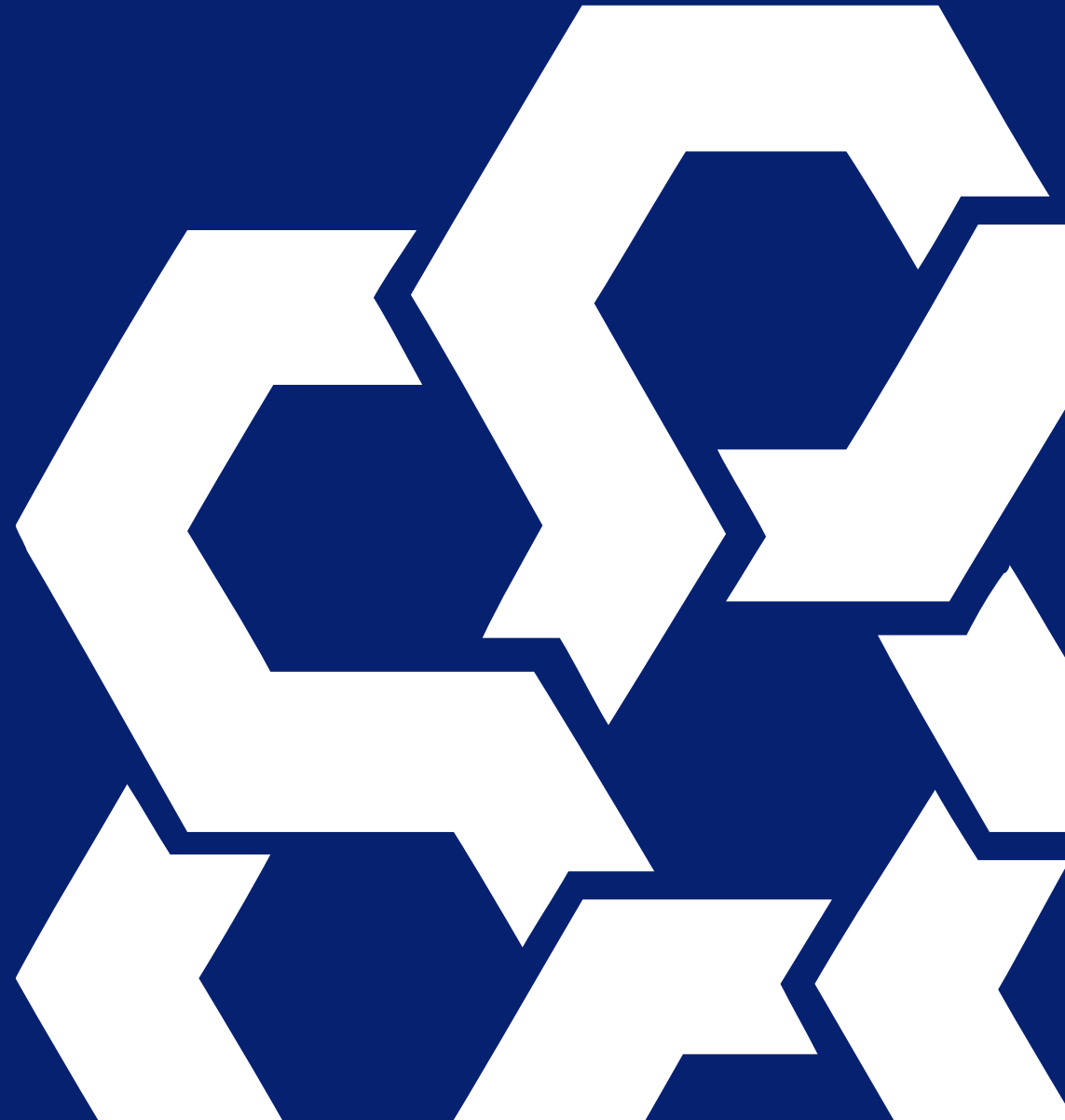
PIR of IFRS 16 *Leases*

## Forthcoming

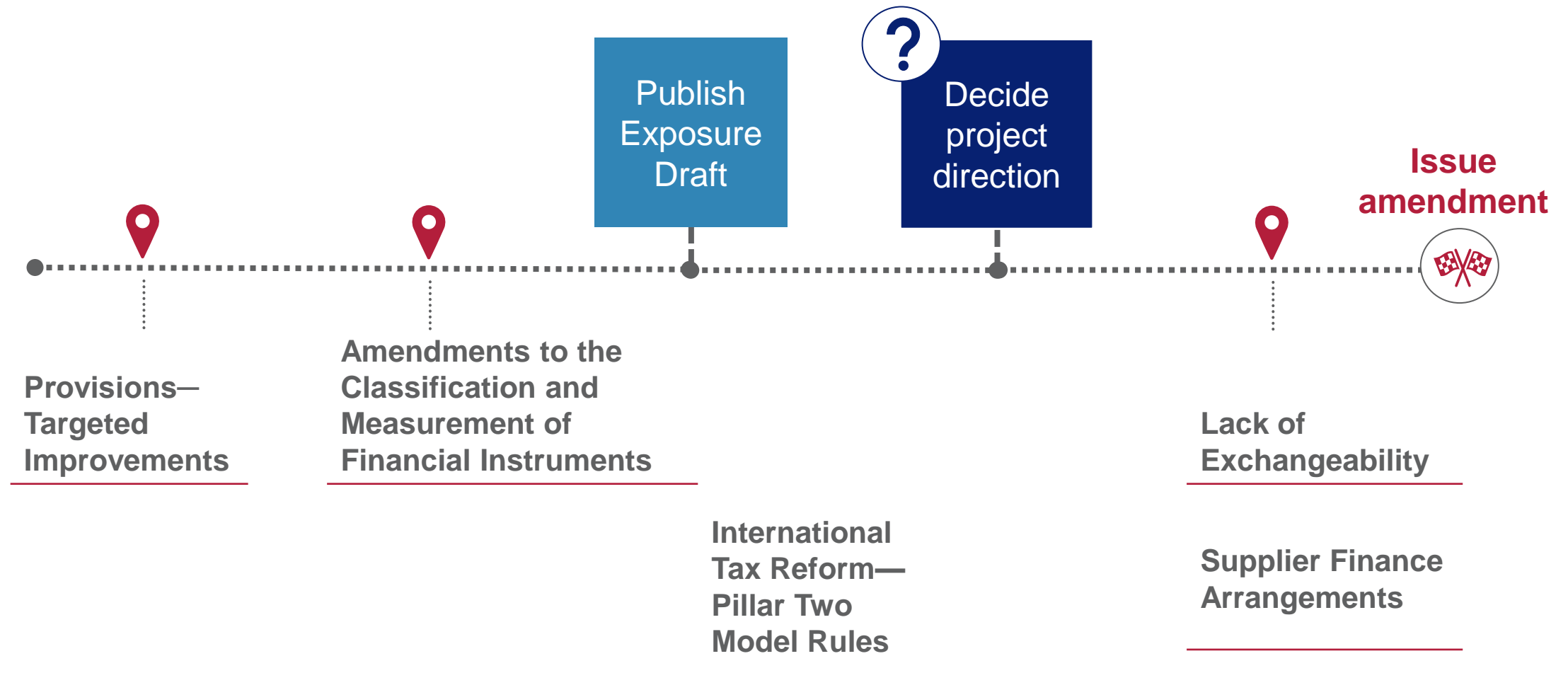
PIR of IFRS 9—Hedge Accounting

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# Maintenance projects



# Overview: maintenance projects



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# 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

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# 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



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# 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



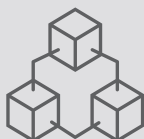
- Respondents commented on or suggested approximately 70 potential projects—more than possible to undertake, given stakeholders' and the IASB's capacity.
- The IASB should not add too many new projects to the work plan as it will need capacity to deal with emerging issues and interaction with the ISSB.
- 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.



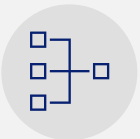
Statement of Cash Flows and Related Matters—as part of the research phase of such a project, the IASB will consider whether the project should aim to review IAS 7 *Statement of Cash Flows* comprehensively or make more targeted improvements.

### 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:

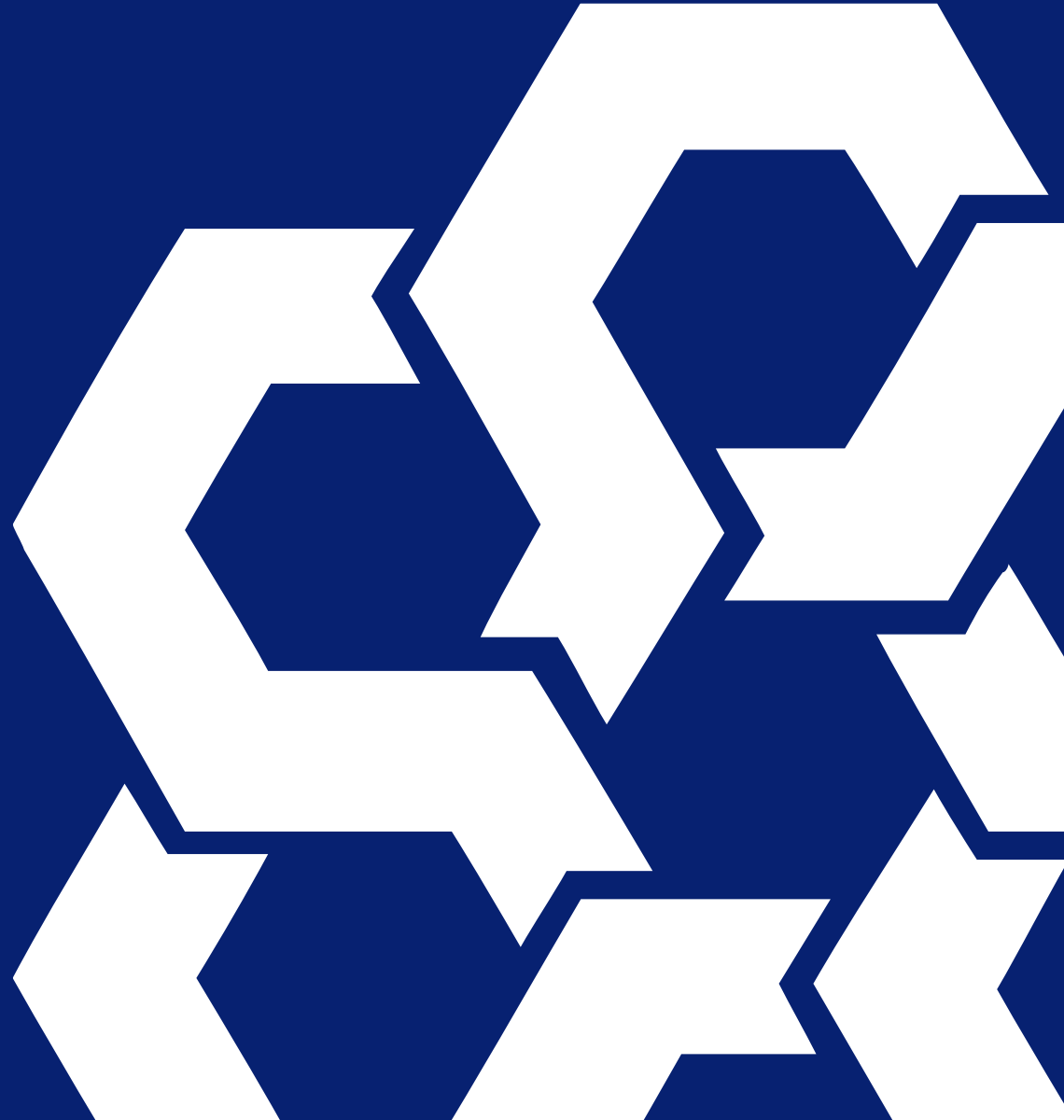
- research the causes of stakeholders' concerns;
- research whether the educational material on the Effects of climate-related matters on financial statements and application of the ISSB's future IFRS Sustainability Disclosure Standard on climate-related disclosures help to address these concerns; and
- 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.

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## 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**

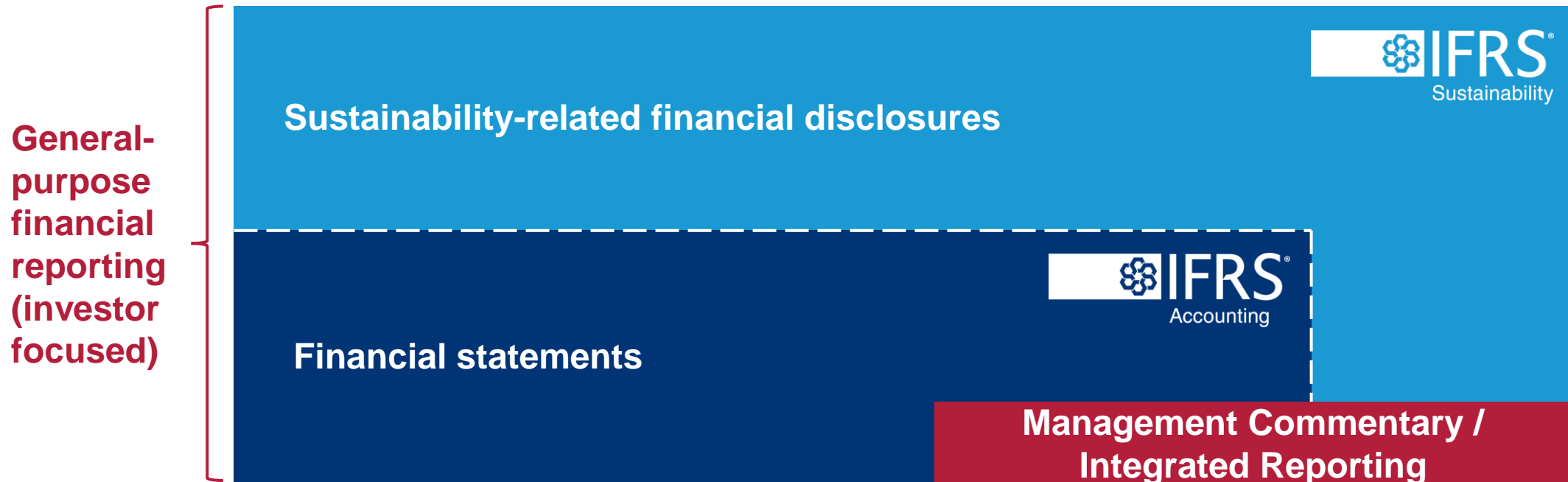
*Examples:*

- *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?

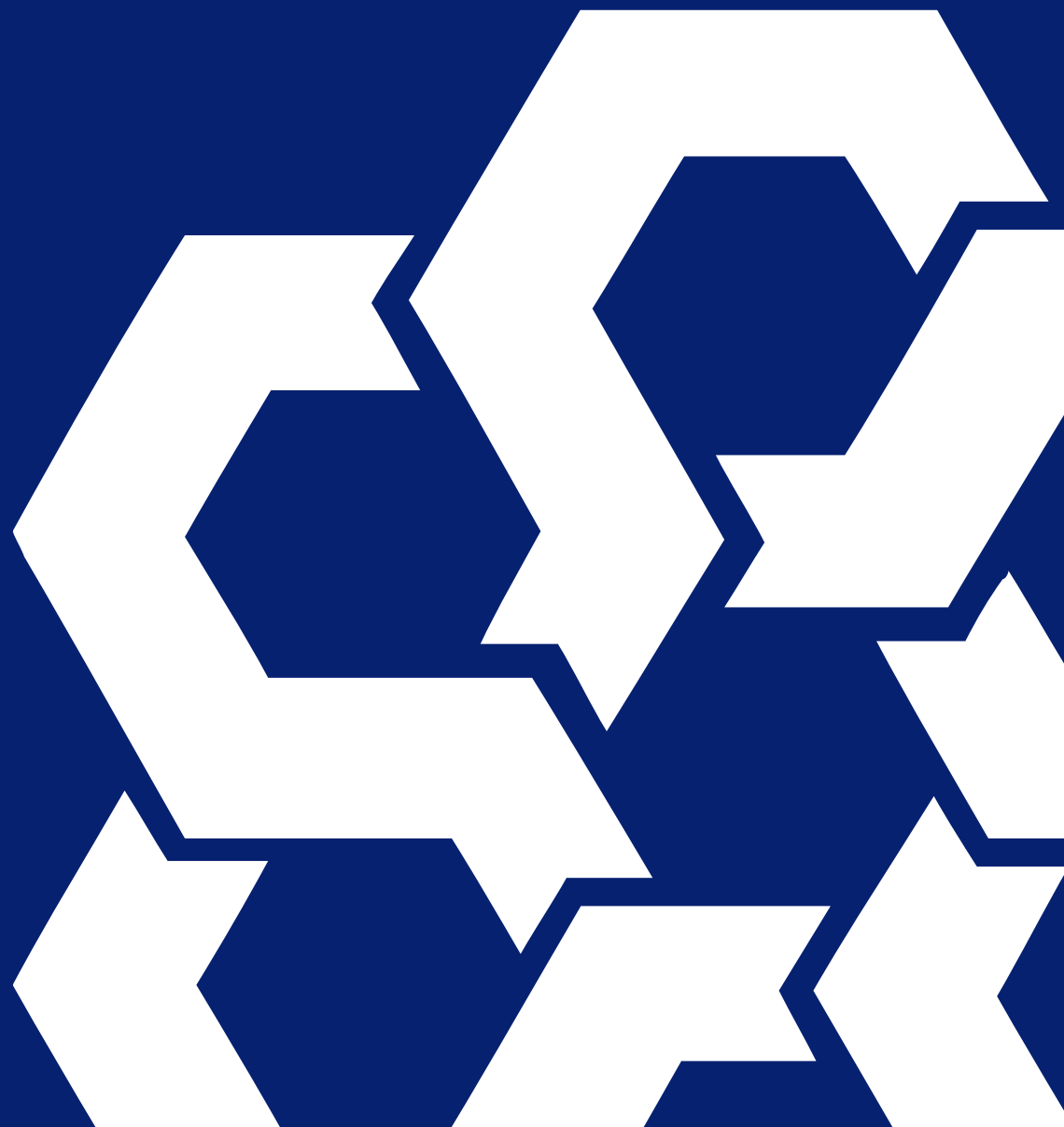


# IFRS Standards within the broader reporting landscape



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# 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

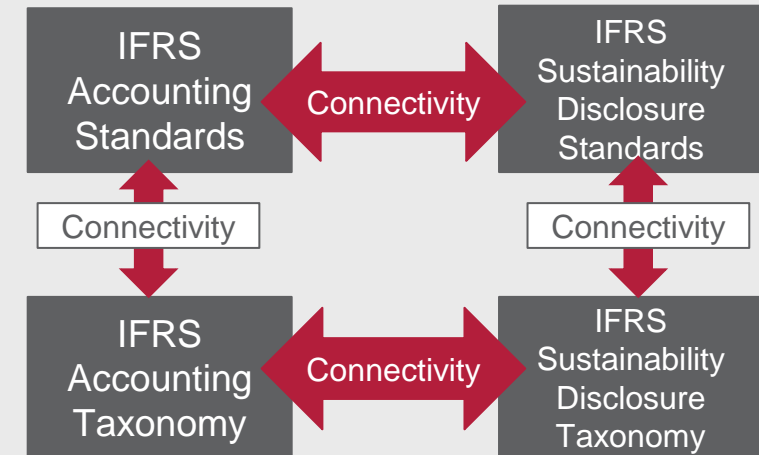
## How we get there

Global adoption of  
IFRS Standards

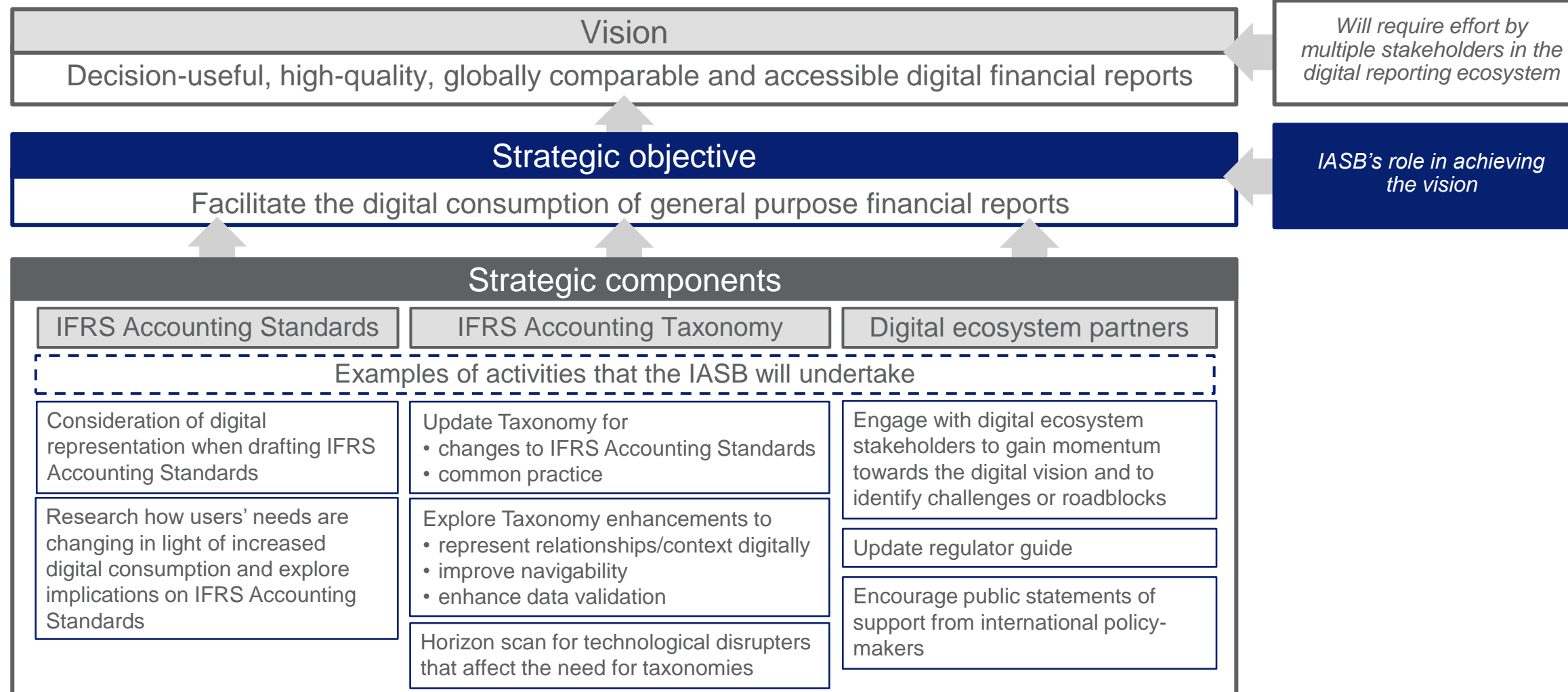
Assurance requirements  
and enforcer reviews

Global adoption of IFRS  
Digital Taxonomies

Accessibility, including  
platforms to access  
digital reports

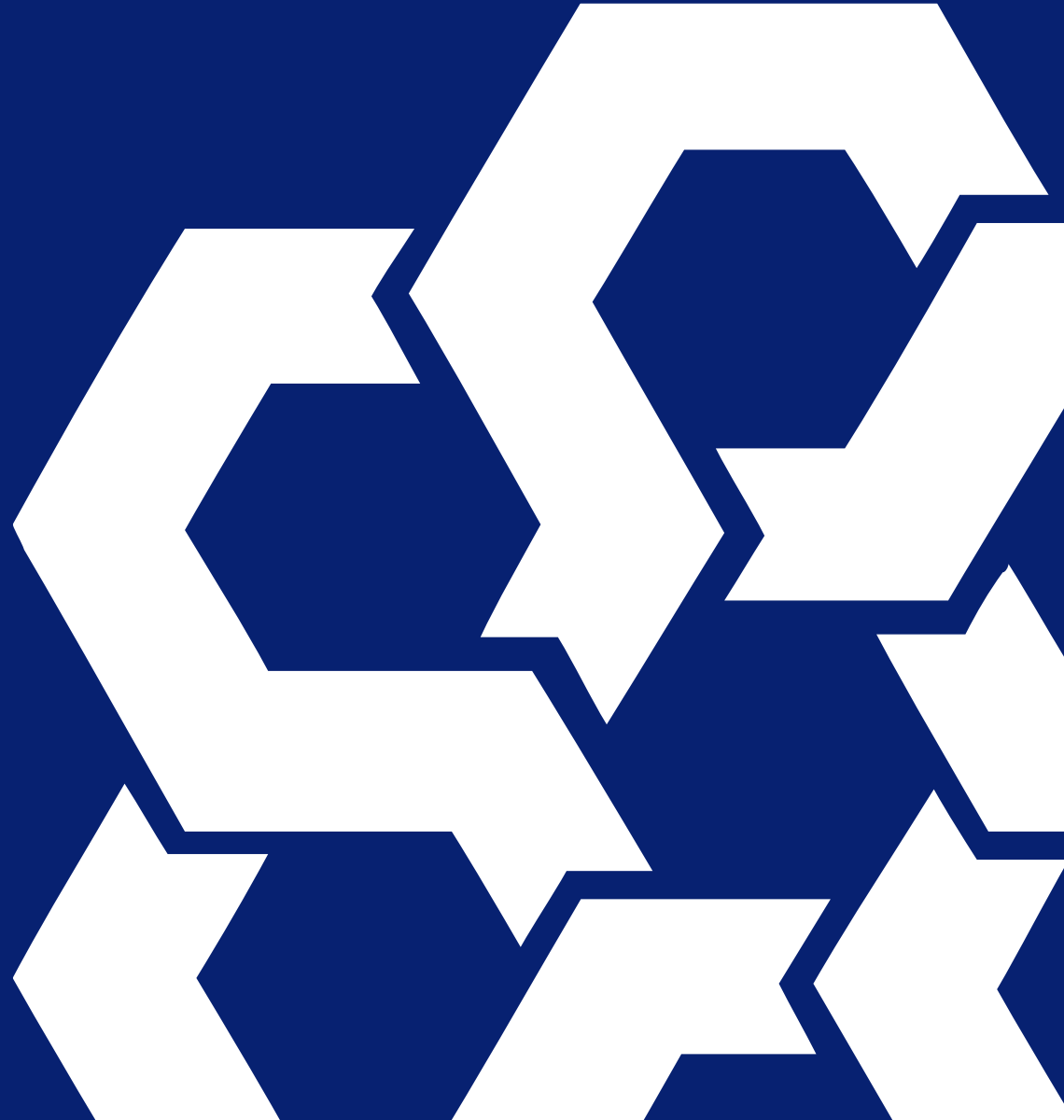


# The IASB's digital financial reporting strategy



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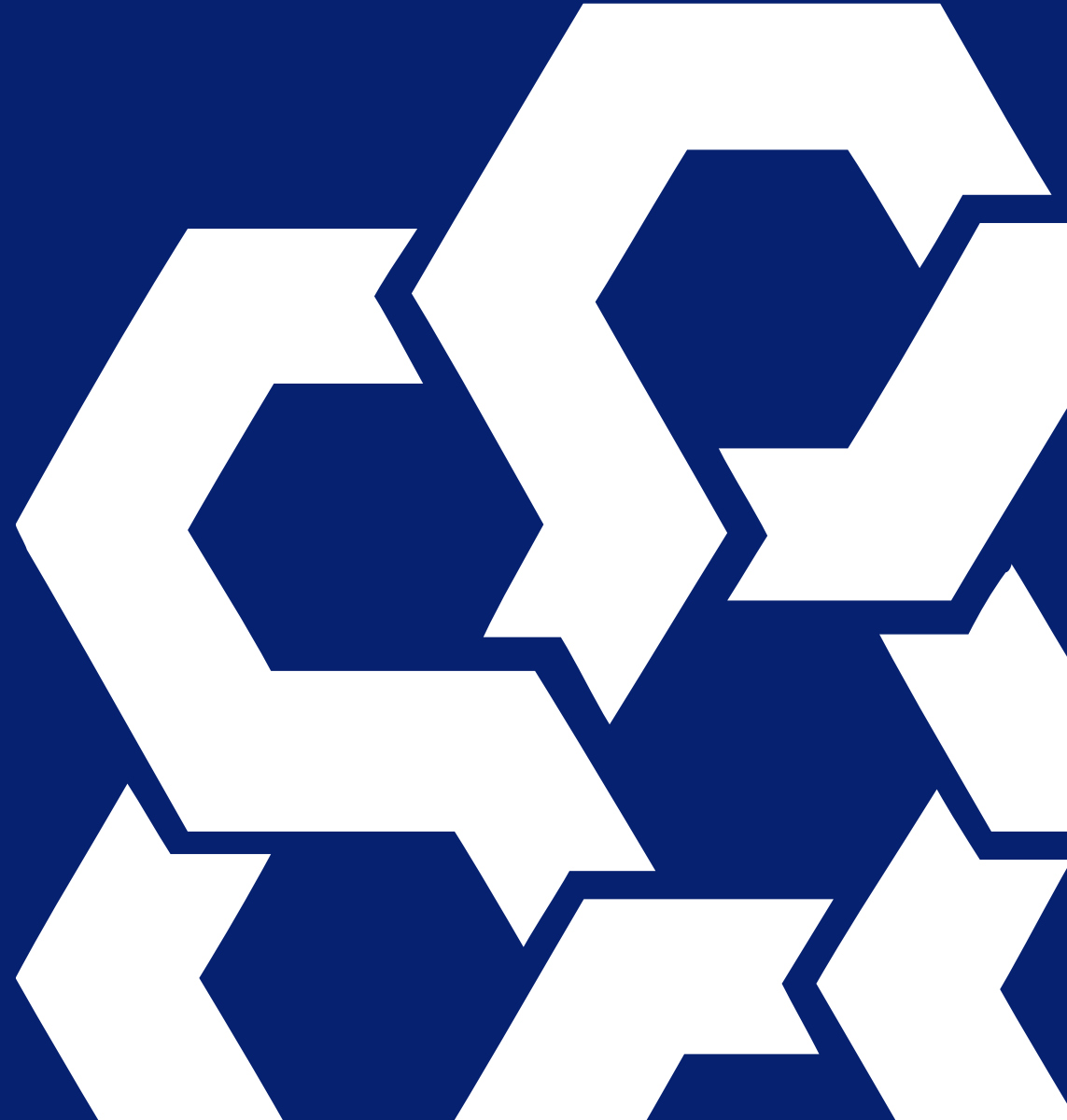
# Appendix





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# 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

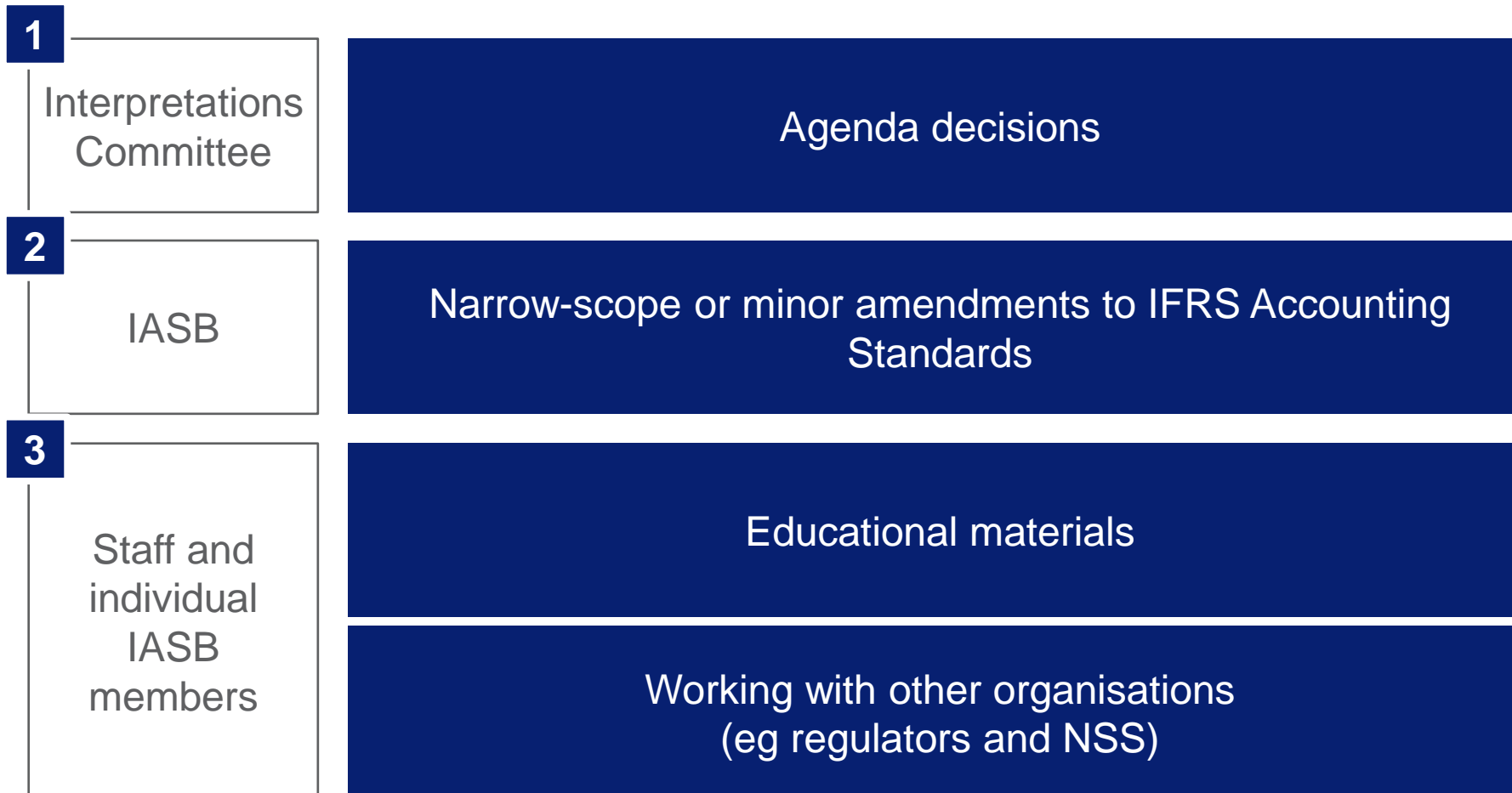
Responsive



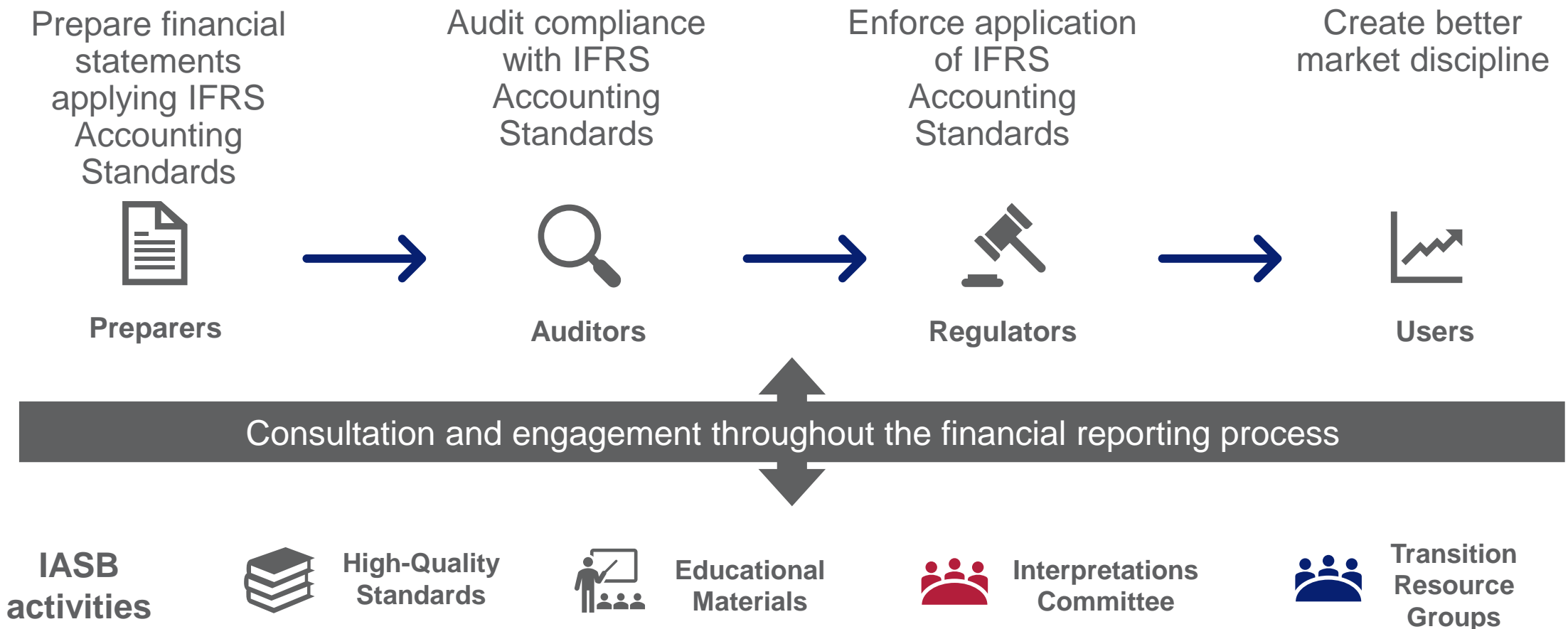
Not undermine principle-based nature

Not unduly disrupt practice

# How we support consistent application



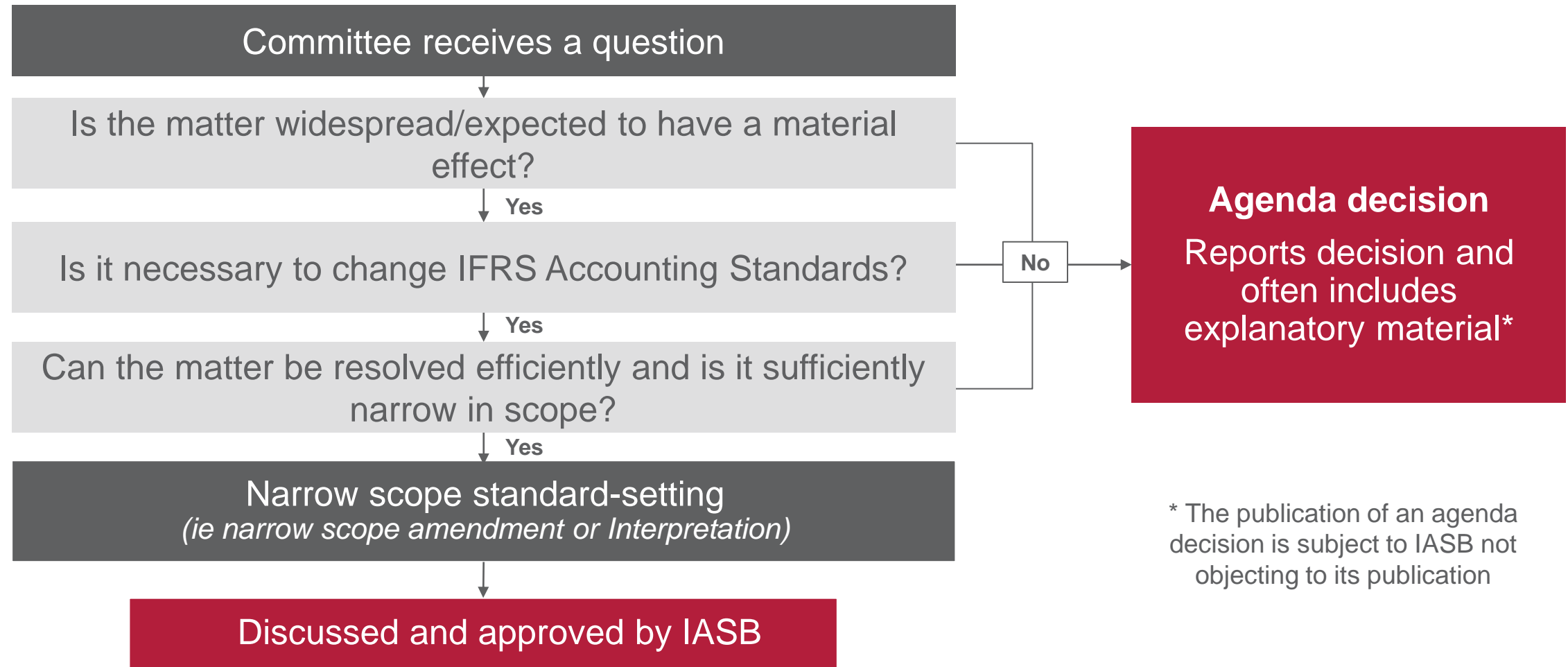
## Our role versus the role of others



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# Work of the IFRS Interpretations Committee

# The Interpretations Committee's process



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## 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)

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# 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

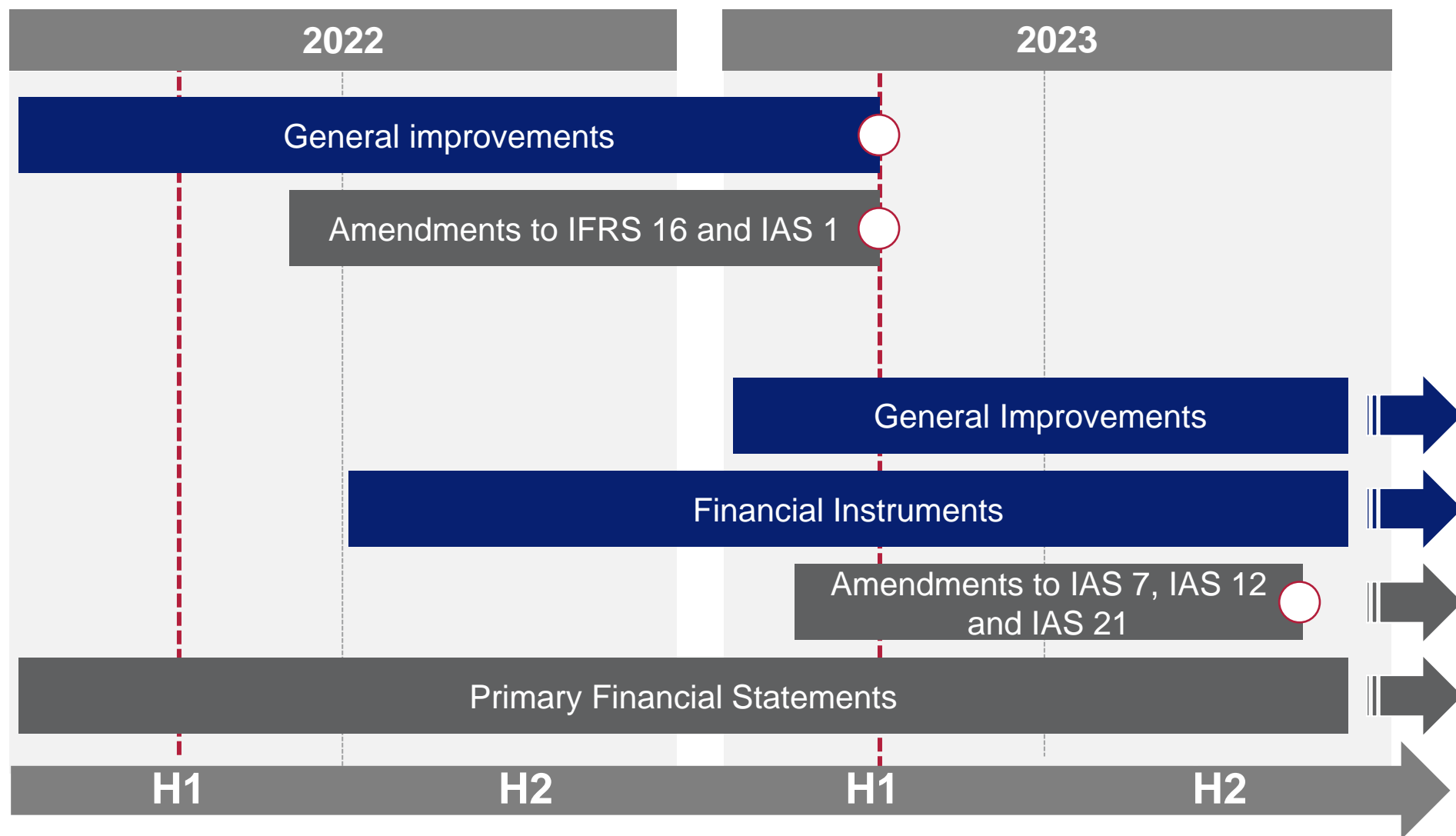
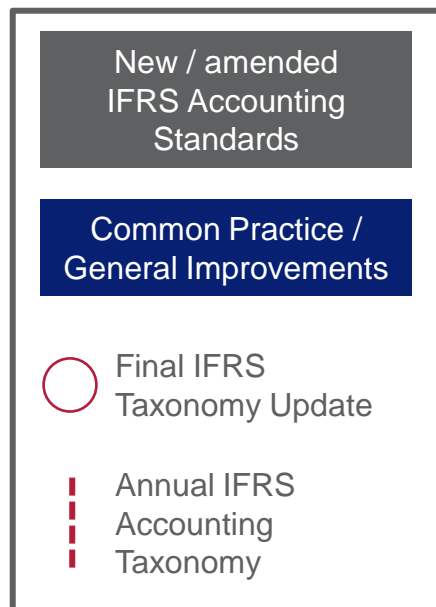
enabling high-quality tagging for financial instruments and the financial sector

analysing reporting practice of IFRS electronic filers

## Implementation support

supporting regulators adopting the IFRS Accounting Taxonomy, including translations

updating supporting materials



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