

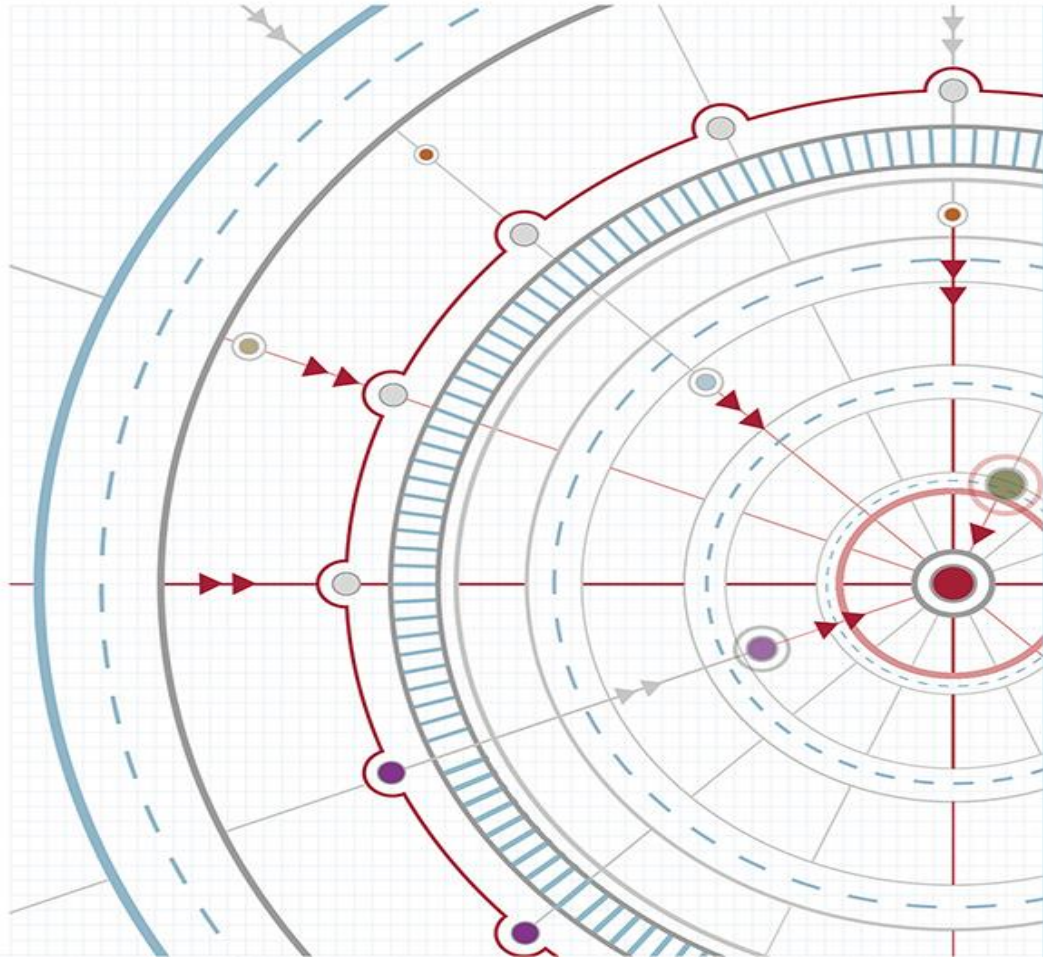
Update on the Board's Work Plan

IFRS Advisory Council May 2020

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Update on the Board's work plan—contents

- Executive summary
 - Significant events since the last meeting
 - Snapshot of what's on the horizon
- Detailed descriptions
 - Agenda consultation
 - Standard-setting projects
 - Research projects
 - Maintenance projects



Executive summary

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Significant events since the last meeting

Covid-19 response

1. Supporting application
2. Updated timelines
(see 6-7)

Issued documents

- Final
1. IBOR Reform – phase 1
 2. Various other narrow-scope amendments

Consultation documents

1. Exposure Draft, *General Presentation and Disclosure* (see 18-19)
2. Discussion Paper, *Business Combinations, Goodwill and Impairment* (see 33-35)
3. Request for Information, *Comprehensive Review of the IFRS for SMEs Standard* (see slides 52-53)

Agenda Consultation

At the last meeting, Advisory Council members provided advice on the Board's Agenda Consultation. The Board subsequently began discussing this advice (see slides 13-15).

Research projects moved to standard-setting

At the last meeting, Advisory Council members discussed the possibility of moving two research projects to standard-setting: (1) Subsidiaries that are SMEs and (2) Provisions. Since then, the Board has moved both projects to standard-setting (see slides 22 and 54).

Covid-19 response – supporting application

- Responding to urgent issues arising from covid-19 through discussions with stakeholders, educational material, and, when necessary, amendments to IFRS Standards.
- If urgent standard-setting is needed, the Board will act quickly, whilst adhering to due process.
 - Ensures all perspectives considered and unintended consequences are limited before changes are finalised

Example 1: IFRS 9 and covid-19

Educational material: Application of IFRS 9 *Financial Instruments* in accounting for expected credit losses (ECLs) in the current environment

- This educational material is intended to support consistent application of requirements in IFRS Standards

Example 2: IFRS 16 and covid-19

Educational material: Application of IFRS 16 *Leases* and other Standards to rent concessions granted as a result of the covid-19 pandemic

Example 3: IFRS 16 Exposure Draft

Proposal for optional relief for lessees in accounting for covid-19-related rent concessions

- Comment period closed 8 May 2020
- Proposals are expected to be finalised by the end of May, with application permitted immediately

Covid-19 response – updated timelines

Advancement with time-sensitive projects

We continue to advance with:

- **Amendments to IFRS 17** (expected in June 2020)
- **IBOR reform and its effects on Financial Reporting—Phase II** (Exposure Draft open for comments until 25 May 2020)

Deferral of effective date

Proposal to defer to 1 January 2023 the mandatory effective date of the amendments to IAS 1 relating to the **Classification of Liabilities as Current or Non-Current**

Consultation documents

- **Extended the consultation period** of the documents currently open for comments to give stakeholders enough time to respond effectively;
- Revised the **timelines** for **forthcoming consultation documents**

Bundling of narrow scope amendments

In May 2020, **publish several narrow-scope amendments to IFRS Standards originally planned for March and April 2020** to facilitate more efficient post-publication procedures by our stakeholders



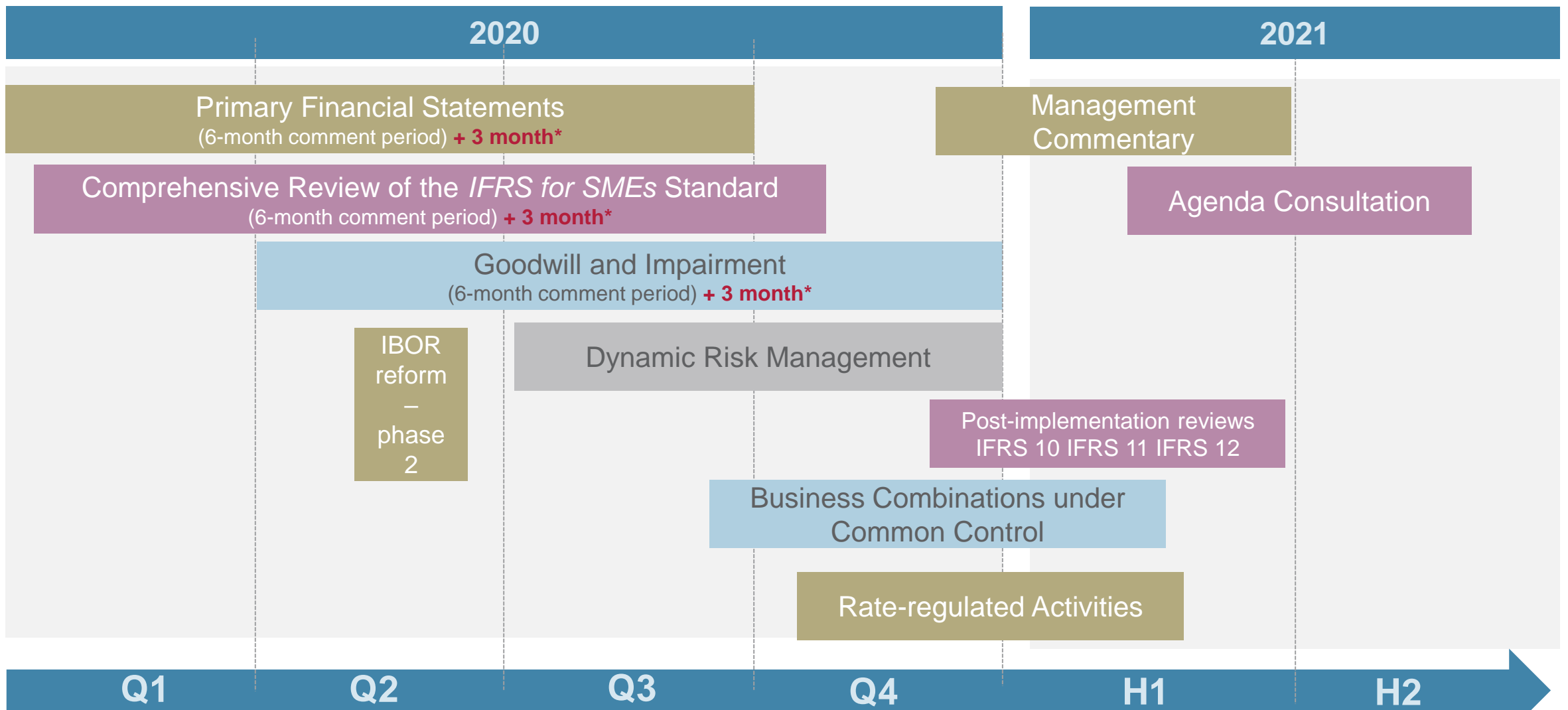
Snapshot of what's on the horizon

IFRS amendments expected in 2020

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*	May 2020
Updating IFRS 3 reference to the <i>Conceptual Framework</i> (Amendments to IFRS 3)*	
Annual Improvements to IFRS Standards 2018 – 2020*	
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	
Covid-19-Related Rent Concessions	
Amendments to IFRS 17 <i>Insurance Contracts</i>	June 2020
IBOR Reform and its Effects on Financial Reporting – Phase 2	Q3 2020
Accounting Policies and Accounting Estimates (Amendments to IAS 8)*	Q4 2020
Disclosure Initiative—Disclosure of Accounting Policies*	

*IFRS amendments postponed because of coronavirus pandemic

Major consultations



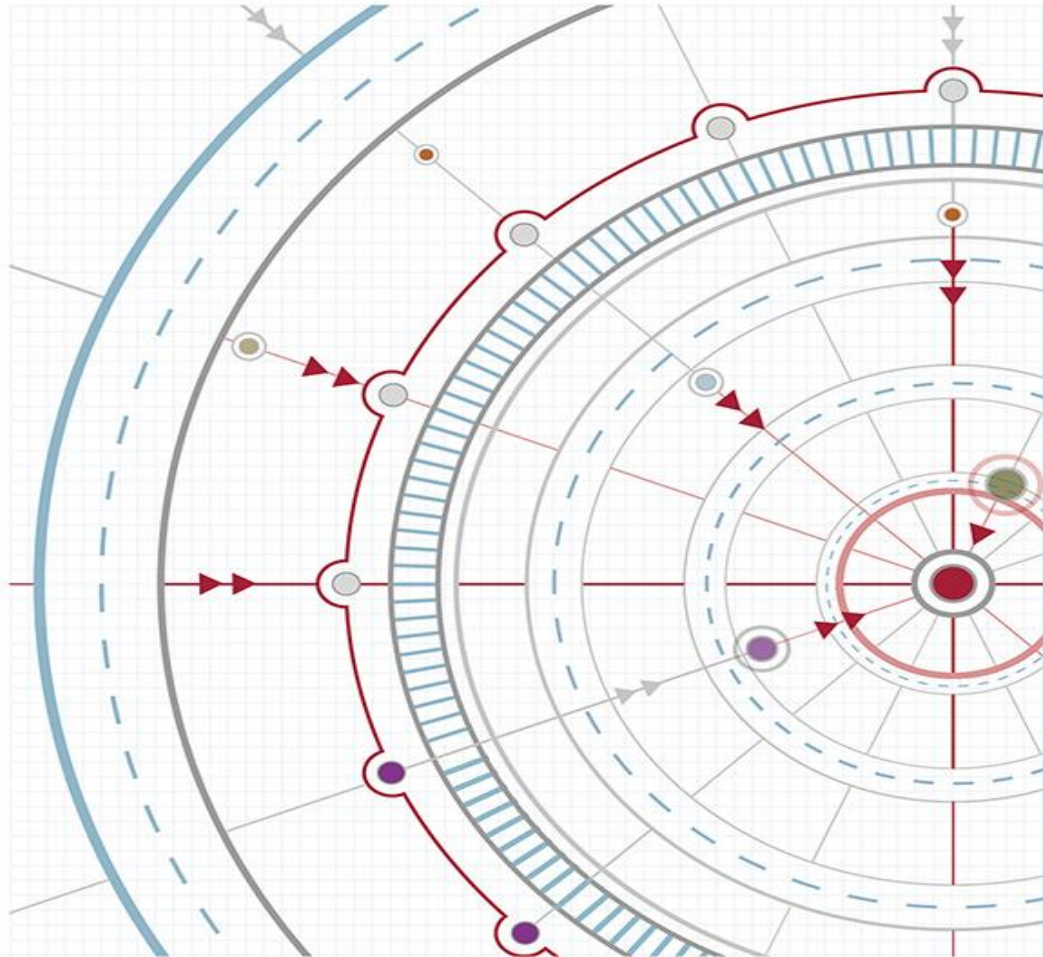
*comment period deadline changed because of covid-19 pandemic

Other technical projects

Next steps

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	*Exposure Draft
Disclosure Initiative— Targeted Standards-level Review of Disclosures	Exposure Draft
Lack of Exchangeability (Amendments to IAS 21)	Exposure Draft
Deferred tax related to assets and liabilities from a single transaction	Decide project direction
Accounting Policy Changes (Amendments to IAS 8)	Decide project direction
Subsidiaries that are SMEs	Decide Discussion Paper or Exposure Draft
Provisions—Targeted Improvements	Decide project direction
Financial Instruments with Characteristics of Equity	Continue discussion about project direction

*effective date proposed to be changed because of covid-19 pandemic



Detailed descriptions

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Agenda consultation

Agenda Consultation

The purpose of an agenda consultation is to seek feedback on

Strategic direction and balance of work plan

Criteria for assessing projects to be added

Priority of financial reporting issues

Now

H1 2021

Q3 2021

H2 2021

H1 2022

2022-2026

Developing Request for Information

Publish Request for Information

Comment period ends

Board redeliberations

Work plan and feedback statement

Board execution of work plan

Feedback from Advisory Council in September 2019

Advisory Council feedback

Board's response

Strategic direction and balance

Provide information about the Board's current resource commitments and the overall level of the Board's available resources in the RFI

The staff will **report the feedback at a future Board meeting** and will consider that input in developing recommendations for the Board

Priority of financial reporting issues

Support including description of potential projects in the RFI and some form of preliminary Board thoughts on those projects

At its September 2019 meeting, the **Board expressed support** to conduct outreach to identify potential projects **to only describe** in the RFI

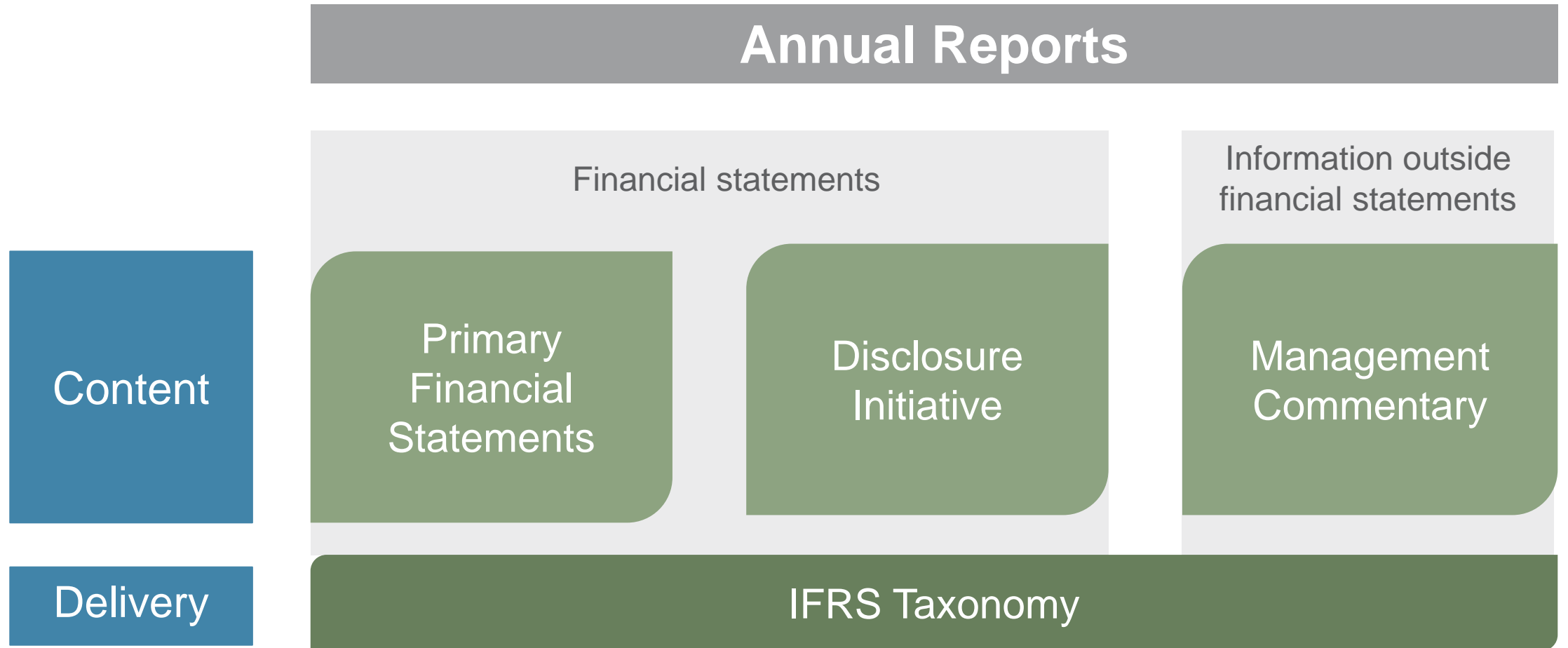
Provided suggestions for potential projects that the Board should describe in the RFI

Support reassessing the priority of research pipeline projects that the Board does not expect to start work on before the RFI is published

The staff will **report the feedback at a future Board meeting** and will consider that input in developing recommendations for the Board



Standard-setting projects

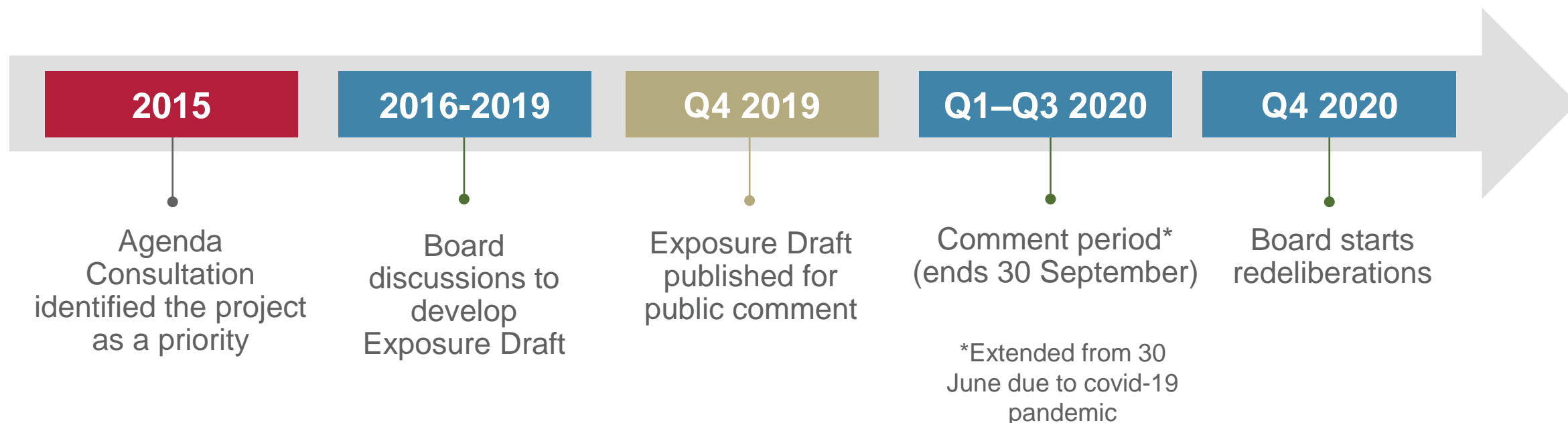


Primary Financial Statements project



objective

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



Project responds to investor needs

What investors say

Board's main proposals



Subtotals in the statement of profit or loss need to be comparable between different companies.

1 Require companies to present additional **defined subtotals** in the statement of profit or loss.



Companies should provide more granular information and information grouped in a way that provides better inputs for our analysis.

2 Strengthen requirements for **disaggregating information**



Performance measures defined by management can provide useful information, but should be used in a more transparent and disciplined way.

3 Require companies to disclose information about **management performance measures** in the notes.

Disclosure Initiative—overview of projects

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Active projects

Targeted Standards-level Review of Disclosures

Subsidiaries that are SMEs

Disclosure of accounting policies

Completed projects

Amendments to IAS 1 and IAS 8—Definition of Material

Amendments to IAS 7 to improve disclosure of changes in financing liabilities

Amendments to IAS 1 to remove barriers to application of judgment

Materiality Practice Statement

Better Communication Case Studies

Principles of Disclosure research project

Disclosure Initiative—Targeted Standards-level Review of Disclosures

Objective

- Help stakeholders improve the usefulness of disclosures for the primary users of financial statements
- Develop guidance for the Board to use when developing and drafting disclosure objectives and requirements (as a set of Board decisions)
- **Not to change the volume of required disclosures**, although this may be a consequence

Next steps

- Test the draft guidance for the Board by applying it to **IAS 19 Employee Benefits** and **IFRS 13 Fair Value Measurement**
- Exposure Draft of amendments to the disclosure requirements in IAS 19 and IFRS 13, where formal stakeholder feedback on the draft guidance for the Board will be obtained



There is disclosure overload for subsidiaries that are not publicly accountable if their financial statements are prepared applying IFRS Standards

Solution

Develop an IFRS Standard that permits subsidiaries that are SMEs to apply measurement and recognition requirements of IFRS Standards with reduced disclosure requirements

Approach

Use the *IFRS for SMEs* Standard:

- definition of publicly accountability—to define scope of subsidiaries that are SMEs
- to determine the reduced disclosure requirements

Next steps Decide whether a Discussion Paper or an Exposure Draft

Disclosure Initiative—Disclosure of Accounting Policies

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Users say that accounting policy disclosures today are often not useful

Stakeholders' views differ about 'significant' accounting policies required by IAS 1

Proposed amendment

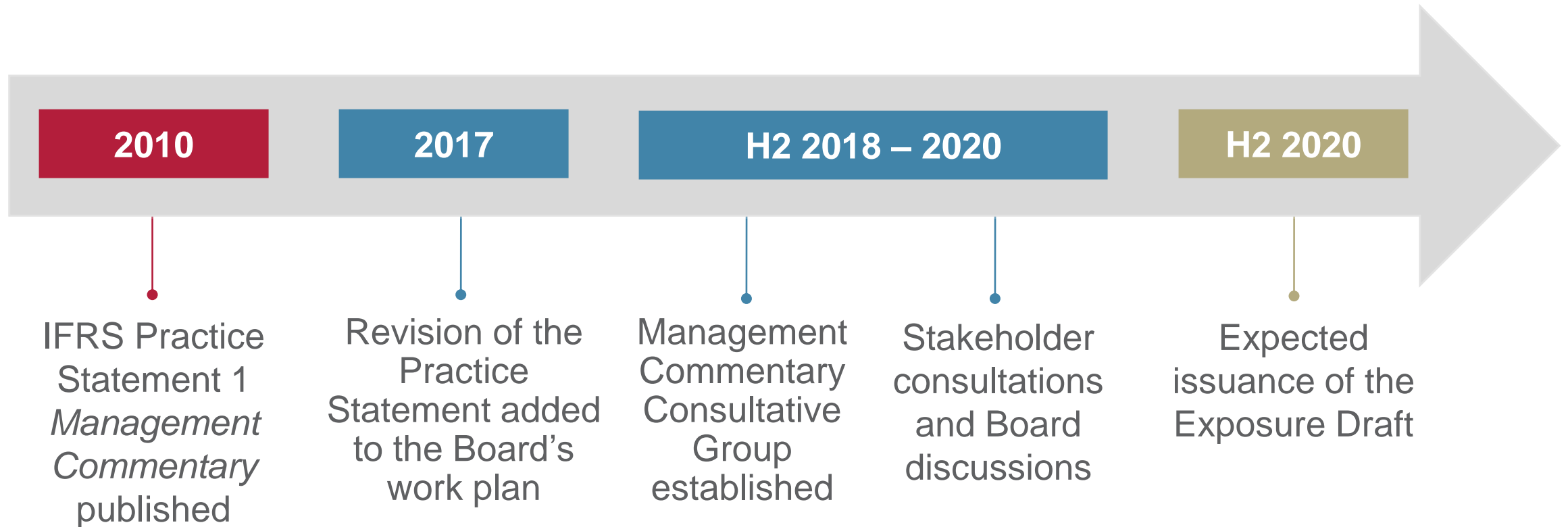
Clarify that not all accounting policies that relate to material transactions, other events or conditions are themselves material to the financial statements

Amend IAS 1 *Presentation of Financial Statements* to require entities to disclose their **material accounting policies** rather than their significant accounting policies

Add guidance and examples to the Materiality Practice Statement. These will explain how to apply the four-step materiality process to accounting policies

Next steps Redeliberate the proposals in the Exposure Draft

Management Commentary project



Why revise?

Developments in narrative reporting



Gaps in current reporting practice



Increasing need for additional information



Focus of revision

Align with primary users' changing information needs

Retain a principles-based approach but expand the guidance to:

- consolidate innovations
- address gaps in reporting
- support rigorous application

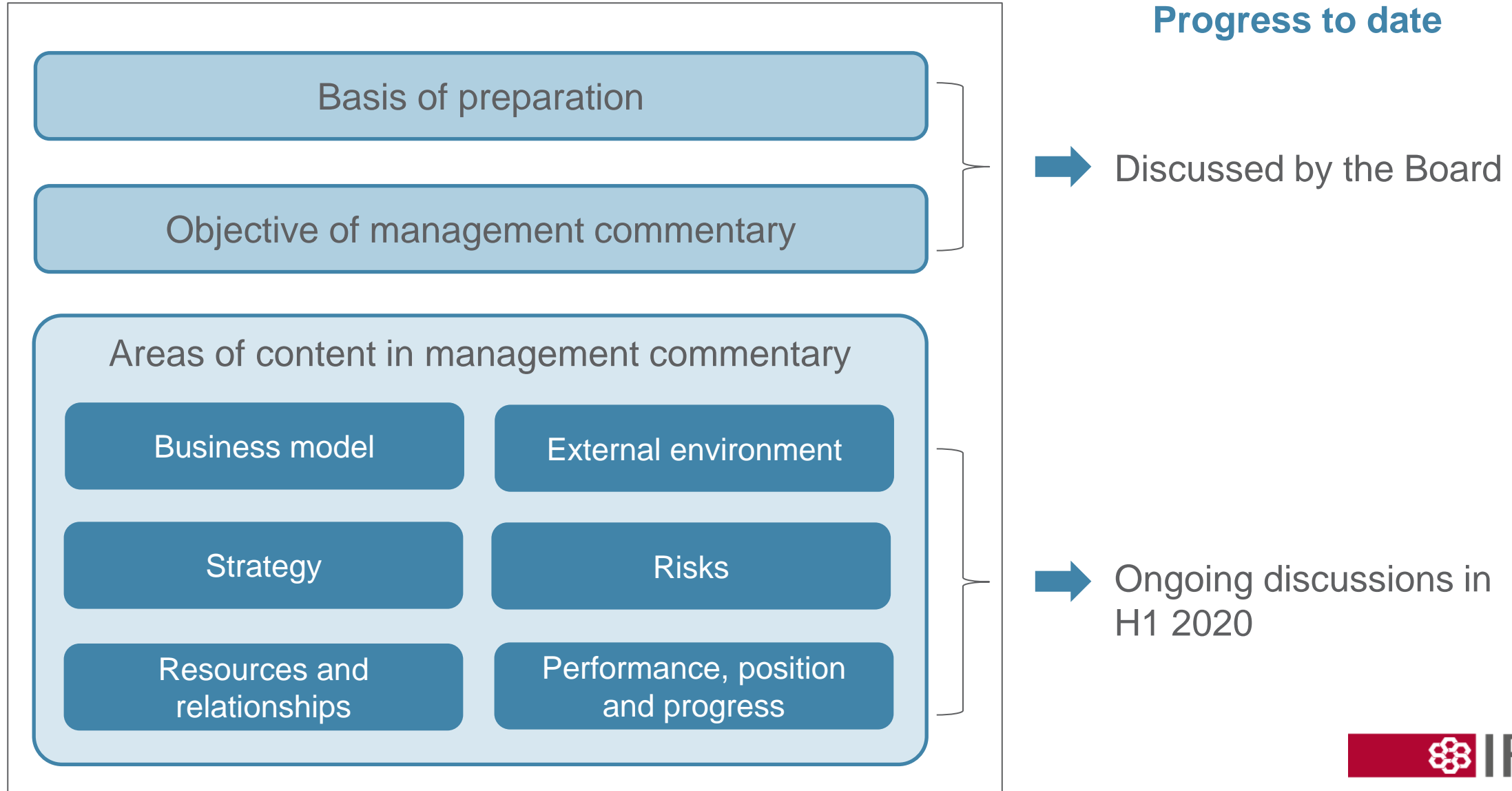
Particular emphasis on:

- company-specific matters
- intangibles and ESG* matters if information is material
- matters that underpin ability to create value and generate cash flows
- linkage across areas of content and with financial statements

Aim to be compatible with jurisdictional requirements and subject-matter frameworks (eg TCFD, SASB)

* ESG is used to refer to environmental, social or governance matters

Management Commentary project—Revision of the existing Practice Statement



The IFRS Taxonomy—Focus areas in 2020

Content improvements

analysis of reporting practice of SEC IFRS electronic filers

considering impact of standard setting activities on the IFRS Taxonomy

Implementation support

update of supporting materials

ongoing support for regulators on adopting the IFRS Taxonomy, including translations

Improving data quality

cooperation with XBRL International and other stakeholders on improving quality and accessibility of electronic information

The impact of new or amended IFRS Standards on the IFRS Taxonomy in the next 12 months is expected to be limited

Problem

Regulatory agreements can create rights and obligations for an entity to adjust the regulated rates charged to customers for goods or services supplied in a future period

These rights and obligations are outside the scope of IFRS 15 *Revenue from Contracts with Customers* and other IFRS Standards

Approach

Developing an accounting model that recognises these rights and obligations as assets (regulatory assets) and liabilities (regulatory liabilities)

Board's Tentative Decisions

An entity should:

- Recognise regulatory assets and regulatory liabilities
- Measure using a cash-flow-based technique
- Present:
 - regulatory assets and regulatory liabilities
 - net movement between the opening and closing carrying amounts of regulatory assets and regulatory liabilities—
immediately below the revenue line item

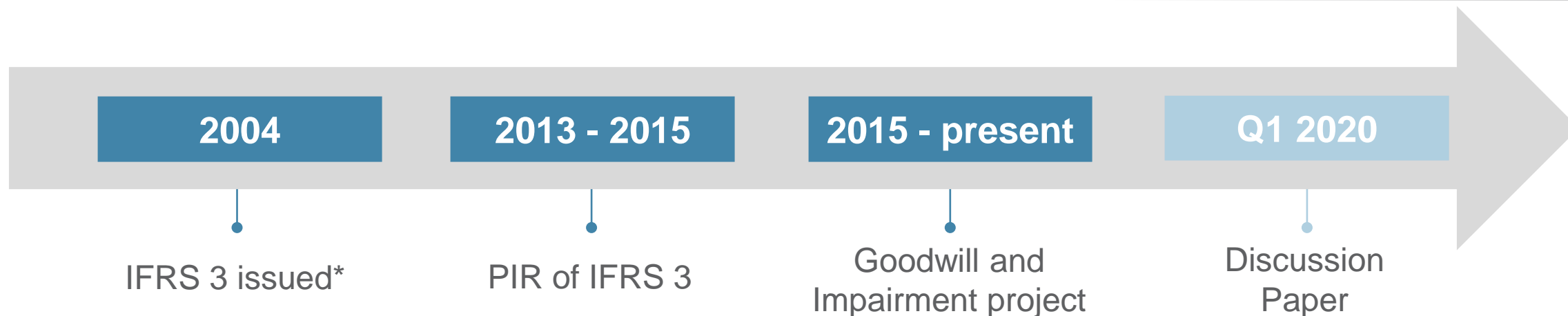
Next steps The Board expects to issue an Exposure Draft in the second half of 2020



Research projects

Goodwill and Impairment—The Discussion Paper

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To improve the information companies provide to investors, at a reasonable cost, about the acquisitions those companies make



- The Board is mainly seeking comments on:
- the usefulness and feasibility of its new disclosure ideas; and
 - new evidence or arguments on how to account for goodwill



Discussion Paper open for comment until 31 December 2020* *Extended from 15 September due to covid-19 pandemic.

* IFRS 3 introduced the impairment-only approach and replaced IAS 22 which required amortisation

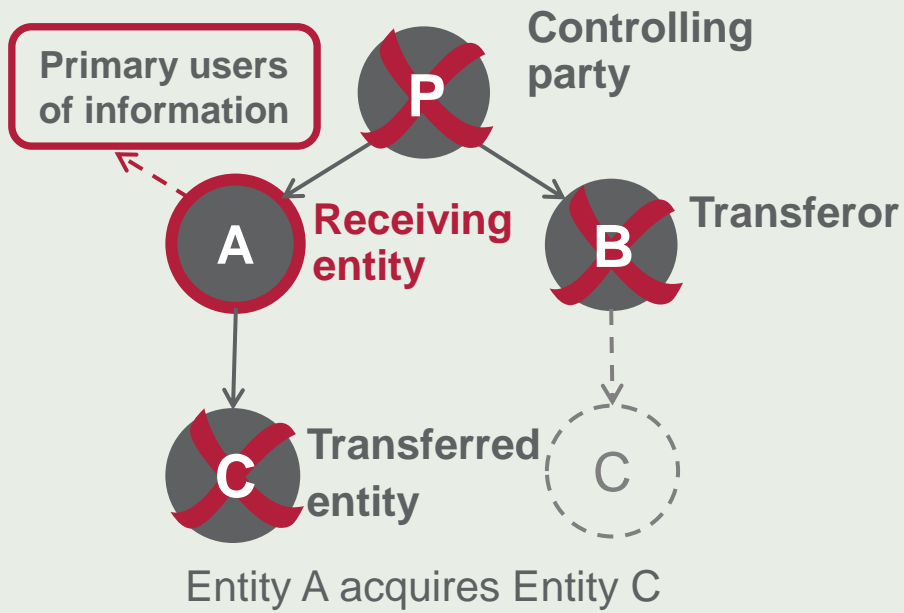
Goodwill and Impairment—The Board’s preliminary views

1 Improving disclosures about acquisitions	Require companies to disclose: <ul style="list-style-type: none">• management’s objectives for acquisitions• how acquisitions have performed against those objectives subsequently	
2 Improving the accounting for goodwill	A Can the impairment test be made more effective?	Not significantly, and not at a reasonable cost
	B Should goodwill be amortised?	No, retain the impairment-only model
	C Can the impairment test be simplified?	Yes, provide relief from the annual impairment test and simplify value in use
3 Other topics	<ul style="list-style-type: none">• Present on the balance sheet the amount of total equity excluding goodwill• Do not change recognition of intangible assets separately from goodwill	

Problem

Absence of IFRS requirements reduces comparability and understandability of financial information

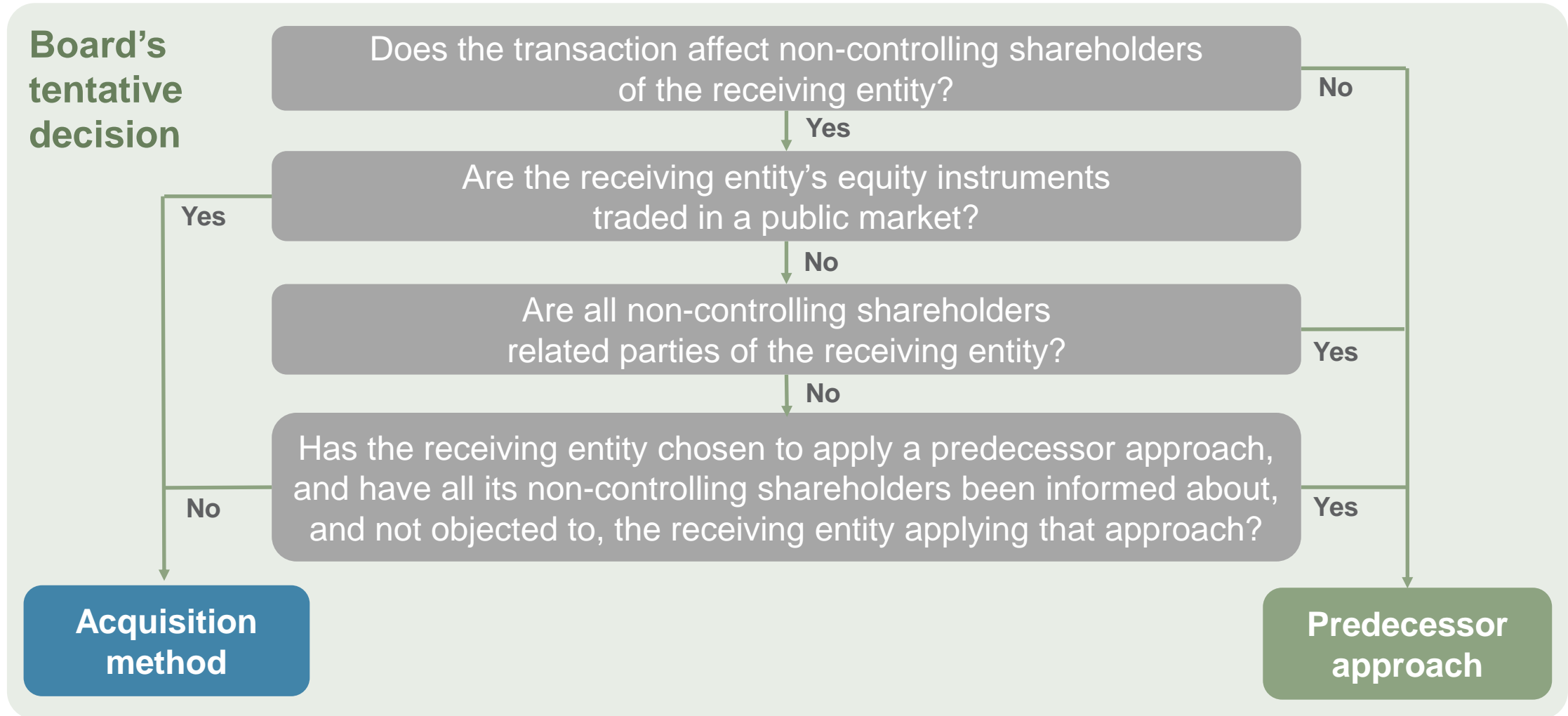
Our focus



The project addresses reporting by the **receiving entity** in a business combination under common control

Business Combinations under Common Control— When each approach should be applied

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Business Combinations under Common Control— How each approach should be applied

Board's tentative decisions

Acquisition method

- Apply as set out in IFRS 3
- Recognise a contribution to equity in case of a bargain purchase
- Apply all disclosure requirements in IFRS 3 and preliminary views on disclosure in the Goodwill and Impairment project
- Provide information about how transaction price was governed

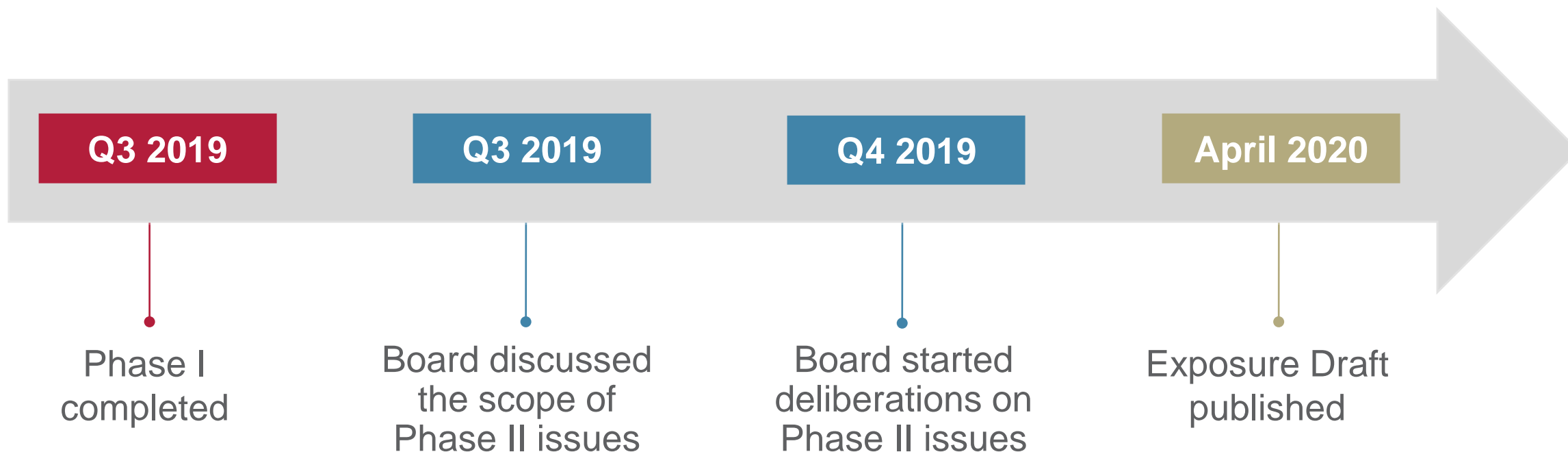
Predecessor approach

- Measure assets and liabilities received at their carrying amounts from transferred entity's financial statements
- Measure consideration paid in the form of assets or liabilities at their carrying amounts
- Recognise any difference between consideration paid and assets and liabilities received in equity
- Provide pre-combination information only about the receiving entity
- Apply particular disclosure requirements in IFRS 3 and preliminary views on disclosure in the Goodwill and Impairment project
- Disclose the amount of the difference recognised in equity and the component of equity in which that difference is recognised

Next steps

The Board expects to publish a Discussion Paper in Q3 2020

IBOR Reform—timeline



Problem

The potential discontinuation of interest rate benchmarks (IBOR reform) could affect the usefulness of information provided in IFRS financial statements

Classification and measurement of financial instruments—lessee accounting

- Practical expedient for modifications required by IBOR reform—that is, those modifications that are required as a direct consequence of IBOR reform and done on an economically equivalent basis
- All other modifications are accounted for using the current requirements in IFRS 9
- A similar practical expedient is proposed for lessee accounting applying IFRS 16

Reporting outcome

- For qualifying modifications, there would be no specific gain or loss associated with the replacement of the IBOR rate

Hedge accounting

- Hedging relationships shall be amended to reflect modifications required by IBOR reform, without causing discontinuation of hedge accounting
- Amended hedging relationship should meet all qualifying criteria to apply hedge accounting, including measurement requirements

Reporting outcome

- There would be no gains or losses associated with discontinuation of hedging relationships due to IBOR reform

Disclosure requirement

- The Board proposes new disclosures in IFRS 7 to explain risks arising from IBOR reform to which the entity is exposed and the entity's progress in transitioning to alternative benchmark rates

Mandatory application and effective date

- The proposed amendments apply mandatorily for annual periods beginning on or after **1 January 2021**. Earlier application is permitted

Retrospective application

- Proposed retrospective application in accordance with IAS 8, including reinstating certain qualifying discontinued hedging relationships. However, an entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight.

Next steps

Exposure Draft open for comment until 25 May 2020

Dynamic Risk Management—Business Activity of Financial Institutions

- The difference between **interest revenue** and **interest expense** represents **net interest income (NII)**



- Dynamic Risk Management is the process that involves understanding and managing how and when a change in interest rates can impact NII
- As NII is the net of interest revenue and interest expense, a change in interest rates that has an equal impact on both would not impact NII

Consequently, one of the best ways to prevent NII from changing due to a change in interest rates is to “**match**” assets and liabilities, a common approach used by financial institutions

Dynamic Risk Management—Outline of the model

- When derivatives (A) are successful in aligning the asset profile (B) with the target profile (C), changes in fair value of such derivatives are deferred in OCI and reclassified to the statement of profit or loss
- Similar mechanics to cash flow hedge accounting
- Assuming perfect alignment, the results reported in the statement of profit or loss should reflect the entity's target profile



Dynamic Risk Management—Next steps

Focused outreach expected in H2 2020

After consultation, the Board will decide how best to pursue the next phase of the project



Target audience

Banks that use dynamic interest rate risk management strategies



Participants

Will be defined to achieve geographical representation and include different risk management strategies and balance sheet structures



Format

Individual meetings

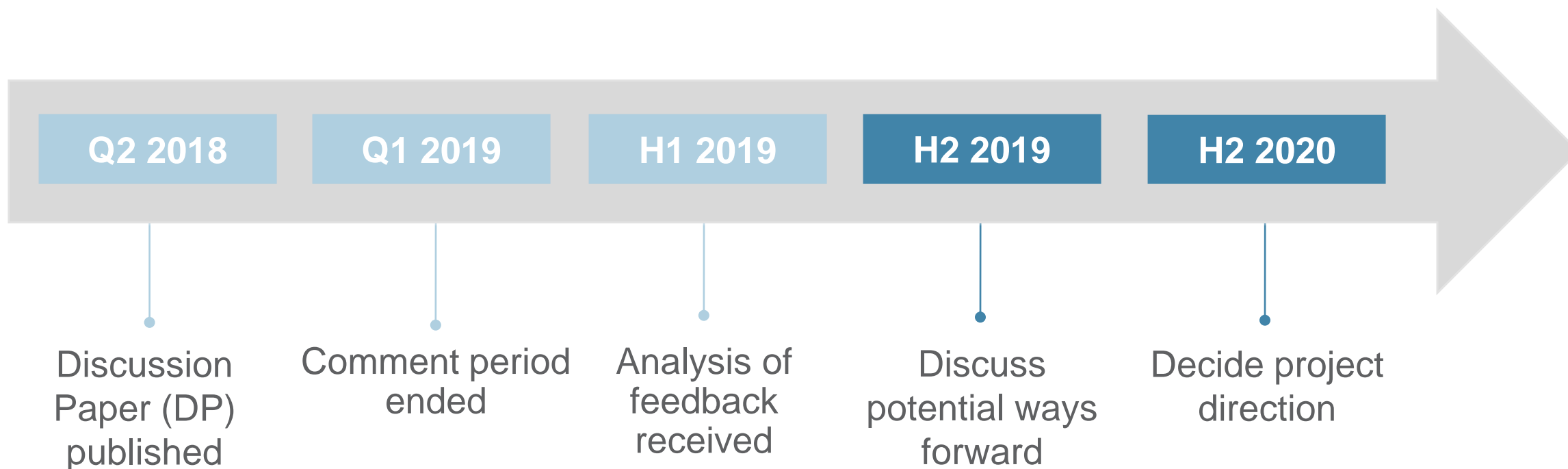


Material

Based on the July 2019 Agenda Paper 4B *DRM Model Demonstration*

FICE*—timeline and problem to address

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Problem

IAS 32 *Financial Instruments: Presentation* works well for most financial instruments, but presents challenges for some complex financial instruments

Limited information available about a reporting entity's own equity instruments

* Financial instruments with characteristics of equity

The Board will clarify underlying classification principles in IAS 32 (rather than rewriting IAS 32)

Issues

- classification of financial instruments that will or may be settled in the issuer's own equity instruments;
- accounting for obligations to redeem own equity instruments;
- accounting for financial instruments that contain contingent settlement provisions;
- the effects of laws and regulations on the classification of financial instruments;
- reclassification between financial liability and equity instruments; and
- classification of particular financial instruments that contain obligations that arise only on liquidation of the entity

Provide classification guidance and illustrative examples

Improve presentation and disclosure

FICE—financial instruments settled in the issuer’s own equity instruments

Foundation principle

For a derivative on own equity to meet the fixed-for-fixed condition in IAS 32 *Financial Instruments: Presentation*, the number of functional currency units to be exchanged with each underlying equity instrument must be fixed or only vary with:

- allowable preservation adjustments; or
- allowable passage of time adjustments.

Adjustment principle—allowable preservation adjustments

An entity would be required to classify derivatives on own equity as equity instruments if preservation adjustments require the entity to preserve the relative economic interests of future shareholders to an equal or a lesser extent than those of the existing shareholders.

Adjustment principle—allowable passage of time adjustments

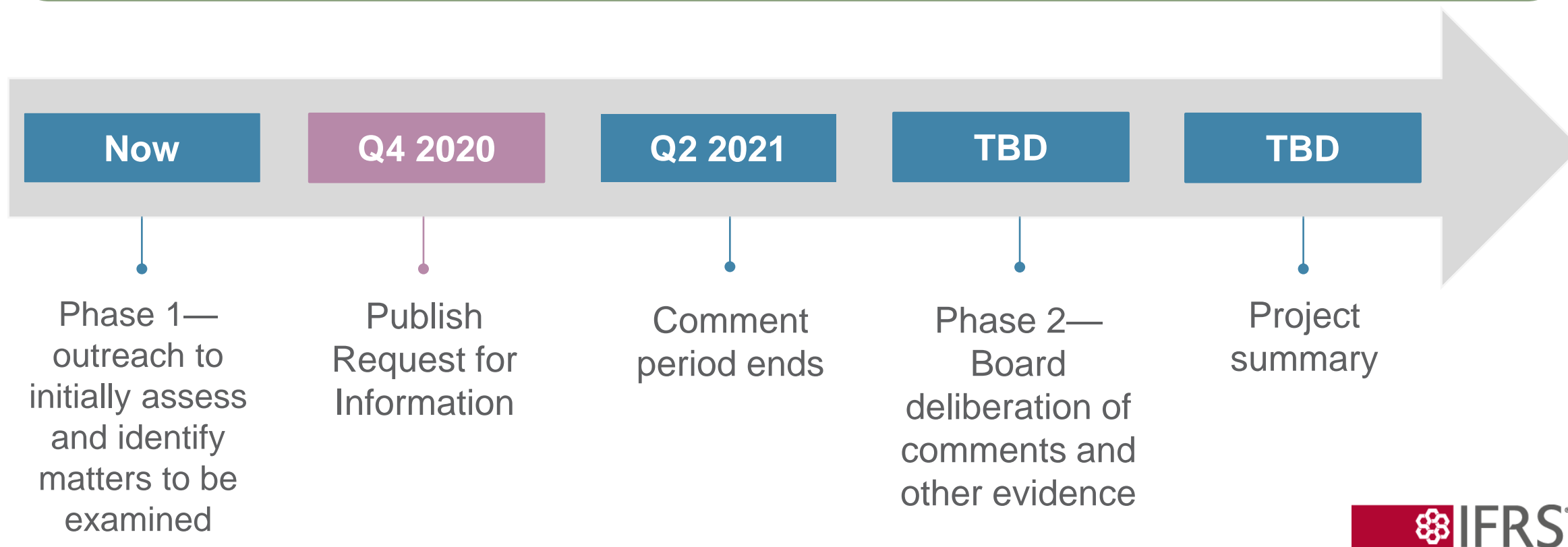
An entity would be required to classify derivatives on own equity as equity instruments if passage of time adjustments:

- are pre-determined and vary only with the passage of time; and
- fix the number of functional currency units per underlying equity instrument in terms of a present value.

Ongoing PIR: IFRS 10, IFRS 11 and IFRS 12

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The purpose of a Post-implementation Review (PIR) is to assess whether a Standard is working as intended
There is no presumption that the PIR will lead to standard-setting



IFRS 10 *Consolidated Financial Statements*

Elements of control

- power over an investee
- the link between power and returns

Investment entities

Accounting requirements

IFRS 11 *Joint Arrangements*

Collaborative arrangements

Classifying joint arrangements

Accounting for joint operations

IFRS 12 *Disclosure of Interests in Other Entities*

Do the disclosure objectives:

- meet users needs?
- require information that is difficult to prepare or redundant?

Pension Benefits that Depend on Asset Returns

Address a perceived inconsistency in the measurement of a defined benefit obligation (DBO) when the amount of benefits depend on the return of a specified pool of assets

The perceived inconsistency arises because benefits are projected using the expected return and then discounted using a rate determined by reference to the yield of high quality corporate bonds

Extractive Activities

Gather evidence to decide whether to start a project to replace IFRS 6 *Exploration for and Evaluation of Mineral Resources*

Research pipeline–Projects to start in the future

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Project	Comments
Equity Method	A number of queries over time. Topic to be investigated after starting PIR of IFRS 11 <i>Joint Arrangements</i>
Pollutant Pricing Mechanisms	Assess whether the Board should develop a proposal to address any diversity that may exist in accounting for pollutant pricing mechanisms
High Inflation: Scope of IAS 29	Assess whether it is feasible to extend the scope of IAS 29 to cover economies subject to high, rather than hyper, inflation. No other work is planned on IAS 29
Variable and Contingent Consideration	Cross-cutting issue raised in agenda consultation and in earlier deliberations of other topics. This work may also lead to follow on work on risk-sharing and collaborative arrangements

Maintenance projects

Maintenance projects—Expected amendments

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Expected amendments

Annual Improvements (2018-2020)

May 2020

Accounting Policies and Accounting Estimates (IAS 8)

Q4 2020

Property, plant and equipment (PPE)—Proceeds before intended use (IAS 16)

May 2020

Reference to *Conceptual Framework* (Amendments to IFRS 3)

May 2020

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

May 2020

Next steps

Lack of Exchangeability (IAS 21)

Publish an exposure draft

Deferred tax related to assets and liabilities arising from a single transaction (IAS 12)

Decide project direction

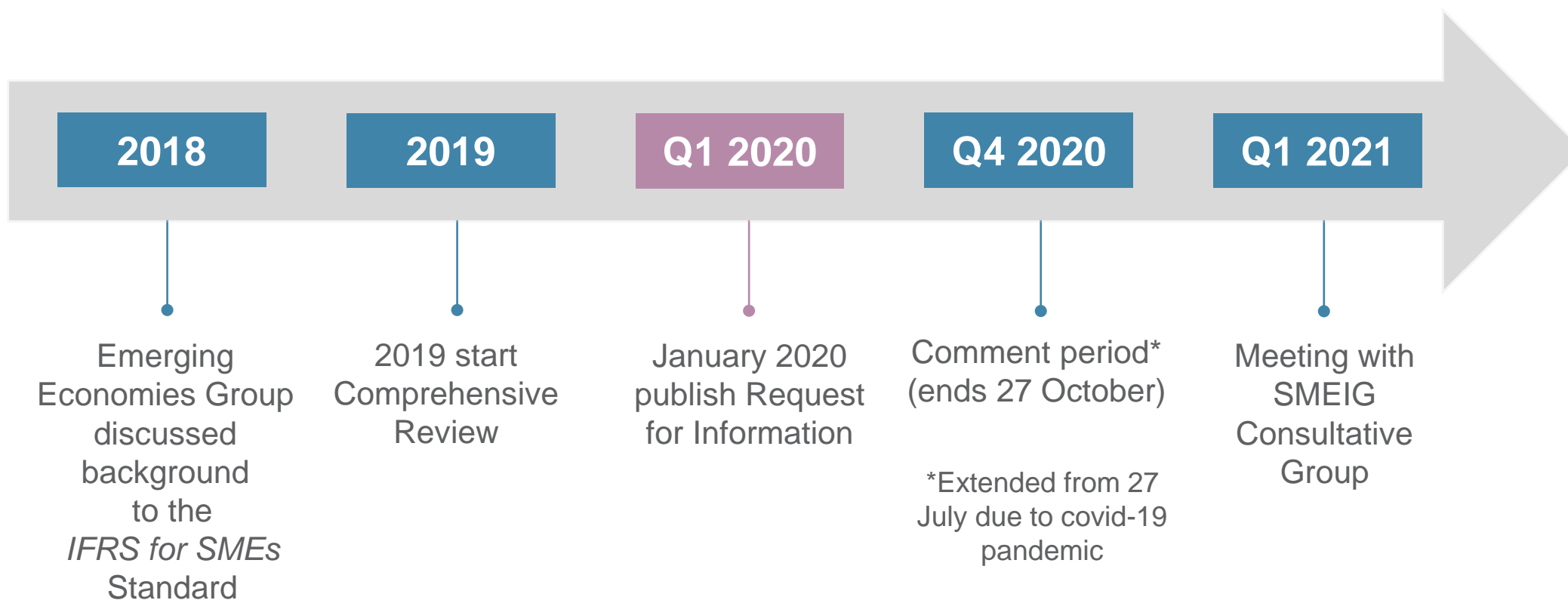
Accounting Policy Changes (IAS 8)

Decide project direction

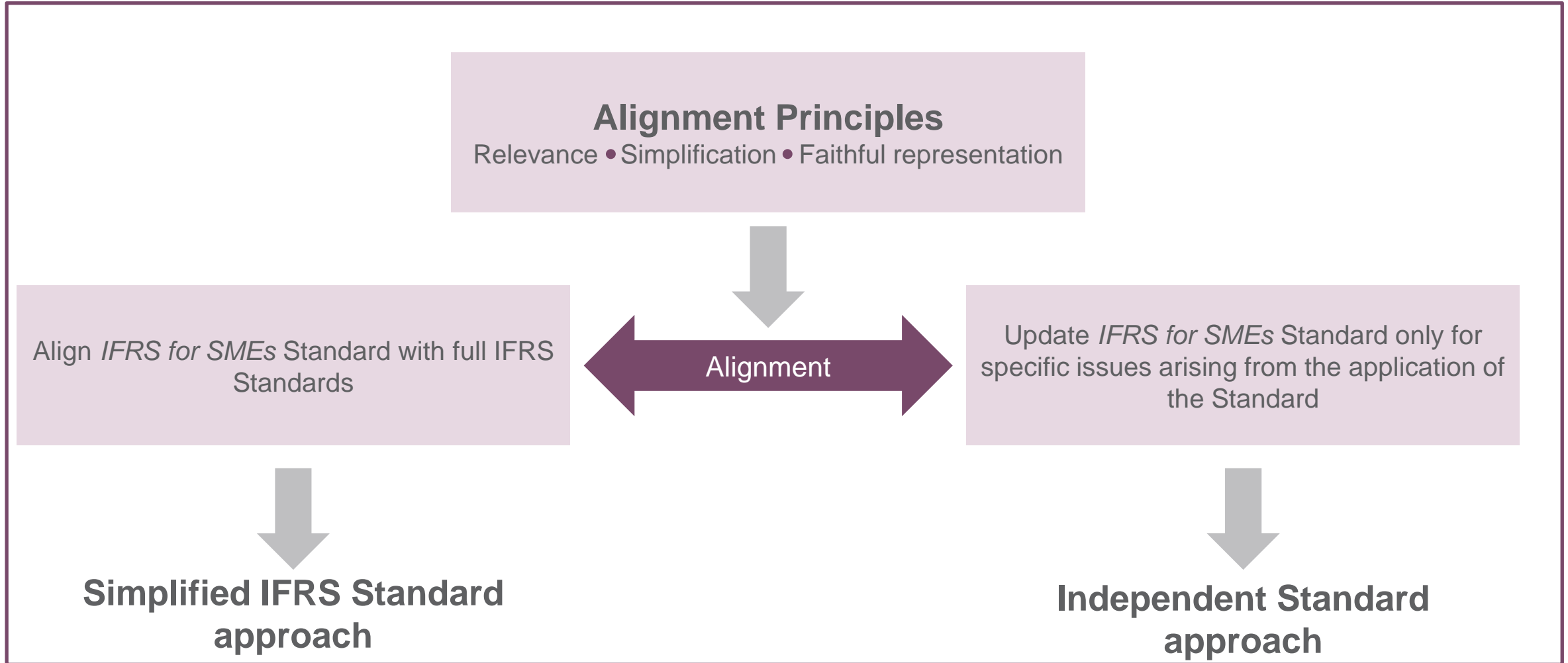
Provisions—Targeted Improvements (IAS 37)

Decide project direction

IFRS for SMEs 2019 Review—timeline



IFRS for SMEs 2019 Review—Two possible approaches to the second comprehensive review



Provisions—Targeted Improvements (IAS 37)

Developing proposals for three targeted amendments to
IAS 37 Provisions, Contingent Liabilities and Contingent Assets

1 Align requirements for identifying liabilities with *Conceptual Framework*

Likely to include replacing IFRIC 21 *Levies* with new application requirements for levies

2 Clarify which costs to include in measure of a provision

Clarify whether costs included should be consistent with those for assessing whether a contract is onerous

3 Specify whether discount rates used should reflect entity's own credit risk

Current practice varies, especially for some long-term provisions

Next steps

- Staff will prepare a project plan for consideration by the Board

Get involved

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