



IFRS® Foundation

IASB Update

Emerging Economies Group Meeting

Agenda Paper 7
30 November-1 December 2020

Presenters

Agenda ref 7

Project	IASB work plan		
Paper topic	IASB Technical Update		
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Overview

Agenda ref 7

Update on current work plan

Consultations

Other projects

Work of the IFRS Interpretations Committee

Shaping the next five years

Trustees' consultation

Helpful materials



Update on current work plan

This slide lists recent developments since the last IASB Update slide deck

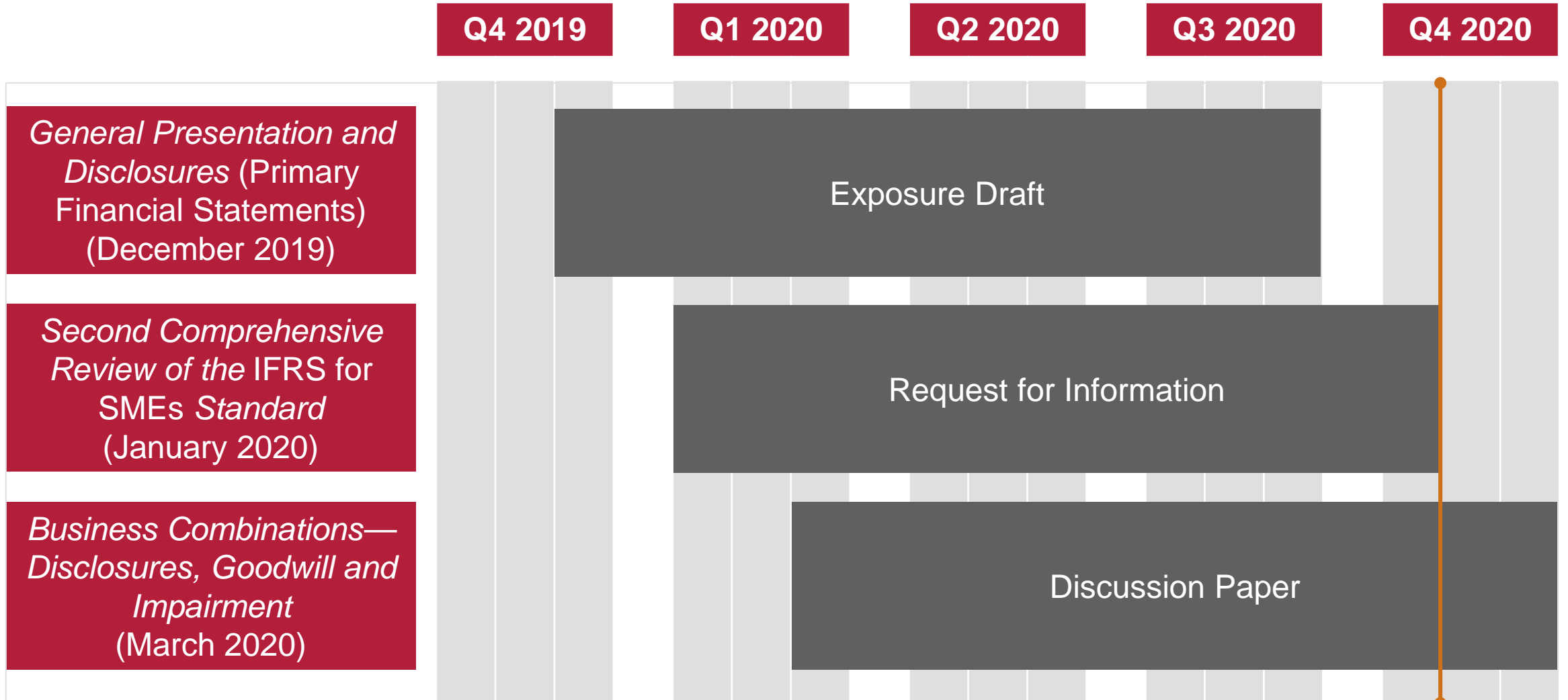
- The Board expects to publish the exposure draft on management commentary in April 2021 instead of February 2021 (slide 15)
- Equity method has been added to work plan (slide 24)
- The Board decided to begin the Post-implementation Review of the IFRS 9 *Financial Instruments* classification and measurement requirements (slide 27)

A grayscale world map is the background for the top half of the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. A network of thin, dotted lines is also visible, suggesting a global or digital connectivity theme.

Consultations

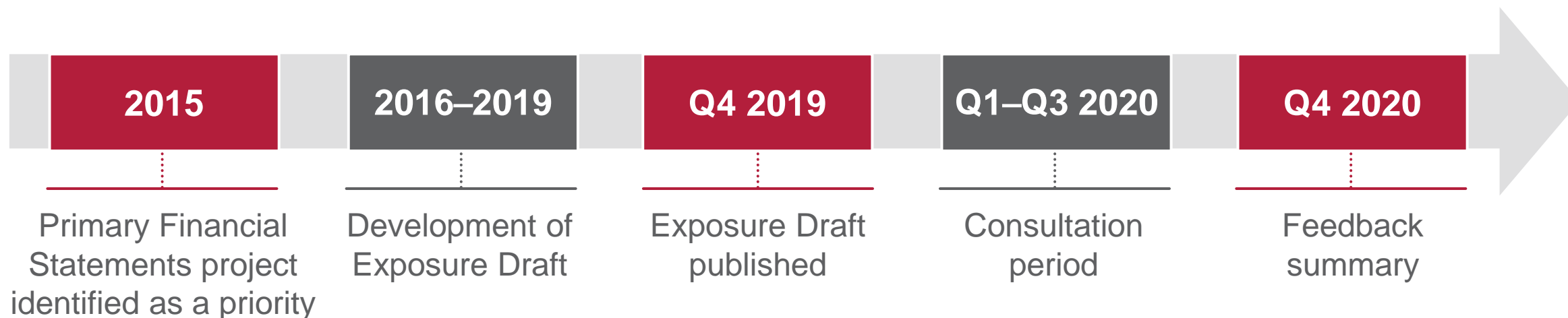
2020 major consultations

Agenda ref 7



General Presentation and Disclosures

Agenda ref 7



Objective

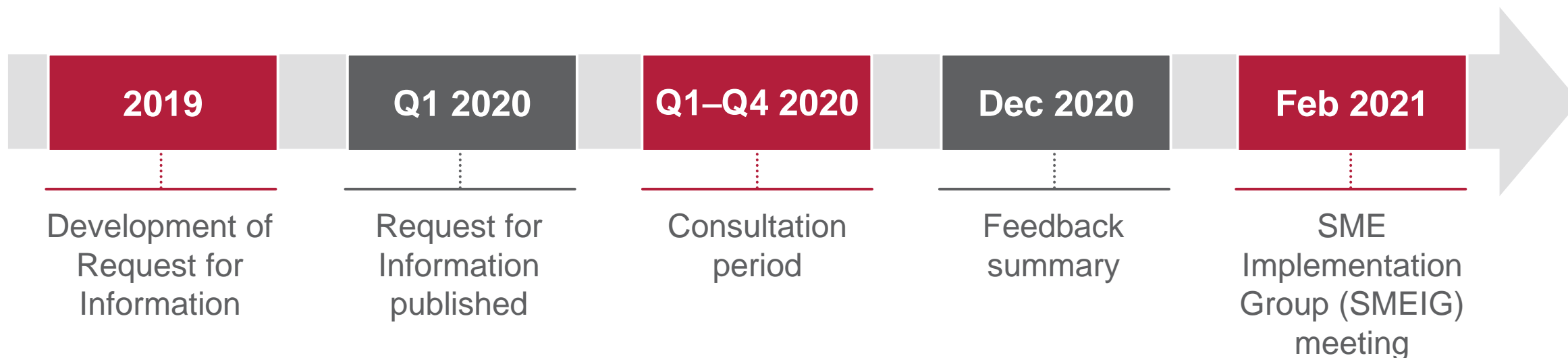
- improve communication in financial statements
- focus on information included in the statement of profit or loss

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**

Review of the *IFRS for SMEs* Standard

Agenda ref 7



Objective

- seek feedback on whether and how to align with IFRS Standards
- decide whether to propose amendments

Questions on...

- A** ... strategy and the general framework for the review
- B** ... sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards
- C** ... new topics and other matters related to the *IFRS for SMEs* Standard

Business Combinations—Disclosures, Goodwill and Impairment

Agenda ref 7



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

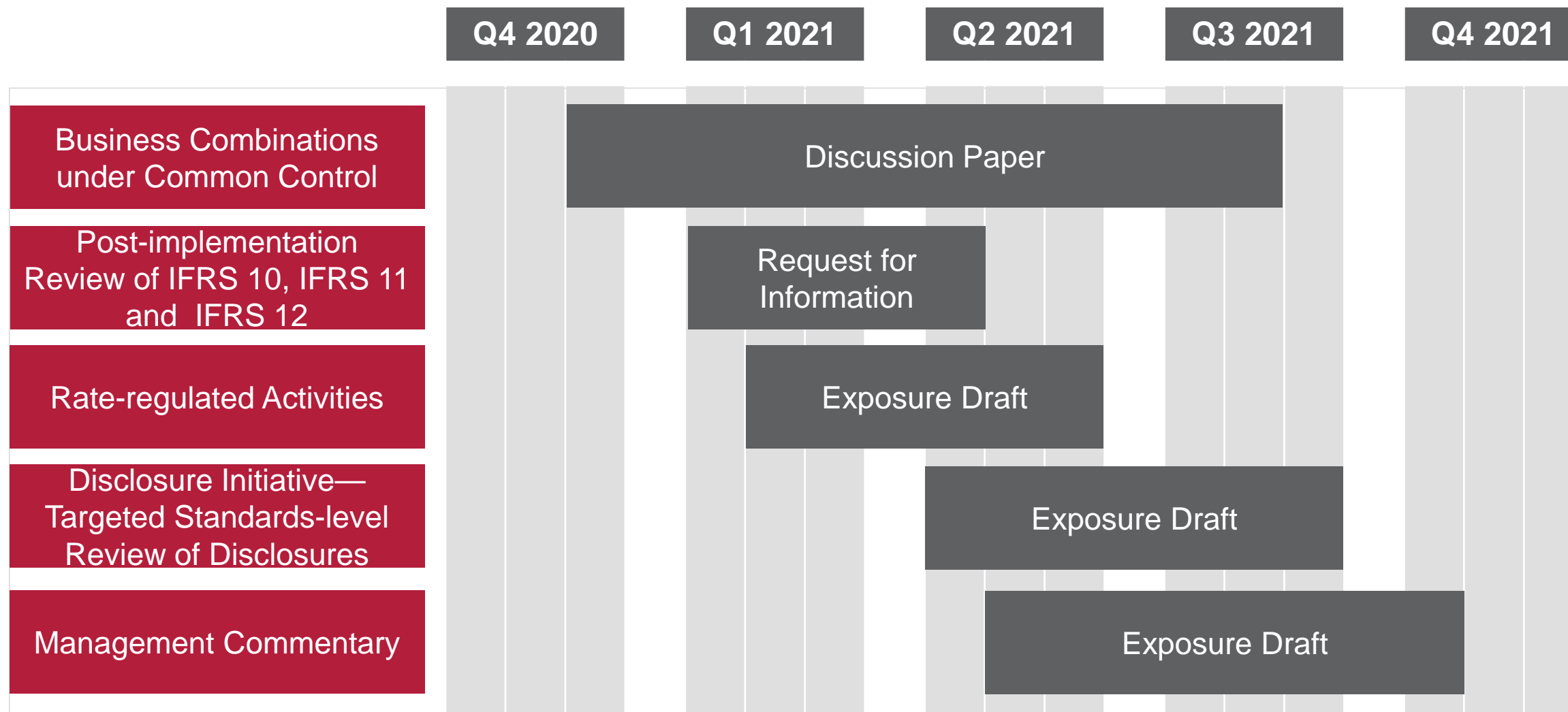
- Retain impairment-only model for goodwill
- Simplify impairment test

3

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

2021 major consultations

Agenda ref 7



Business Combinations under Common Control

Agenda ref 7

Identified problem

- No IFRS requirements on how to account for business combinations under common control.
- Diverse accounting practices applied and little information is provided

Approach

- Use **acquisition method** in specified cases
- Use **book-value method** for other combinations

Acquisition method

- Apply as set out in IFRS 3 *Business Combinations*
- Recognise a contribution in equity if a bargain purchase

Book-value method

- Measure received assets/liabilities at the transferred company's book values
- Measure paid consideration in the form of assets/liabilities at their book values
- Recognise difference between paid consideration and received assets/liabilities in equity

Forthcoming consultation document

Discussion Paper expected November 2020

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

Agenda ref 7

Purpose

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

Selecting topics to be examined in the Request for Information

Consolidated reports

- Control assessment
- Investment entities
- Particular accounting requirements

Joint arrangements

- Collaborative arrangements
- Classifying joint arrangements
- Accounting for joint operations

Disclosures

- If meet users' needs
- Information that is difficult to prepare or redundant

Forthcoming consultation document

Request for Information expected December 2020

Rate-regulated Activities

Agenda ref 7

Identified problem

- Regulatory agreements can create rights and obligations for a company 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 Standards but information about them would be useful to users of the company's financial statements

Approach

Develop an accounting model that:

- recognises these rights and obligations as regulatory assets and regulatory liabilities
- measures those regulatory assets and regulatory liabilities using a cash-flow-based technique
- presents net movement between the opening and closing carrying amounts of regulatory assets and regulatory liabilities immediately below the revenue line item

Forthcoming consultation document

Exposure Draft expected January 2021

Disclosure Initiative—Targeted Standards-level Review of Disclosures

Agenda ref 7

The disclosure problem

- Not enough relevant information
- Too much irrelevant information
- Ineffective communication

Approach

- Help stakeholders improve the usefulness of disclosures for the primary users of financial statements
- Develop guidance for IASB to use when developing and drafting disclosure objectives and requirements
- Objective is not to change the volume of required disclosures, although this may be a consequence

Forthcoming consultation document

Exposure Draft expected March 2021

Management Commentary

Agenda ref 7

Purpose

Revise the IFRS Practice Statement 1 *Management Commentary* issued in 2010, which sets out a non-binding framework for preparing management commentary on financial statements

Approach

- Consolidate innovations in narrative reporting since 2010
- Address gaps in reporting practice, such as the short-term focus in reporting and failure to identify and discuss matters that are specific and important to a company
- Retain a principle-based approach, but provide sufficient detail to support rigorous application of the Practice Statement by companies and the effective review of companies' management commentaries by auditors and regulators
- Can meet investors' and creditors' information needs by referencing others' disclosure requirements

Forthcoming consultation document

Exposure Draft expected Q2 2021

Disclosure Initiative—Subsidiaries that are SMEs

Agenda ref 7

Purpose

For subsidiaries of a parent that prepares consolidated financial statements applying IFRS Standards, reduce costs without removing information needed by the users of the subsidiaries' financial statements

Solution

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

Approach

Use the *IFRS for SMEs* Standard to:

- define scope of subsidiaries that are SMEs (non-publicly accountable)
- determine the starting point for the reduced disclosure requirements

Forthcoming consultation document

Discussion Paper or Exposure Draft

Narrow-scope amendments to IAS 21

Agenda ref 7

Problem

What exchange rate should a company use when a currency's exchangeability is lacking?

Proposed narrow-scope amendment to IAS 21

- Identify the circumstances in which exchangeability is lacking
- Require estimation of spot exchange rate
- Require specific disclosures when exchangeability is lacking

Transition

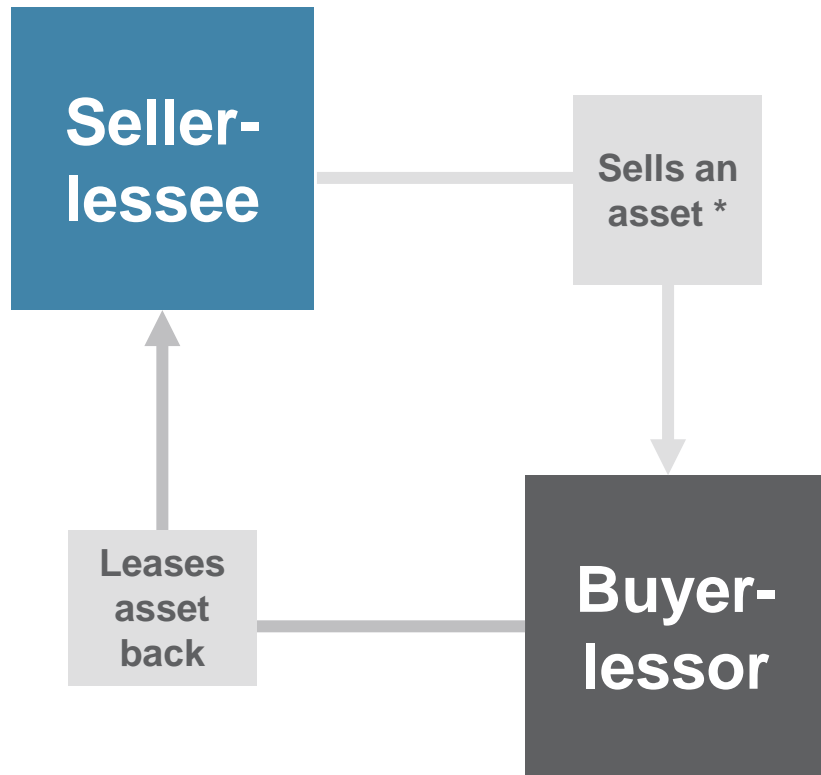
Prospectively with no restatement of comparatives

Forthcoming consultation document

Exposure Draft expected Q1 2021

Narrow-scope amendment to IFRS 16

Agenda ref 7



Problem

How to measure lease liability in a sale and leaseback transaction—particularly those with variable payments

Proposed amendment to IFRS 16

- Specify how to initially measure the ROU asset and lease liability in a sale and leaseback transaction
- Specify subsequent measurement requirements for lease liability in a sale ad leaseback transaction

Forthcoming consultation document

Exposure Draft expected November 2020

* The transaction satisfies the requirements in IFRS 15 to be accounted for as a sale

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

Agenda ref 7

Objective

- Identify whether recognition exemption in IAS 12 applies to a transaction that results in the recognition of both an asset and a liability, such as leases and decommissioning obligations

The amendments

- Require an entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
- Apply amendments to transactions for which an entity recognises both an asset and a liability, such as leases and decommissioning obligations

Next steps

Discuss effective date and due process steps

A grayscale world map is the background for the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. Additionally, there are several dotted lines that form a grid-like pattern across the map, intersecting the curved lines.

Other projects

Dynamic Risk Management

Agenda ref 7

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

Core model

Derivatives

+

Asset profile

=

Target profile

- When **derivatives** are successful in aligning the **asset profile** with the **target profile**, changes in fair value of such derivatives are deferred in OCI and reclassified to the statement of profit or loss over time
- Assuming perfect alignment, the results reported in the statement of profit or loss should reflect the company's target profile

Next steps

Core model feedback expected Q2 2021

Financial Instruments with Characteristics of Equity

Agenda ref 7

Objective

- 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*

Project plan

- 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 steps

Outreach on specific topics and IASB discussion of practice issues

Provisions—Targeted Improvements (IAS 37)

Agenda ref 7

Objective

- Develop proposals for three targeted amendments to *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*

Targeted amendments

- **Align requirements** for identifying liabilities with *Conceptual Framework*
- Clarify which **costs** to include in measure of a provision
- Specify whether **discount rates** used should reflect entity's own credit risk

Next steps

Staff will prepare a project plan for consideration by the IASB

Objective

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

Next steps

Report findings of research to the Board



Work of the IFRS Interpretations Committee



11 addressed by Committee through agenda decisions with explanatory material

1 addressed through a narrow-scope amendment

Five Committee meetings held in 2020 to date

Sample of recent agenda decisions

Agenda ref 7

IFRS 16 *Leases*

Lease term

Lessee's
Incremental
Borrowing Rate

Definition of Lease

Sale and
Leaseback with
Variable Payments

IFRS 15 *Revenue from Contracts with Customers*

Compensation for
Delays /
Cancellations

Training costs

IFRS 9 *Financial Instruments*

Fair value hedge of
FX risk on non-
financial assets

Other Standards

Holdings of
Cryptocurrencies

Hyperinflationary
foreign operations

Supply Chain
Financing
Arrangements—
Reverse Factoring

Player Transfer
Payments

Multiple Tax
Consequences of
Recovering an
Asset

Deferred Tax
related to an
Investment in a
Subsidiary



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



Shaping the next five years

The next agenda consultation

Defining the IASB work plan for 2022–2026

Agenda ref 7



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



Trustee' consultations

IFRS Foundation Trustees' consultation on sustainability

Agenda ref 7



Is there demand for global sustainability standards?



Should the IFRS Foundation play a role?



What shape should its contribution take?



To comment, visit: ifrs.org/sustainability




Helpful materials

Resources available on our website


Agenda ref 7

Supporting materials sorted by Standard


Website
www.ifrs.org



Videos



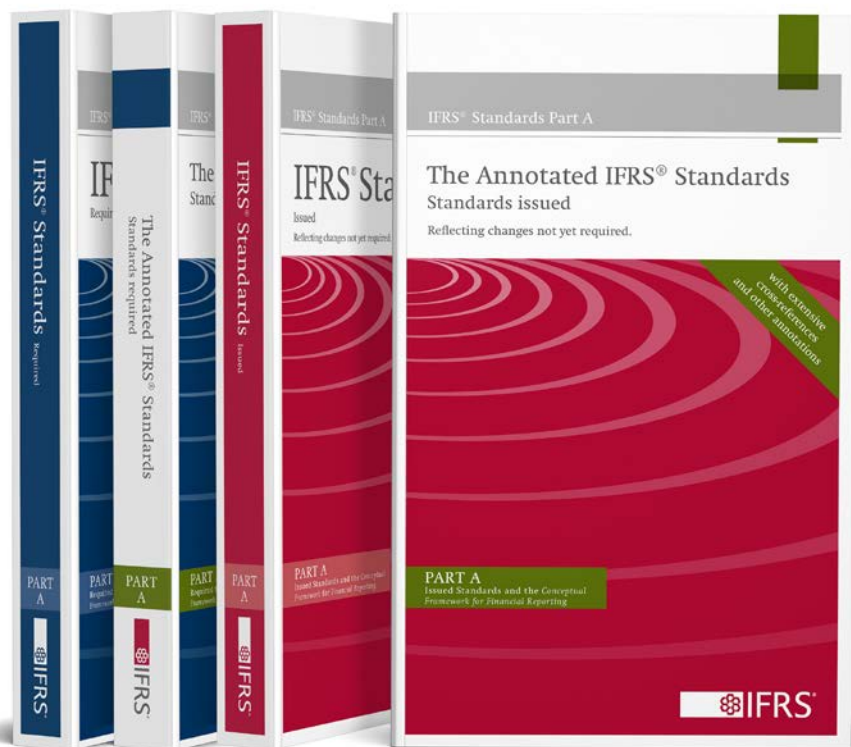
Leaflet
Supporting IFRS Standards



www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-9/

IFRS Standards and their Annotated equivalents

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IFRS Standards

The IFRS[®] Standards
Required 2020

The IFRS[®] Standards
Issued 2020

IFRS Standards + extensive cross-references + annotations

The Annotated IFRS[®]
Standards Required 2020

The Annotated IFRS[®]
Standards Issued 2020

Annotated IFRS Standards also available in Spanish

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