
Capital Markets Advisory Committee meeting

Date **October 2023**

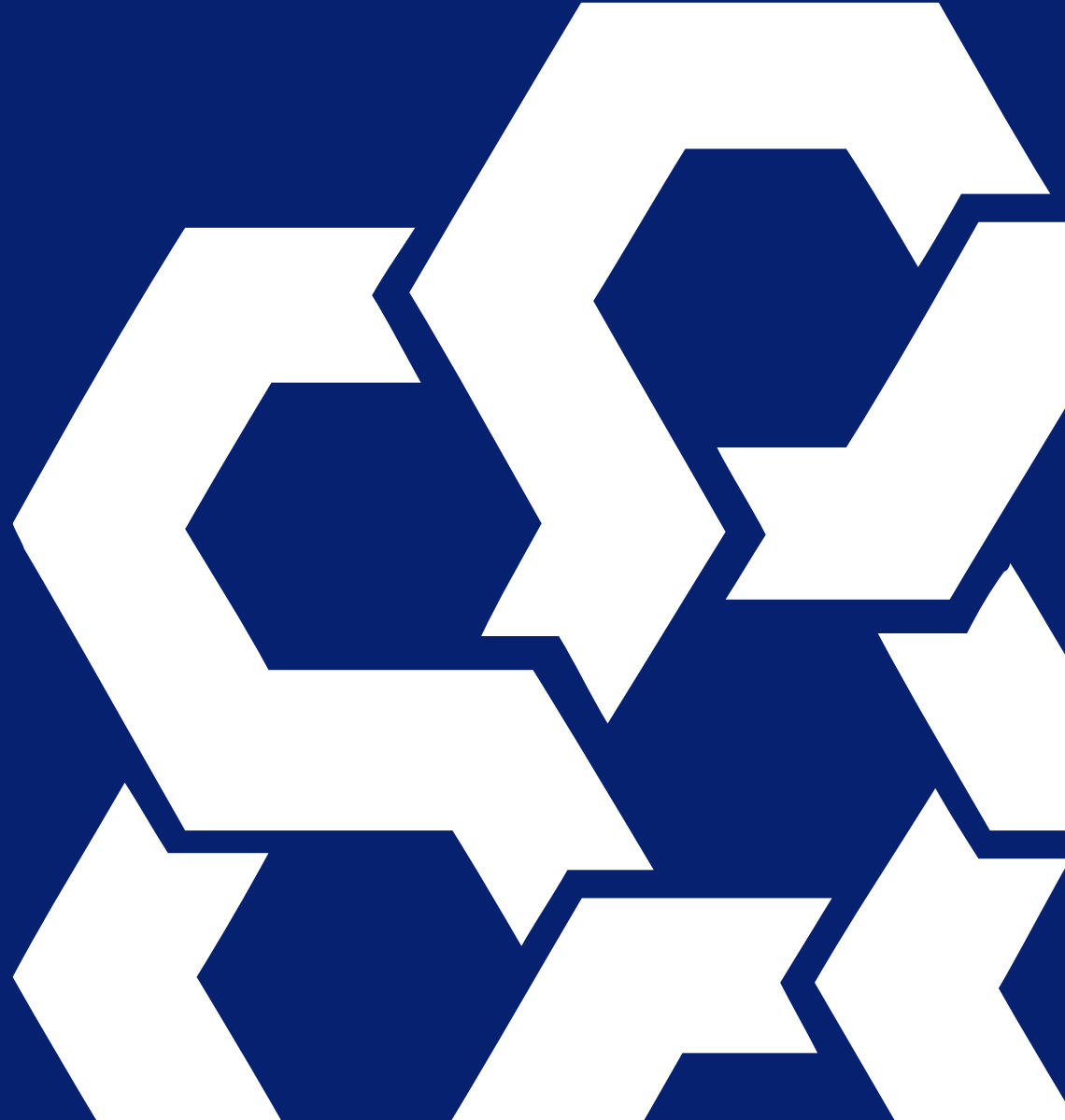
Topic **IASB Update**

Contact **Nick Anderson** (nanderson@ifrs.org)

Overview

- New requirements
- Current work plan
- Appendix: Standard-setting & research projects
- Appendix: Other maintenance projects
- Appendix: Post-implementation reviews

New requirements



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:

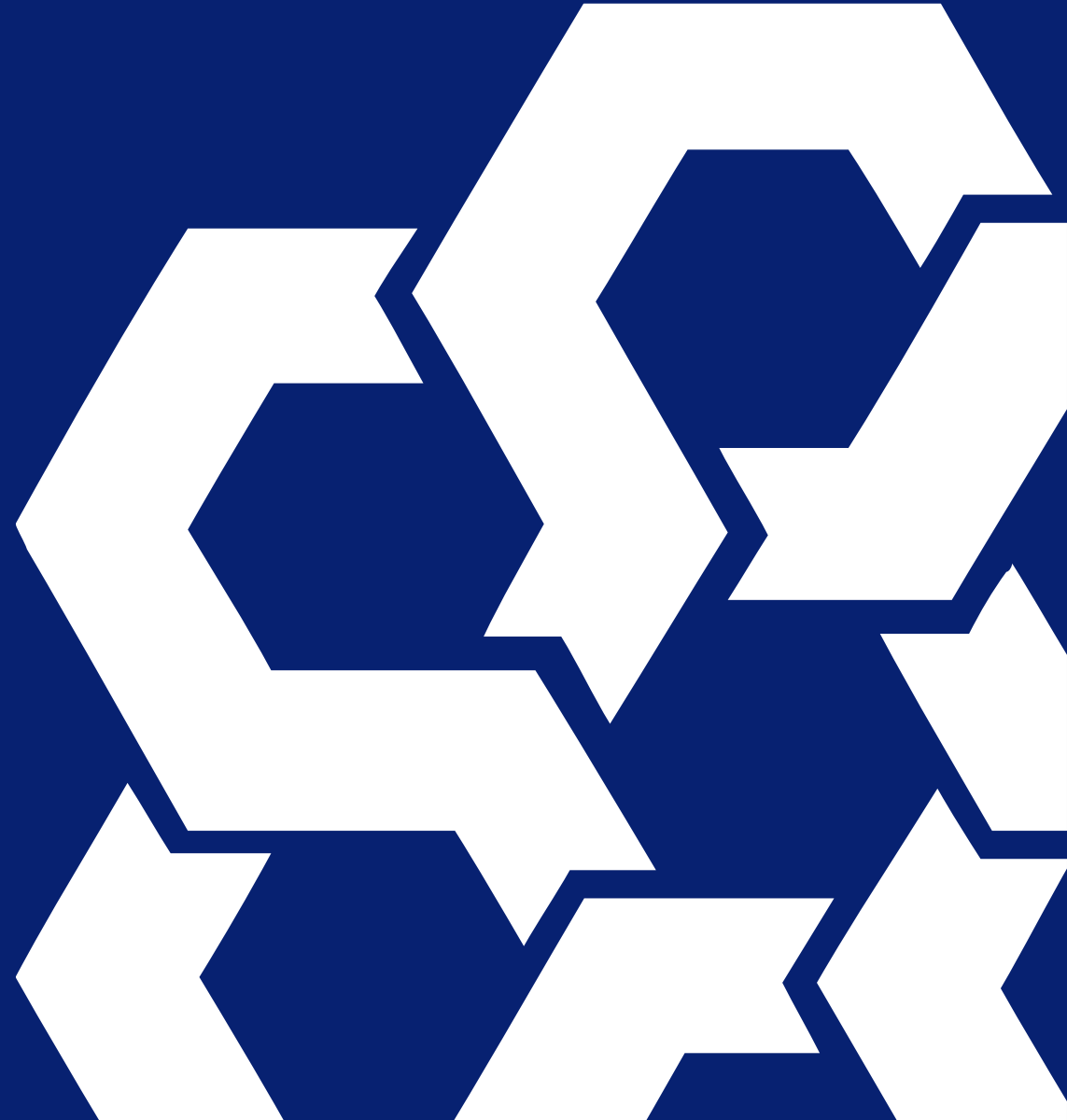
- ✓ Amendments to the classification and measurement of financial instruments (IFRS 9)

Primary Financial Statements: Effective date



- ✓ **All** requirements applied at the **same time** by all entities from the effective date, unless an entity elects to apply the requirements **earlier**
- ✓ Comparative periods in interim and annual financial statements restated
- ✓ Reconciliation of the statement of profit or loss required for the immediately preceding comparative period
- ✓ An entity eligible to apply paragraph 18 of IAS 28 *Investments in Associates and Joint Ventures* is permitted to change its selection for measuring an investment in an associate or joint venture from the equity method to fair value through profit or loss

Update on current work plan



Consultations

Open for comments

Request for information on PIR
of IFRS 15—*Revenue from
Contracts with Customers*

Comments due
27 Oct 2023

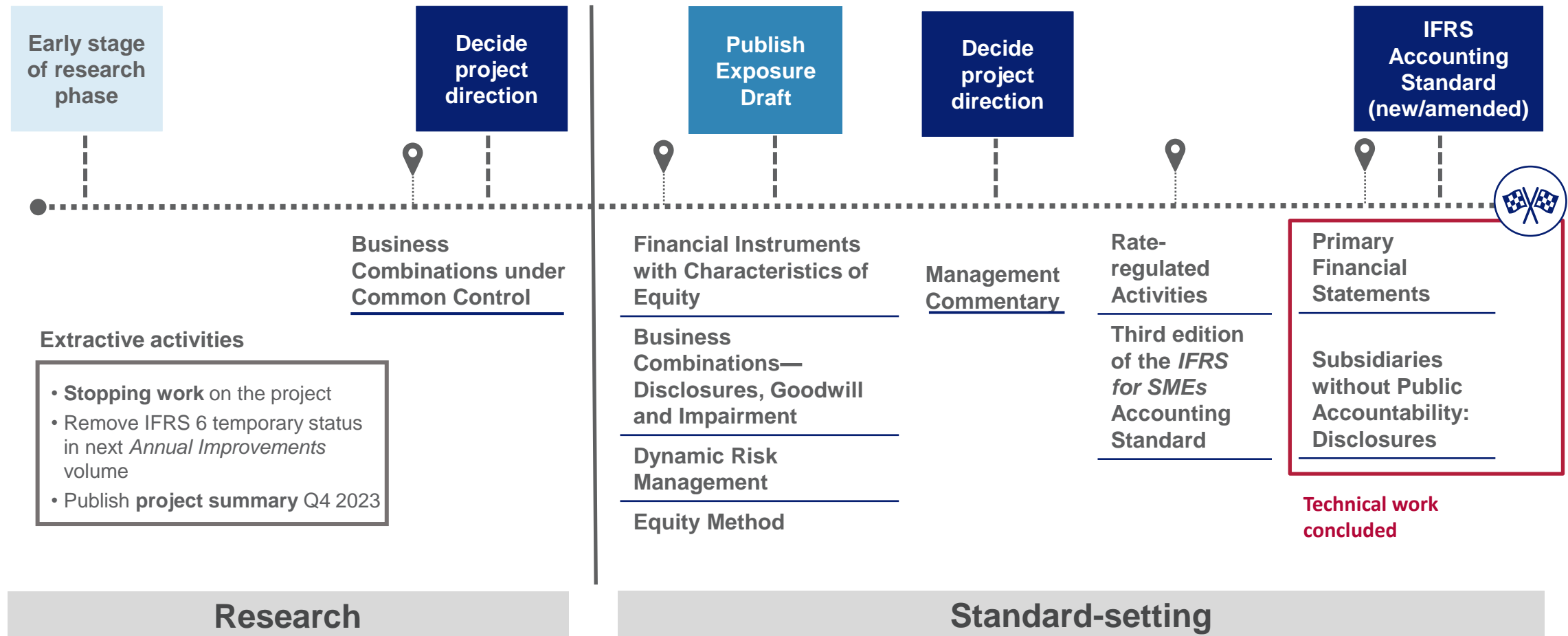
Exposure Draft *Annual
Improvements to IFRS
Accounting Standards—
Volume 11*

Comments due
11 Dec 2023

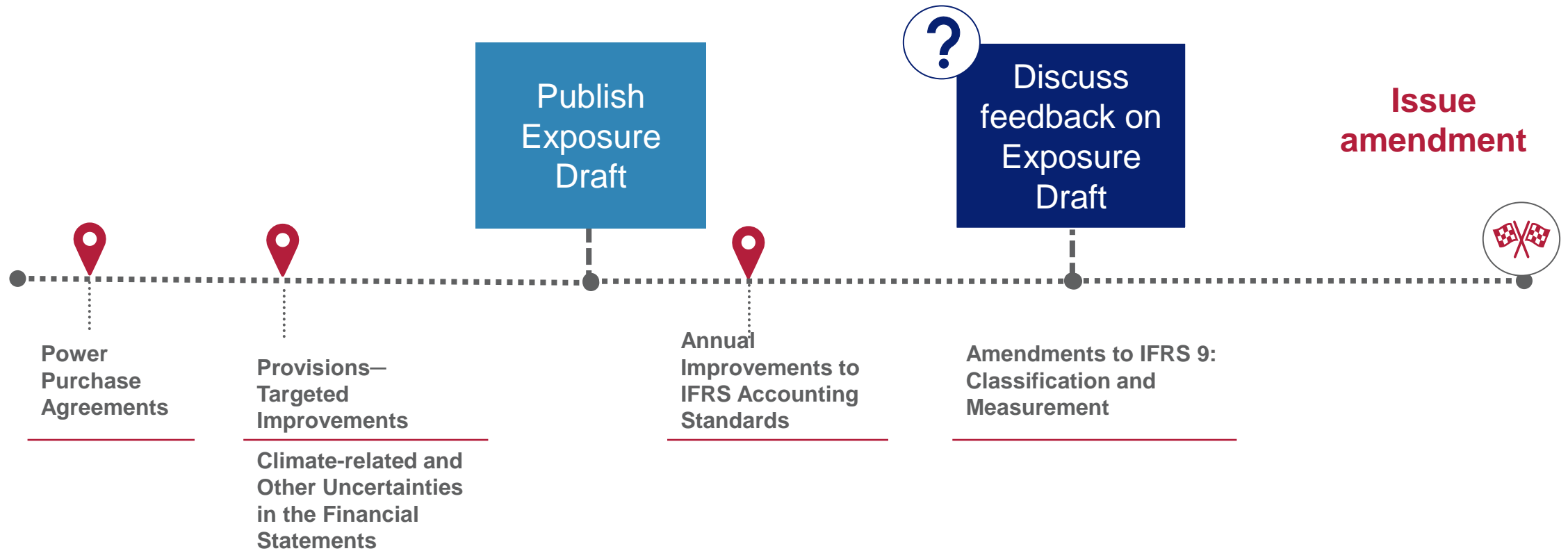
Forthcoming

- **H2 2023:** Exposure draft proposing amendments to IAS 32 (*Financial Instruments with Characteristics of Equity* project)
- **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)

Research & standard-setting projects



Maintenance projects



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 H1 2024

Post-implementation reviews

Recently completed

PIR of IFRS 9—Classification and Measurement

Feedback analysis

PIR of IFRS 9—Impairment

Out for comment

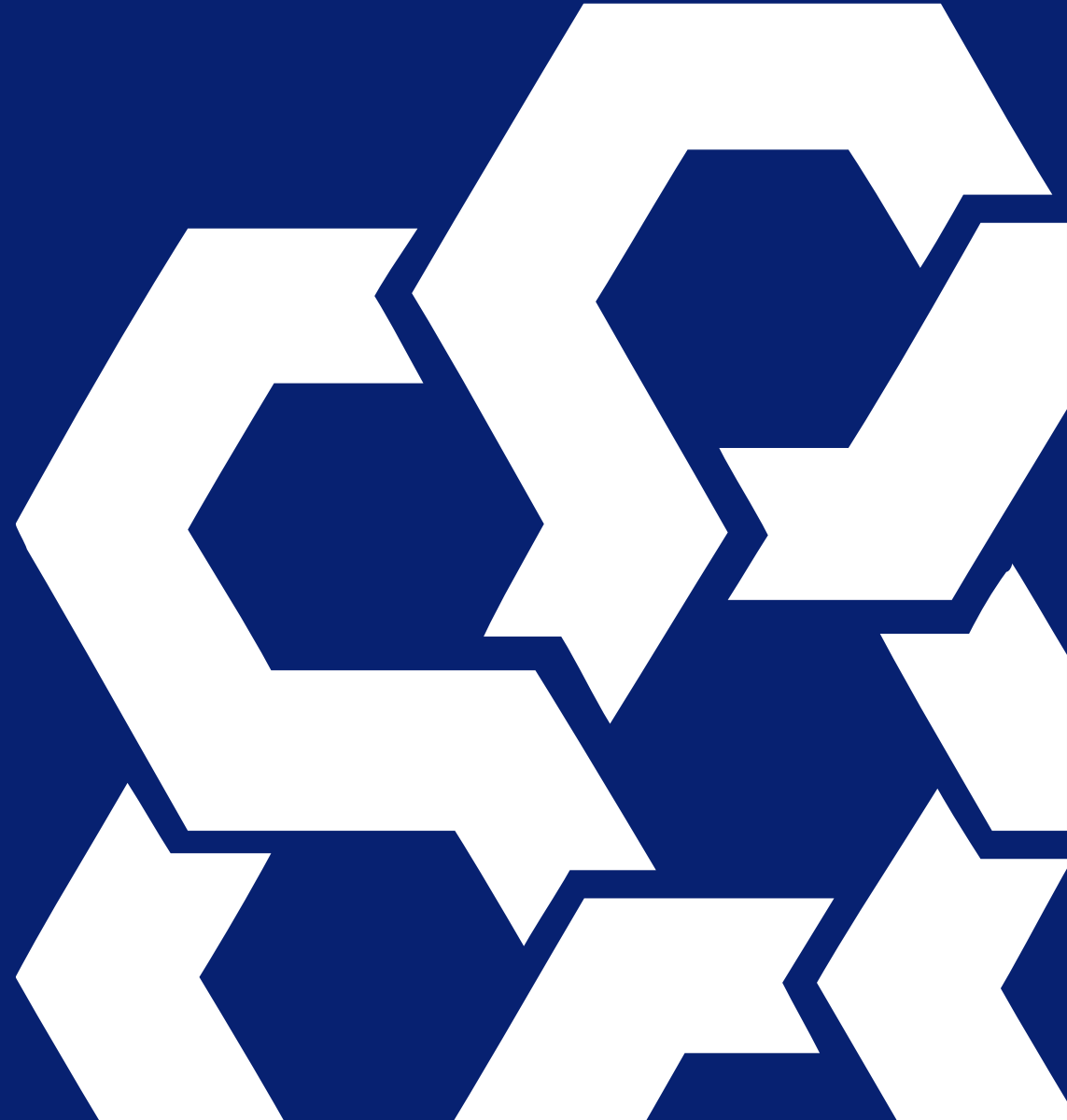
PIR of IFRS 15 *Revenue from Contracts with Customers*

PIR of IFRS 16 *Leases*

Forthcoming

PIR of IFRS 9—Hedge Accounting

Appendix Standard-setting & research projects



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 H1 2024

Business Combinations under Common Control

Objective

- Develop reporting requirements to reduce diversity and improve transparency

Project update

- In September 2023 the IASB discussed feedback, staff's analysis of that feedback and staff's initial views on:
 - whether to change project direction; and
 - if so, whether to develop disclosure-only requirements or discontinue the project

Next steps

- Decide project direction—expected November 2023

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

- A DRM adjustment is recognised in the statement of financial position to represent the extent to which the designated derivatives successfully mitigated the variability in both the fair value of and the net interest income from the risk mitigation intention, and achieved the entity's target profile

Next milestone

- Further discussions on the DRM model
- 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 made tentative decisions on application questions, and on improvements to disclosure requirements, for:

Associates 

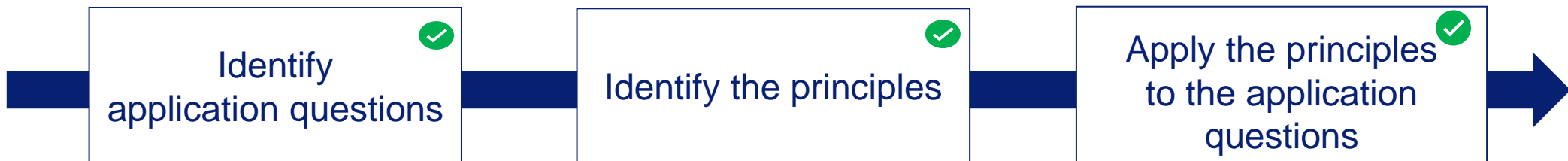
Next steps

- Discuss implications of applying tentative decisions, and possible improvements to disclosure requirements, to

Joint ventures

Subsidiaries in separate financial statements

Project approach



Financial Instruments with Characteristics of Equity

Purpose

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

Approach

- Clarify IAS 32 classification principles to address practice issues (for example, classification of financial instruments settled in an entity's own equity instruments)
- Improve presentation and disclosure
- Provide application guidance and illustrative examples

Next milestone

- Publish Exposure Draft in Q4 2023

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—the consultation on ISSB’s agenda priorities closed in September 2023
- IASB discussed staff’s comparison with *Integrated Reporting Framework* and feedback on comparison

Next milestone

- Decide project direction in H1 2024

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

Rate-regulated Activities

Objective

- Provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on companies' financial performance and financial position

Proposals

- In some cases, rate regulation creates differences in timing that arise when compensation for goods or services supplied in one period is included in the regulated rate charged in a different period
- Reflect compensation for goods or services in the period goods or services are supplied
- Require recognition of regulatory assets, regulatory liabilities, regulatory income and regulatory expense

Next milestone

- Issue IFRS Accounting Standard – expected in 2025

Review of the *IFRS for SMEs* Accounting Standard

Objective

- Update the *IFRS for SMEs* Accounting Standard to reflect improvements made in full IFRS Accounting Standards (in the scope of the second comprehensive review) while keeping the simplicity of the Standard

Approach

- Apply ‘alignment approach’ to update the *IFRS for SMEs* Accounting Standard
- 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

- Continue redeliberating the proposals in the [Exposure Draft](#)
- The third edition of the *IFRS for SMEs* Accounting Standard is expected in 2025

Subsidiaries without Public Accountability: Disclosures

Objective

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

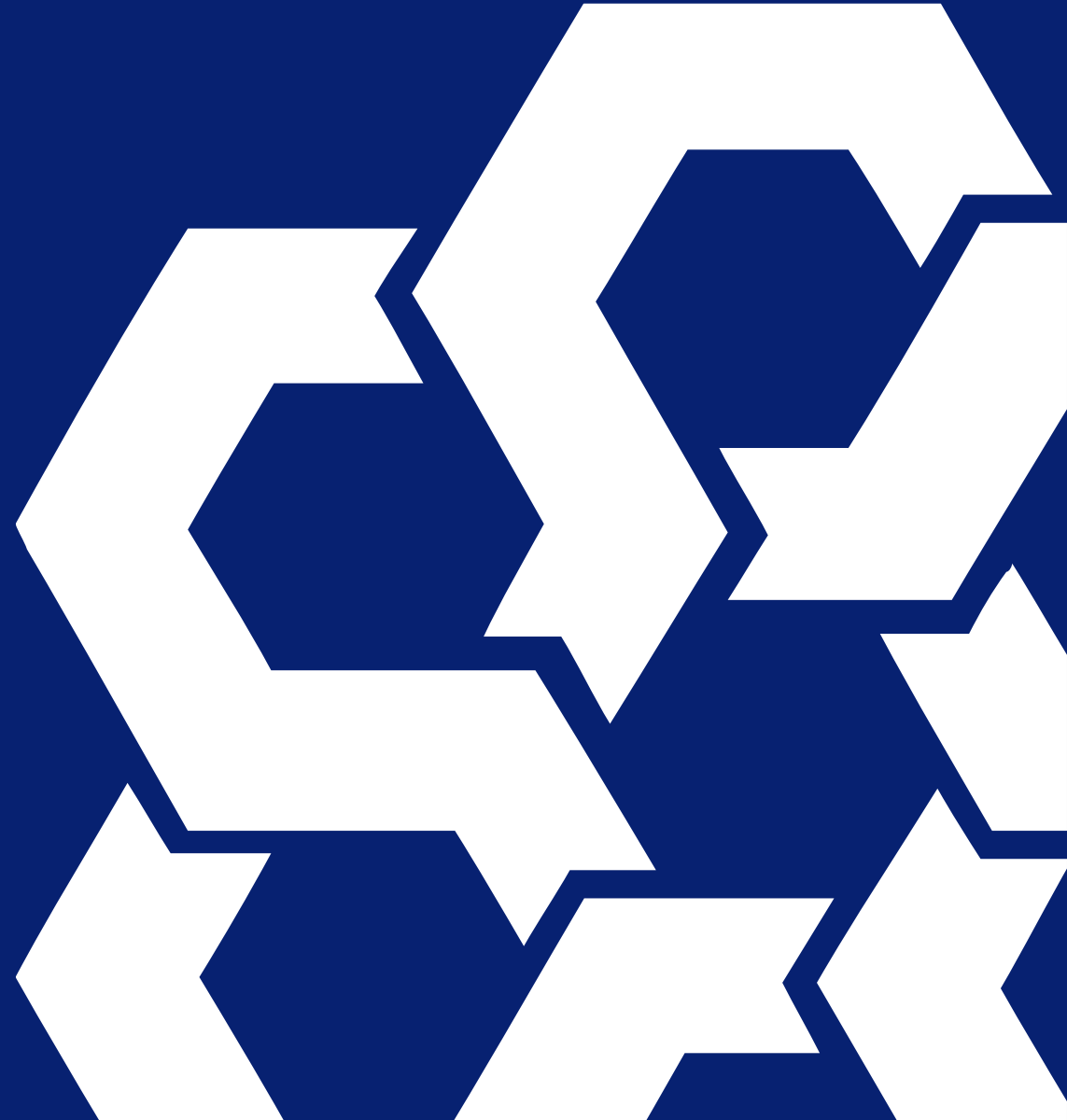
Proposal

- Eligible subsidiaries apply IFRS Accounting Standards with reduced disclosure requirements

Next milestone

- Issue IFRS Accounting Standard in H1 2024

Appendix Other 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

Annual Improvements to IFRS Accounting Standards

Objective

- Propose amendments to IFRS Accounting Standards that either:
 - clarify wording; or
 - correct relatively minor unintended consequences, oversights or conflicts between existing requirements

In scope

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- IFRS 7 *Financial Instruments: Disclosures*
- IFRS 9 *Financial Instruments*
- IFRS 10 *Consolidated Financial Statements*
- IAS 7 *Statement of Cash Flows*

Next milestone

- Comment period for [Exposure Draft](#) closes 11 December 2023

Provisions—Targeted Improvements

Objective

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

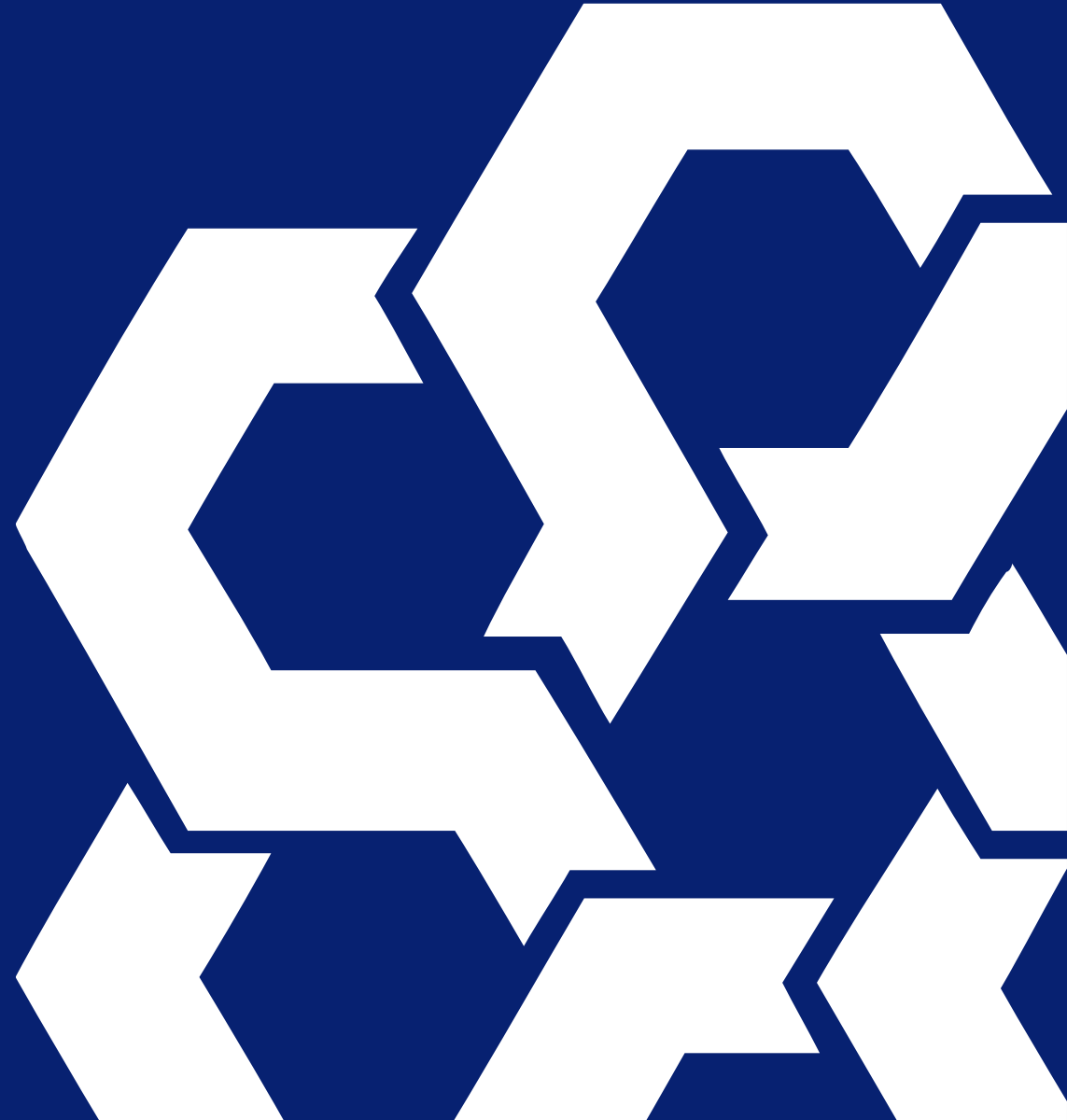
Areas of focus

- Clarify whether and when an entity recognises provisions for obligations it could avoid through its future actions—using concepts from the *Conceptual Framework*
- Clarify which costs to include in measure of a provision
- Specify more precisely the rate to use to discount future cash flows to their present value.

Next milestone

- Decide project direction in Q4 2023

Appendix Post-implementation reviews



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

Examines:

- general approach to recognition of ECL
- significant increases in credit risk
- measurement of ECL
- credit-impaired financial assets
- simplified approach
- loan commitments and financial guarantee contracts
- credit risk disclosures
- interaction with other requirements

Next milestone

- Request for Information Feedback

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

- Comment period for [Request for Information](#) closes 27 October 2023

Helpful materials

Resources available on our website

Supporting materials sorted by Standard

Website
www.ifrs.org



IFRS
Accounting
Standards

IFRIC
Interpretations

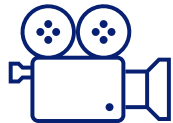
Cross-cutting
materials

News and
events



For example, for IFRS 9 *Financial Instruments*:

Videos



Webinars



Articles

Leaflet



Transition
Resource
Group



Agenda
decisions

Supporting IFRS
Accounting
Standards

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