
Emerging Economies Group meeting

Date **5–6 December 2022**

Topic **IASB Technical Update**

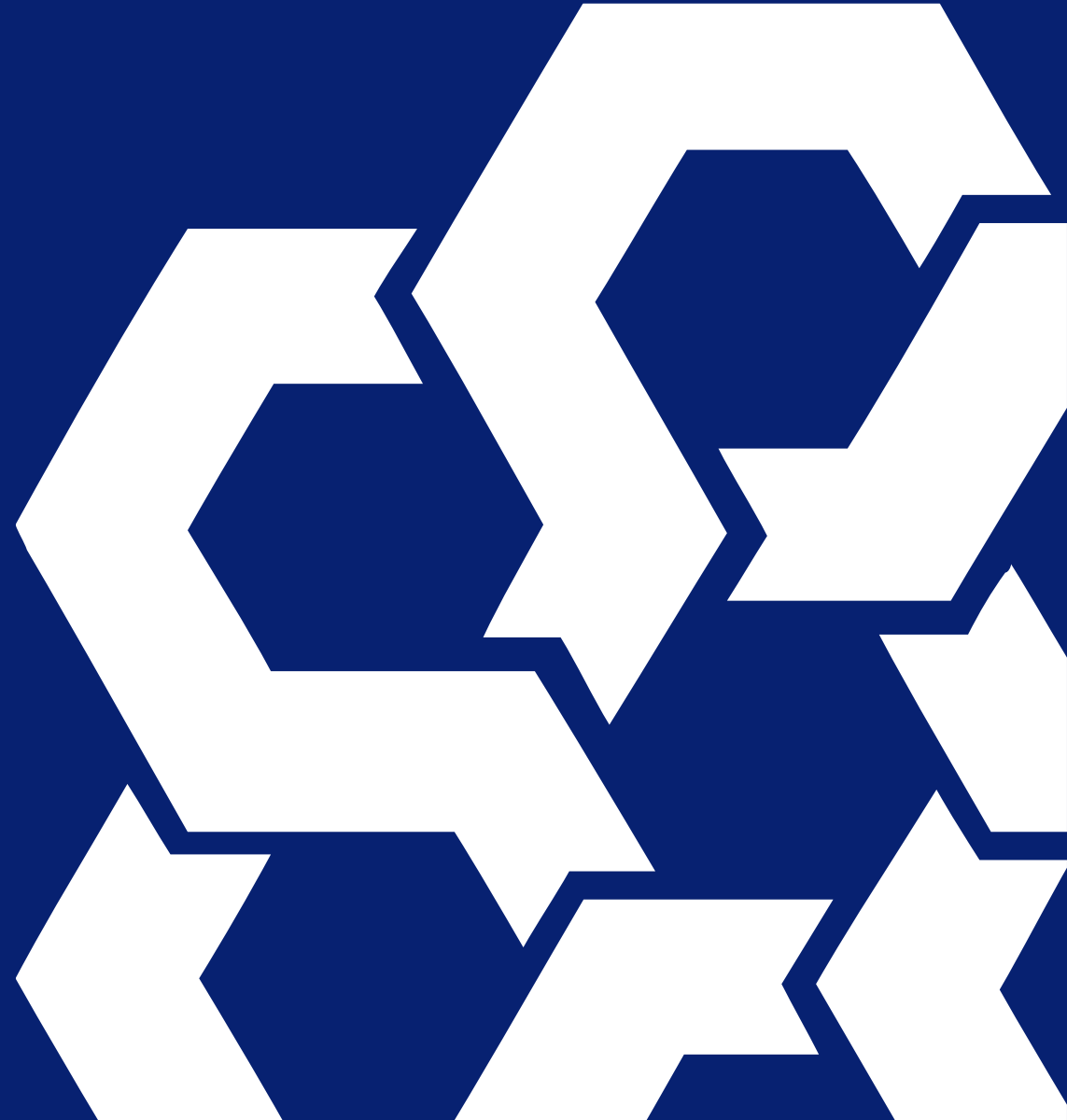
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This paper has been prepared for discussion at a public meeting of the Emerging Economies Group (EEG). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

IASB Update at the EEG meeting December 2022

- The IASB will present slides 3—12 for discussion with EEG members. Slides 3—12 discuss recent IASB decisions and recently published documents
- EEG members are invited to ask questions on others projects and matters set out in slides 13—59

Recent IASB decisions



Recent IASB decisions

- In November 2022 the IASB:
 - added a narrow-scope amendment to IAS 12 to its work plan
 - voted to retain the impairment-only approach to account for goodwill
 - concluded its discussions on the post-implementation review of IFRS 9 on classification and measurement
 - agreed to start the balloting process for the proposed amendments to the classification and measurement of financial instruments

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 on the accounting for income taxes

Proposals

- Introduce a temporary exception from accounting for deferred taxes arising from the implementation of the rules
- Require targeted disclosures requirements for affected companies

Next milestone

- Publish Exposure Draft

Goodwill and Impairment

Objective

- Improve information companies provide about their acquisitions at a reasonable cost

Areas of focus

- A package of disclosure requirements about business combinations (decision on some key aspects made in September 2022)
- The subsequent accounting for goodwill (decision to retain the impairment-only model made in November 2022)

Next steps

- Decide project direction

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

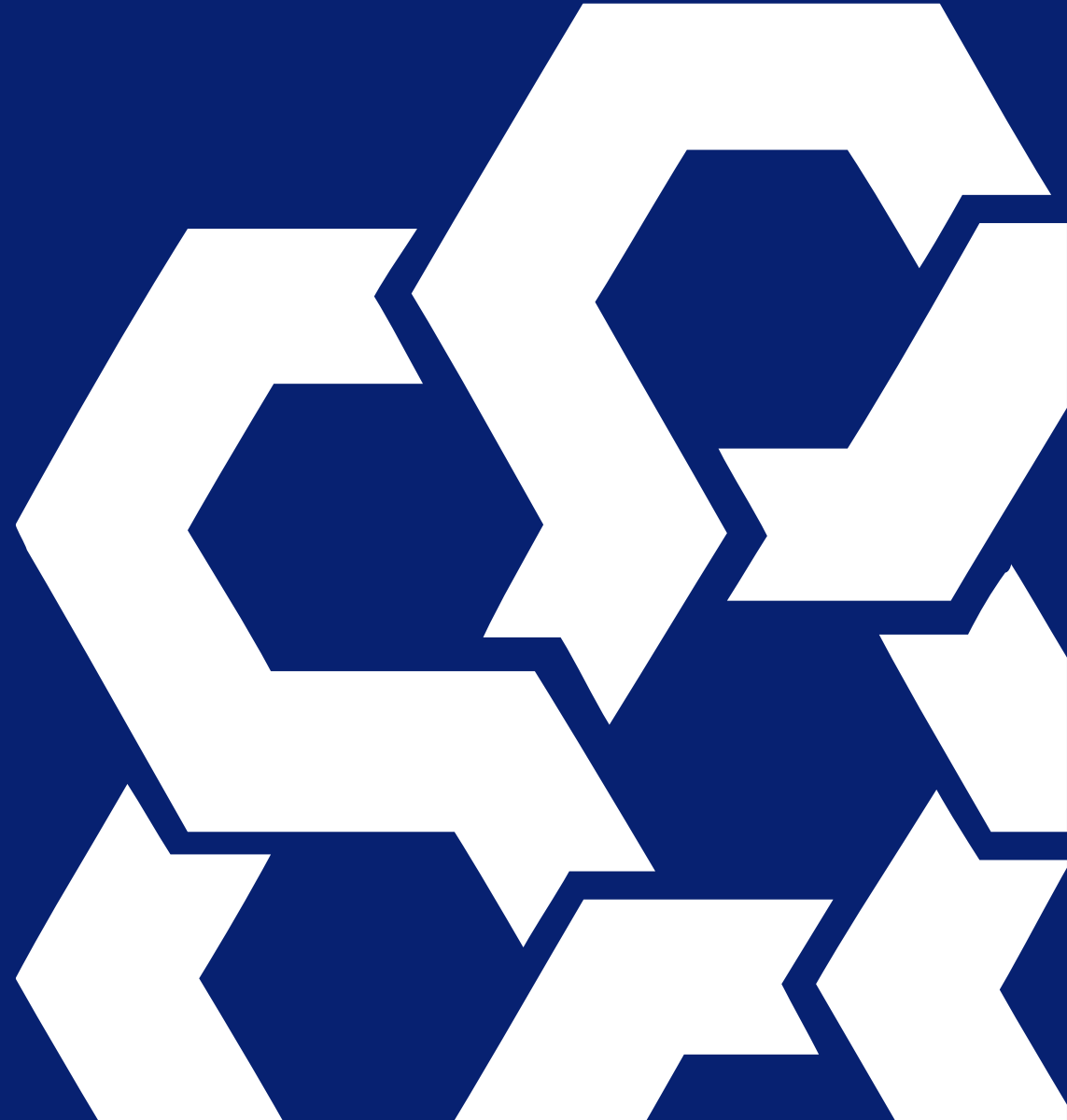
Areas of focus

- 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

Recently published documents



Recently published documents

Project

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

Non-current Liabilities with
Covenants

Narrow-scope amendments to
IAS 1 Presentation of Financial
Statements



Project
completed

Lease Liability in a Sale
and Leaseback

Narrow-scope amendments to
IFRS 16 Leases



Project
completed

Third Agenda Consultation

Feedback Statement



Project
completed

Non-current Liabilities with Covenants

Objective

- Improve the information about liabilities with covenants

The amendments to IAS 1

- Specify that covenants with which an entity must comply after the reporting period do not affect classification of a liability as current or non-current at the reporting date
- Add disclosure requirements for non-current liabilities subject to covenants



Effective date

Annual reporting periods beginning on or after 1 January 2024, with earlier application permitted

Lease Liability in a Sale and Leaseback

Objective

- Improve the measurement requirements for sale and leaseback transactions — particularly those with variable payments

The amendments to IFRS 16






- Specify subsequent measurement requirements for the lease liability in a sale and leaseback transaction
- Require retrospective application of the amendments applying IAS 8



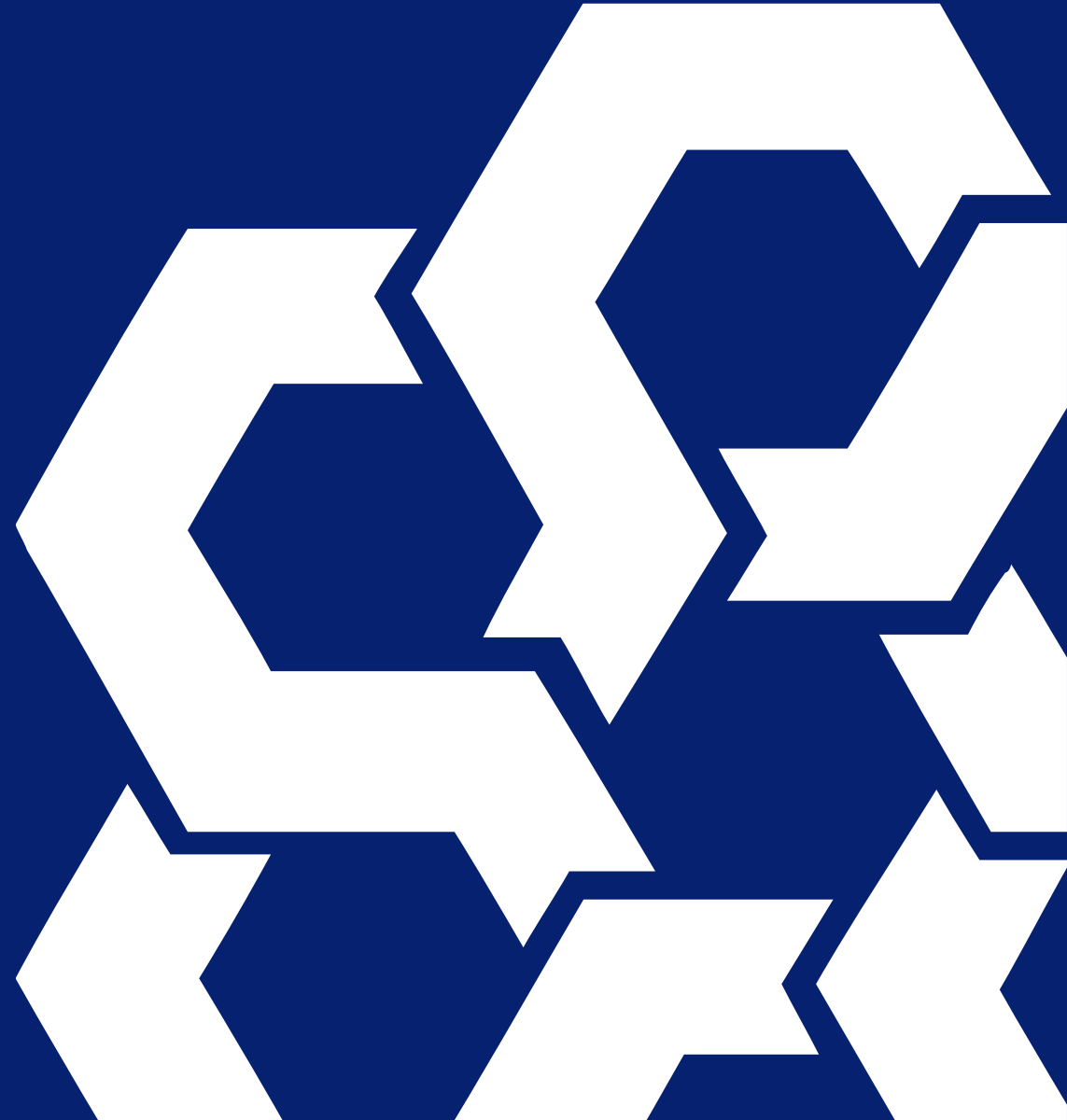
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Third Agenda Consultation

<p>Research project pipeline</p>	 	<p>Intangible Assets—this project will aim to review IAS 38 <i>Intangible Assets</i> comprehensively.</p> <p>Statement of Cash Flows and Related Matters—as part of the research phase on such a project, the IASB will consider whether the project should aim to review IAS 7 <i>Statement of Cash Flows</i> comprehensively or make more targeted improvements</p>
<p>Maintenance project pipeline</p>		<p>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.</p>
<p>Reserve list (if additional capacity becomes available)</p>	 	<p>Operating Segments</p> <p>Pollutant Pricing Mechanisms</p>

Forthcoming documents



Forthcoming documents

- Feedback Statement on PIR of IFRS 9—Classification and Measurement

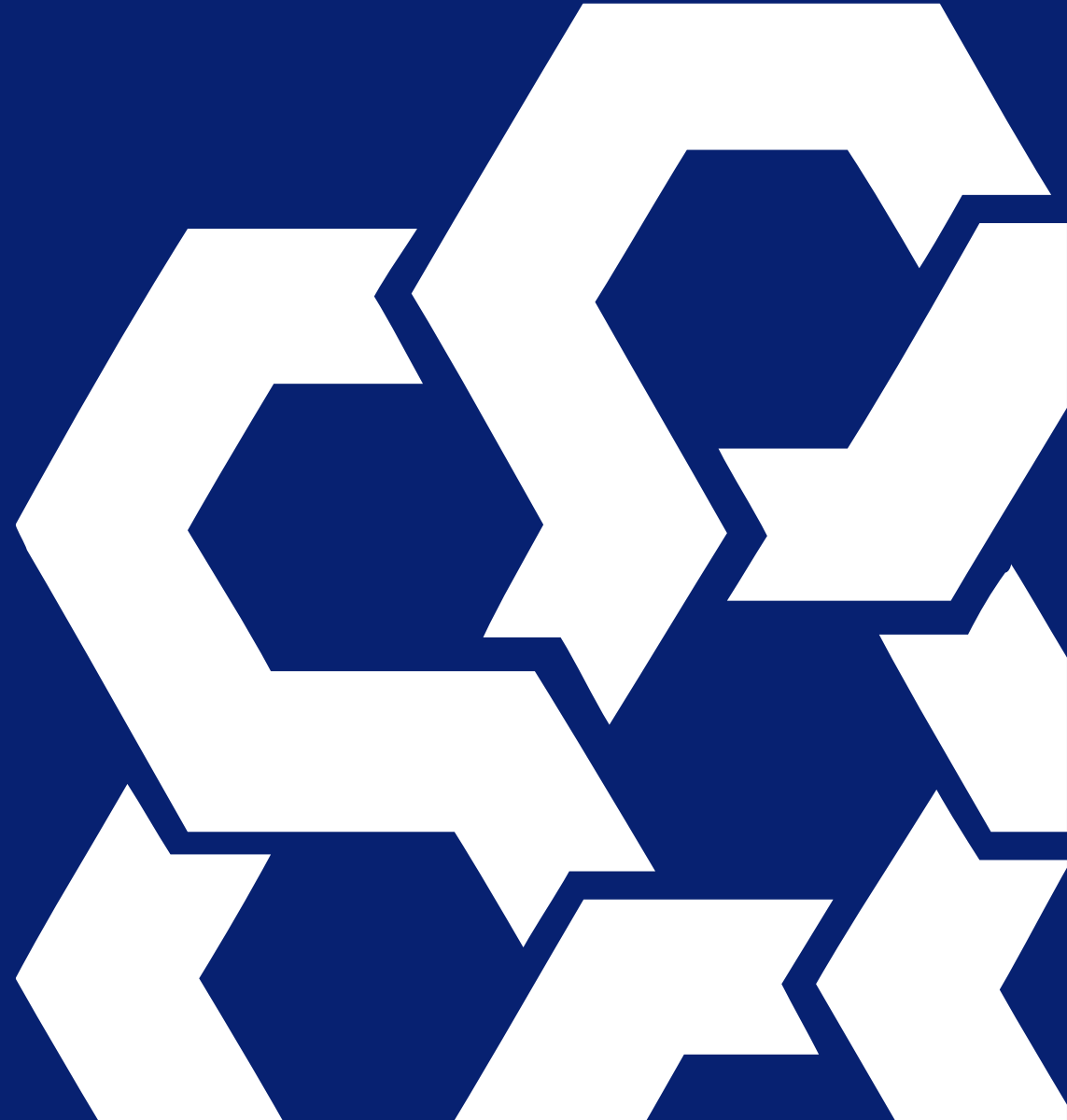
- Request for Information on PIR of IFRS 9—Impairment
- Request for Information on PIR of IFRS 15
- Exposure Draft proposing narrow-scope amendments to IFRS 9 and IFRS 7
- Exposure Draft proposing narrow-scope amendments to IAS 12
- Project Summary for the Targeted Standards-level Review of Disclosures

Expected

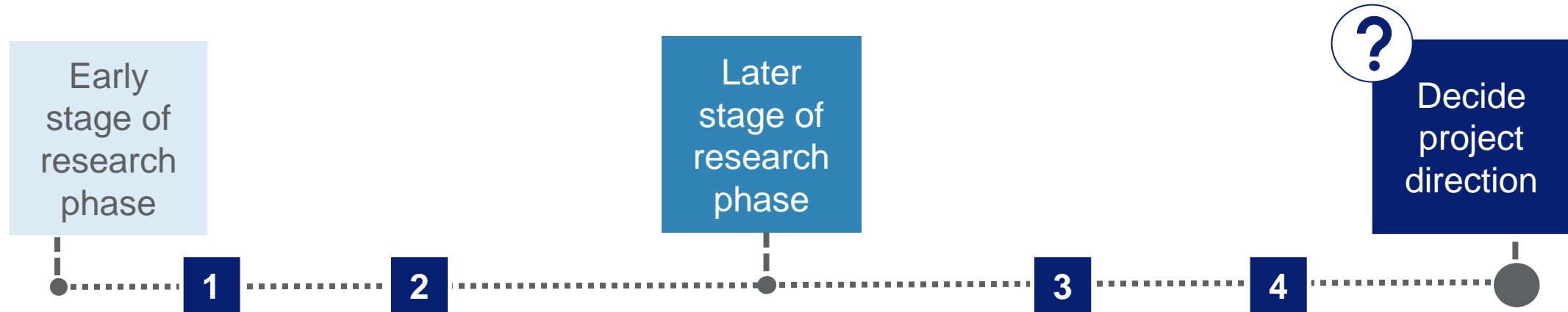
December
2022

H1 2023

Research projects



Overview: research projects



- 1** Equity Method
- 2** Extractive Activities
- 3** Business Combinations under Common Control
- 4** Goodwill and Impairment See slide 6

Equity Method

Objective

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

Next steps

- Continue to discuss other application questions identified within the scope of the project
- Decide project direction

Extractive Activities

Objective

- Provide more useful information about exploration and evaluation expenditure and activities accounted for applying IFRS 6 *Exploration for and Evaluation of Mineral Resources* by improving the transparency and comparability of this information

Project scope

- Explore developing requirements or guidance to improve a company's disclosures about its exploration and evaluation expenditure and activities
- Explore removing the temporary status of IFRS 6

Next steps

- Decide project direction

Business Combinations under Common Control

Objective

- Develop reporting requirements to reduce diversity in practice and improve transparency

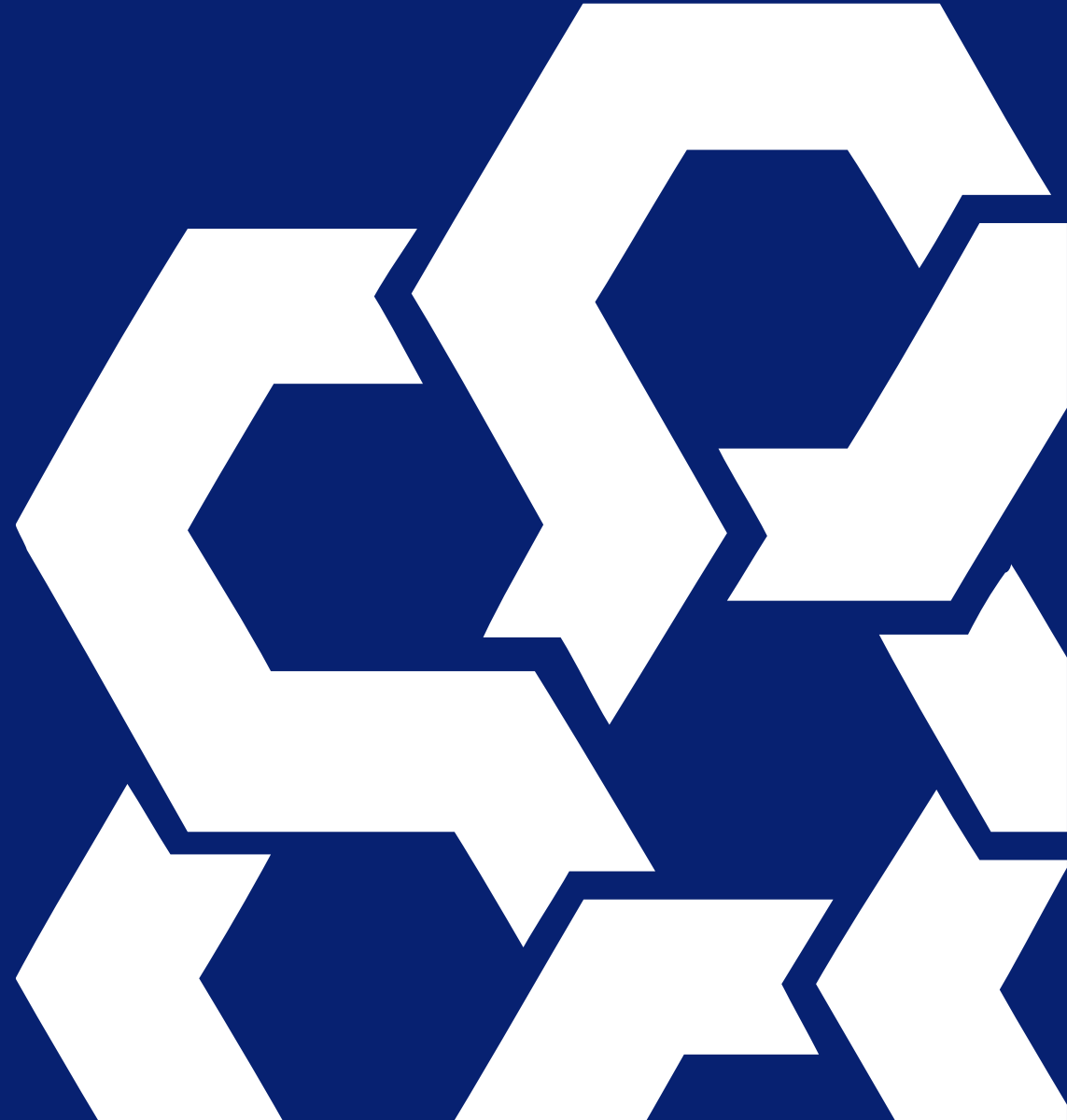
Project update

- In March 2022 the IASB tentatively decided not to expand the project's scope

Next steps

- Deliberations will initially focus on selecting the measurement method(s) to apply
- How to apply the measurement method(s) and other topics to be deliberated subsequently

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

PIR of IFRS 9—Classification and Measurement

Overall feedback

- Generally positive feedback – IFRS 9 considered an improvement on IAS 39
- No fundamental issues with underlying principles, but some aspects for IASB to consider

Areas of focus

- Solely payments of principal and interest (SPPI)
- Equities and other comprehensive income
- Derecognition
- Amortised cost and effective interest rate
- Other matters, such as business model assessment

Next steps

- Publish Feedback Statement

PIR of IFRS 9—Impairment

Objective

- Assess the effects of applying the requirements for recognition of expected credit losses for all financial instruments on stakeholders

Project plan

- Perform outreach with all stakeholder groups, including preparers, auditors, users of financial statements, regulators and standard-setters
- Review academic and other research related to the implementation of the impairment requirements and related disclosures

Next milestone

- Publish Request for Information in H1 2023

PIR of IFRS 15

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

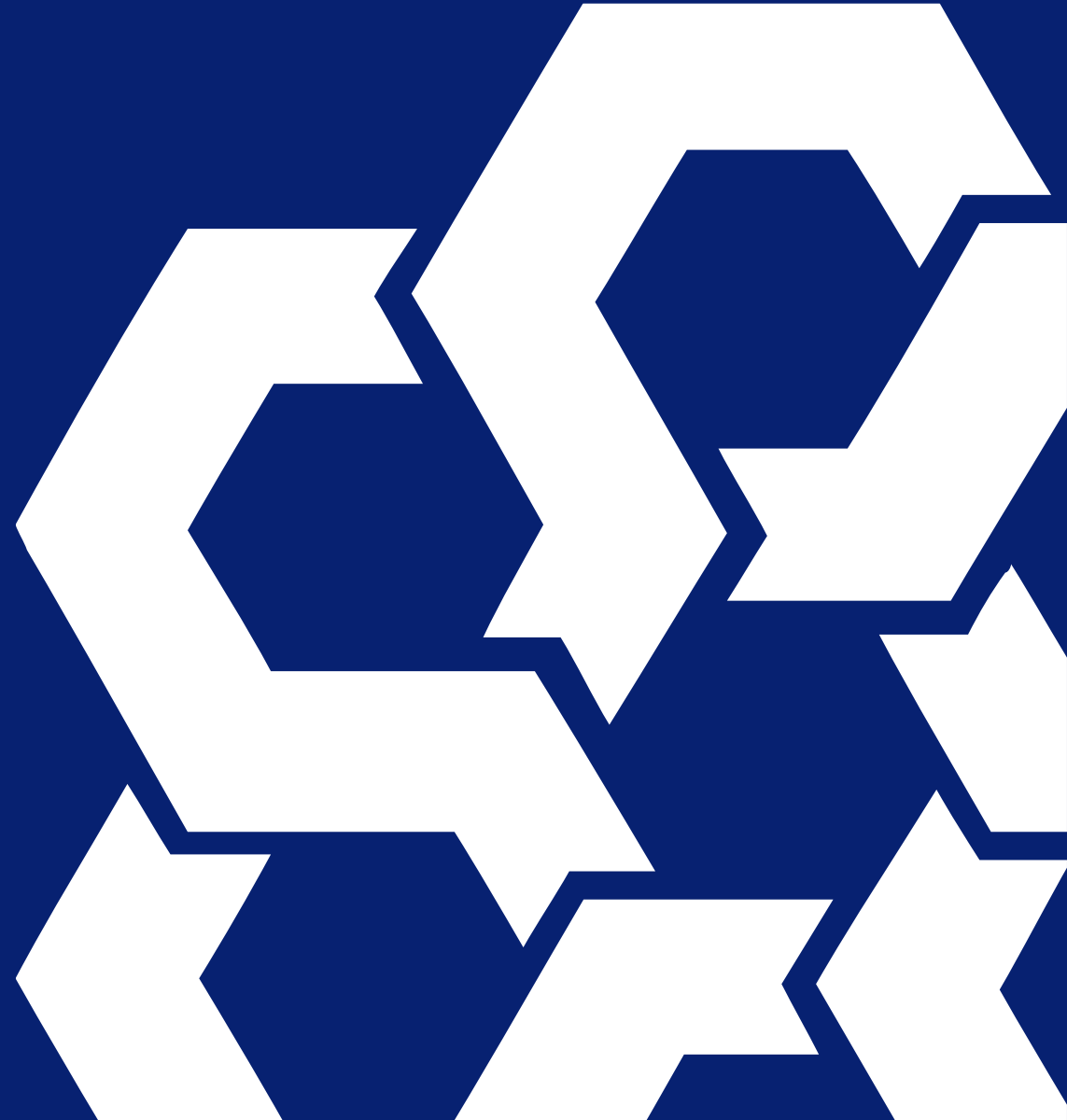
Project plan

- Outreach with preparers, users of financial statements, auditors, regulators and standard-setters
- Review of academic and other research related to the implementation of IFRS 15
- Review of up-to-date findings of the US FASB's PIR of ASC Topic 606 that is substantially converged with IFRS 15

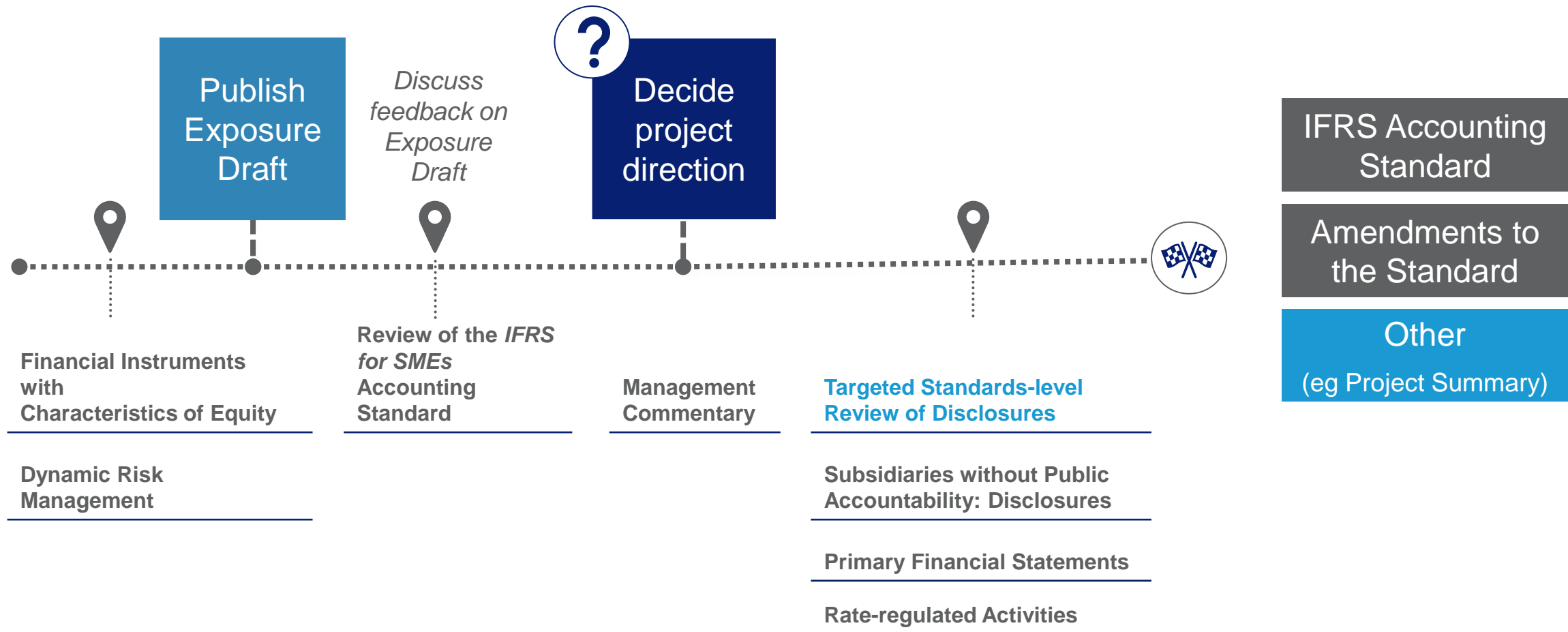
Next milestone

- Publish Request for Information in H1 2023

Standard-setting projects



Overview: standard-setting projects



Financial Instruments with Characteristics of Equity

Purpose

- 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*

Approach

- Clarify IAS 32 classification principles 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 milestone

- Publish Exposure Draft

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
- Please refer to these [webcasts](#) for an overview of the DRM model based on the IASB's tentative decisions to date

Next milestone

- Further discussions on the DRM model

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

- Exposure Draft open for comment until March 2023

Management Commentary

Objective

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

Feedback

- Support for the project, in particular from investors
- Broad support for the proposals with limited exceptions
- Calls to work together with the ISSB
- Some suggestions for further integration with other reporting frameworks

Next milestone

- Consider project direction

Targeted Standards-level Review of Disclosures

Objective

Help address the **disclosure problem** by:

- improving the IASB's approach to developing and drafting disclosure requirements
- enabling preparers to improve the usefulness of disclosures in the notes

Project Update

In October 2022, the IASB decided:

- to use the methods proposed in the ED for developing disclosure requirements
- to use a **middle ground approach** to drafting disclosure requirements
- not to finalise the proposed amendments to **IFRS 13** and **IAS 19** disclosure requirements

Next milestone

- Publish the *Guidance for the Board* and a project summary

Subsidiaries without Public Accountability: Disclosures

Objective

- Permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Accounting Standards

Current focus

- Discuss proposals in the Exposure Draft to develop a new IFRS Accounting Standard

Next milestone

- Issue IFRS Accounting Standard

Primary Financial Statements

Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

Proposals

- Require additional defined subtotals in statement of profit or loss
- Strengthen requirements for disaggregating information
- Require disclosures about management performance measures

Next milestone

- Issue IFRS Accounting Standard

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

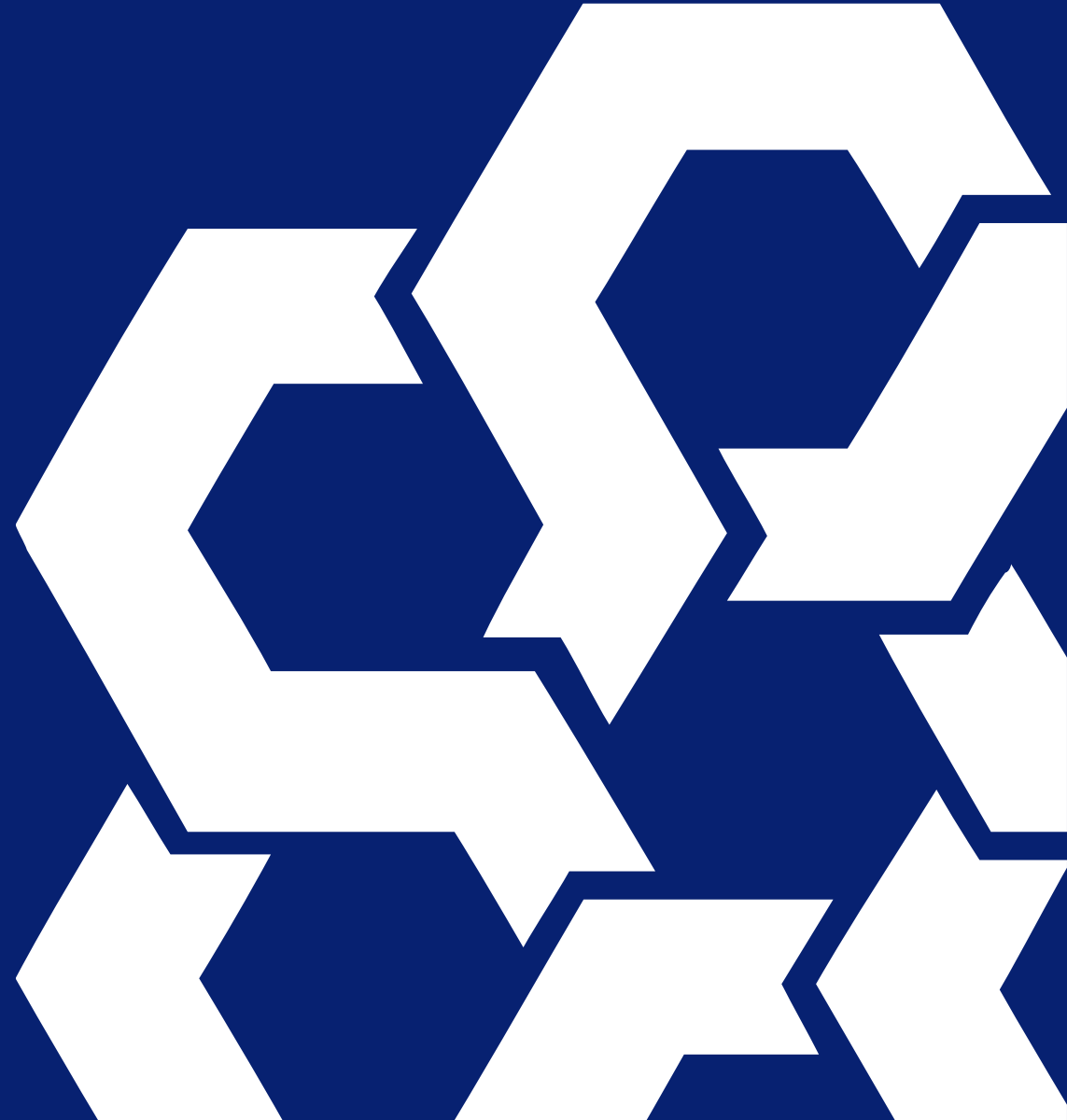
Proposals

- Require recognition of regulatory assets, regulatory liabilities, regulatory income and regulatory expense
- Reflect compensation for goods or services in financial performance in the period in which goods or services are supplied
- Measure regulatory assets and regulatory liabilities using a cash-flow-based measurement technique

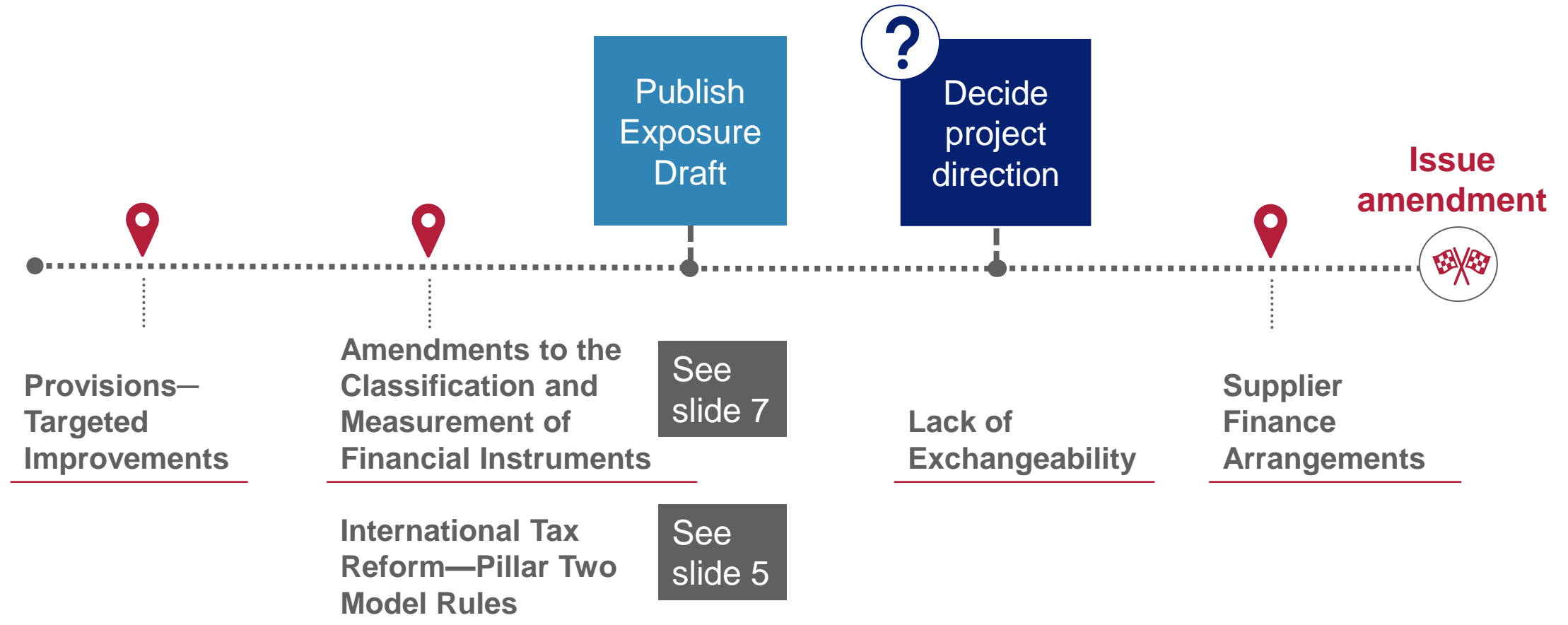
Next milestone

- Issue IFRS Accounting Standard

Maintenance projects



Overview: maintenance projects



Provisions—Targeted Improvements

Objective

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

Areas of focus

- 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 non-performance

Next milestone

- Decide project direction

Lack of Exchangeability

Objective

- Improve usefulness of information provided by requiring a consistent approach to determining whether a currency is exchangeable into another currency and the exchange rate to use when it is not

Proposals

- Specify when exchangeability is lacking and how to make that assessment
- Estimate the spot exchange rate when exchangeability is lacking
- Disclose how the lack of exchangeability affects financial performance, financial position and cash flows

Next milestone

- Decide project direction

Supplier Finance Arrangements

Objective

- Provide information to enable investors to assess the effects of supplier finance arrangements on a company's liabilities, cash flows and exposure to liquidity risk and liquidity risk management

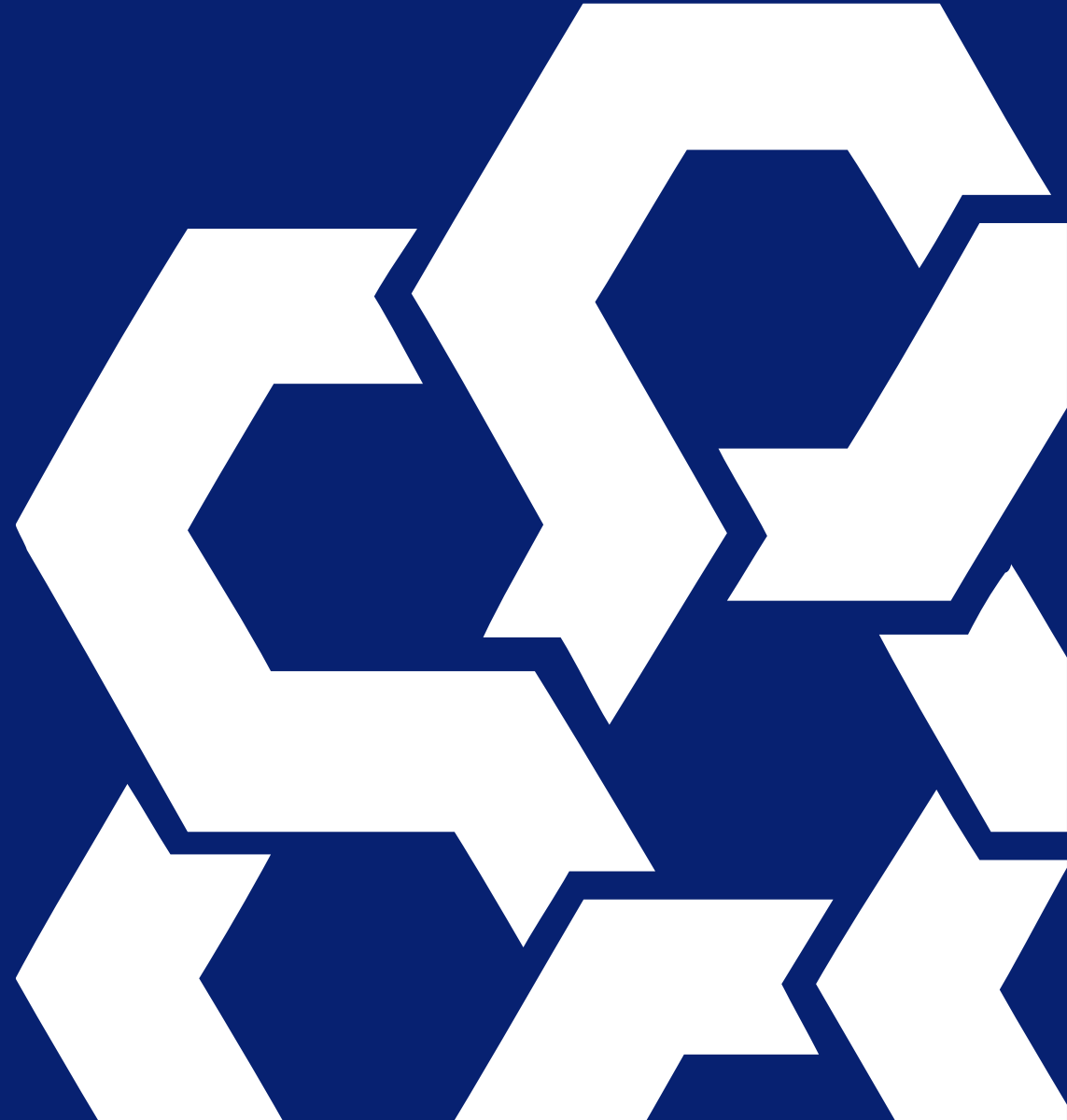
Proposals

- Describe the arrangements for which the proposed disclosure would be required
- Add qualitative and quantitative disclosure requirements
- Highlight the required disclosure of liquidity risk and risk management

Next milestone

- Issue IFRS Accounting Standard amendment

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)
- *Lease Liability in a Sale and Leaseback*
(Amendments to IFRS 16)
- *Non-current Liabilities with Covenants*
(Amendments to IAS 1)

IFRS 17 *Insurance Contracts*



More useful and transparent
information



Better information about
profitability

- Requires **consistent accounting** for all insurance contracts
- Based on a **current measurement** model
- Provides useful information about the **profitability** of insurance contracts
- Presents **comparable** data across companies
- Assists investors to fulfil **stewardship** responsibilities



Effective date

Annual reporting periods beginning on or after 1 January 2023

Definition of Accounting Estimates

Identified problem

- Companies can find it difficult to distinguish between a change in accounting policy and a change in accounting estimate, especially when it relates to a change in a measurement method

The amendments

- Introduce a definition of ‘accounting estimates’
- Provide clarifications, such as
 - estimation techniques and valuation techniques are examples of measurement techniques used to develop accounting estimates
 - a change in accounting estimate that results from new information or new developments is not the correction of an error



Effective date

Annual reporting periods beginning on or after 1 January 2023

Disclosure of Accounting Policies

Identified problem

- Users say that accounting policy disclosures today are often not useful
- Stakeholders' views differ about 'significant' accounting policies required by IAS 1 *Presentation of Financial Statements*

The amendments

- Amend IAS 1 to require companies to disclose their material accounting policy information rather than their significant accounting policies
- Clarify that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements
- Add guidance and examples to the materiality practice statement, which will explain how to apply the materiality process to identify material accounting policy information



Effective date

Annual reporting periods beginning on or after 1 January 2023

Amendments to IAS 12—*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Objective

- Clarify the deferred tax accounting for transactions for which an entity recognises, on initial recognition, both an asset and a liability, such as leases and decommissioning obligations

The amendments

- Narrow the scope of the recognition exemption in IAS 12 so that it does not apply to transactions that give rise to equal amounts of taxable and deductible temporary differences
- Will result in all entities recognising deferred tax for leases and other transactions in the scope of the amendments, reducing diversity in reporting



Effective date

Annual reporting periods beginning on or after 1 January 2023

Classification of Liabilities as Current or Non-current

Liability is classified as non-current only if a company has right to defer settlement for at least 12 months after reporting period



The amendments to IAS 1 clarify this criterion

General clarifications

- Right to defer settlement must exist at end of reporting period*
- Classification is unaffected by expectations about *whether* company will exercise its right

Clarifications affecting convertible bonds

- Counterparty conversion option disregarded when assessing classification if recognised separately as equity component of compound financial instrument
- Any other obligation to convert liability is considered when assessing classification—ie conversion is regarded as settlement

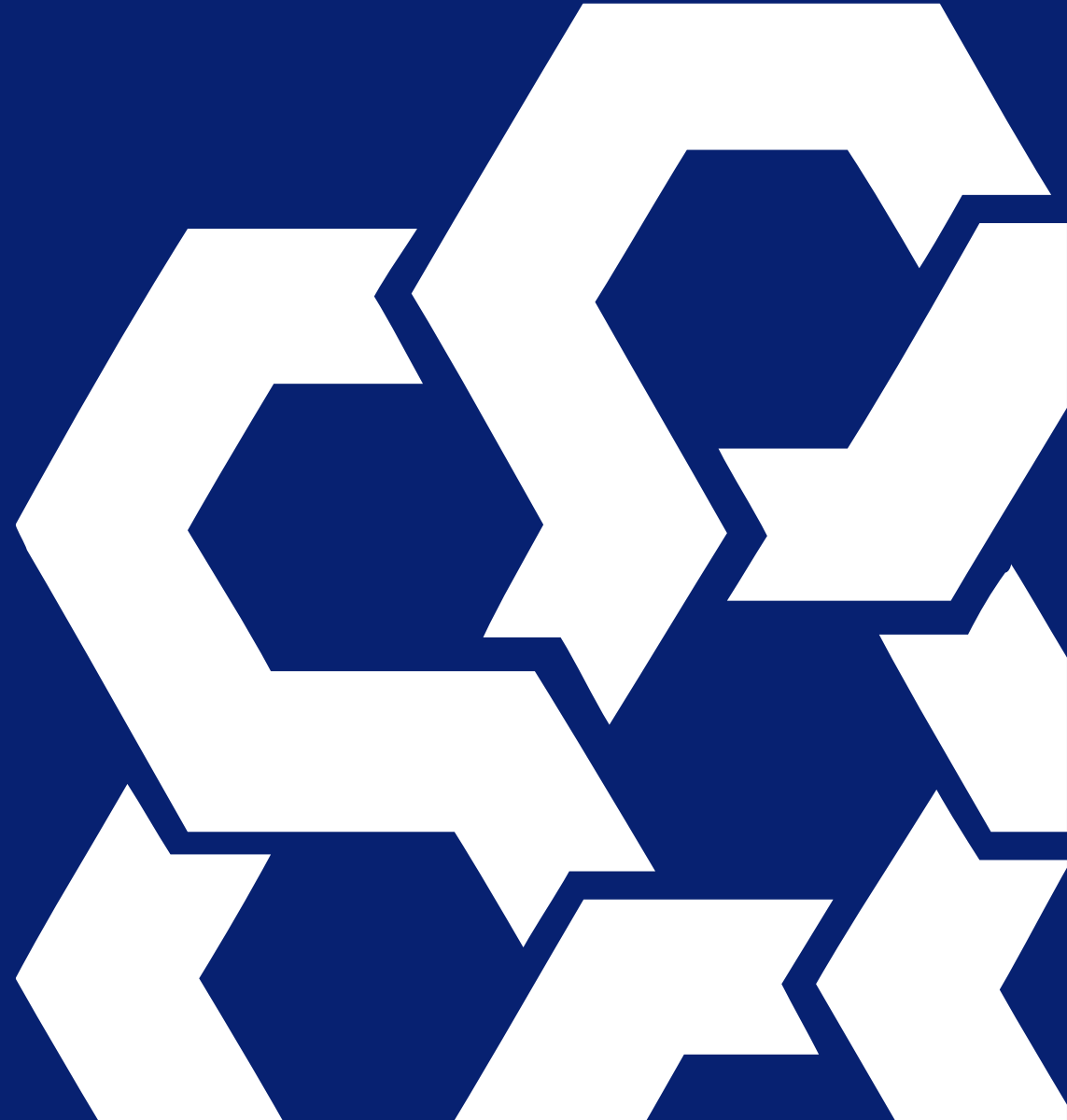


Effective date

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* *Non-current Liabilities with Covenants* include further amendments on the classification of liabilities with covenants.

IFRS Taxonomy



IFRS Taxonomy

IFRS 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 Taxonomy reflects the presentation and disclosure *requirements of IFRS Standards* and related common *reporting practice* in a timely and accurate manner

IFRS Accounting Taxonomy: focus areas in 2022

New and amended IFRS Accounting Standards

keeping the taxonomy in line with the issued standards

looking ahead to significant changes (eg Primary Financial Statements)

Content improvements

enabling high-quality tagging of the primary statements

analysing reporting practice of IFRS electronic filers

Implementation support

supporting regulators adopting the IFRS Accounting Taxonomy, including translations

updating supporting materials

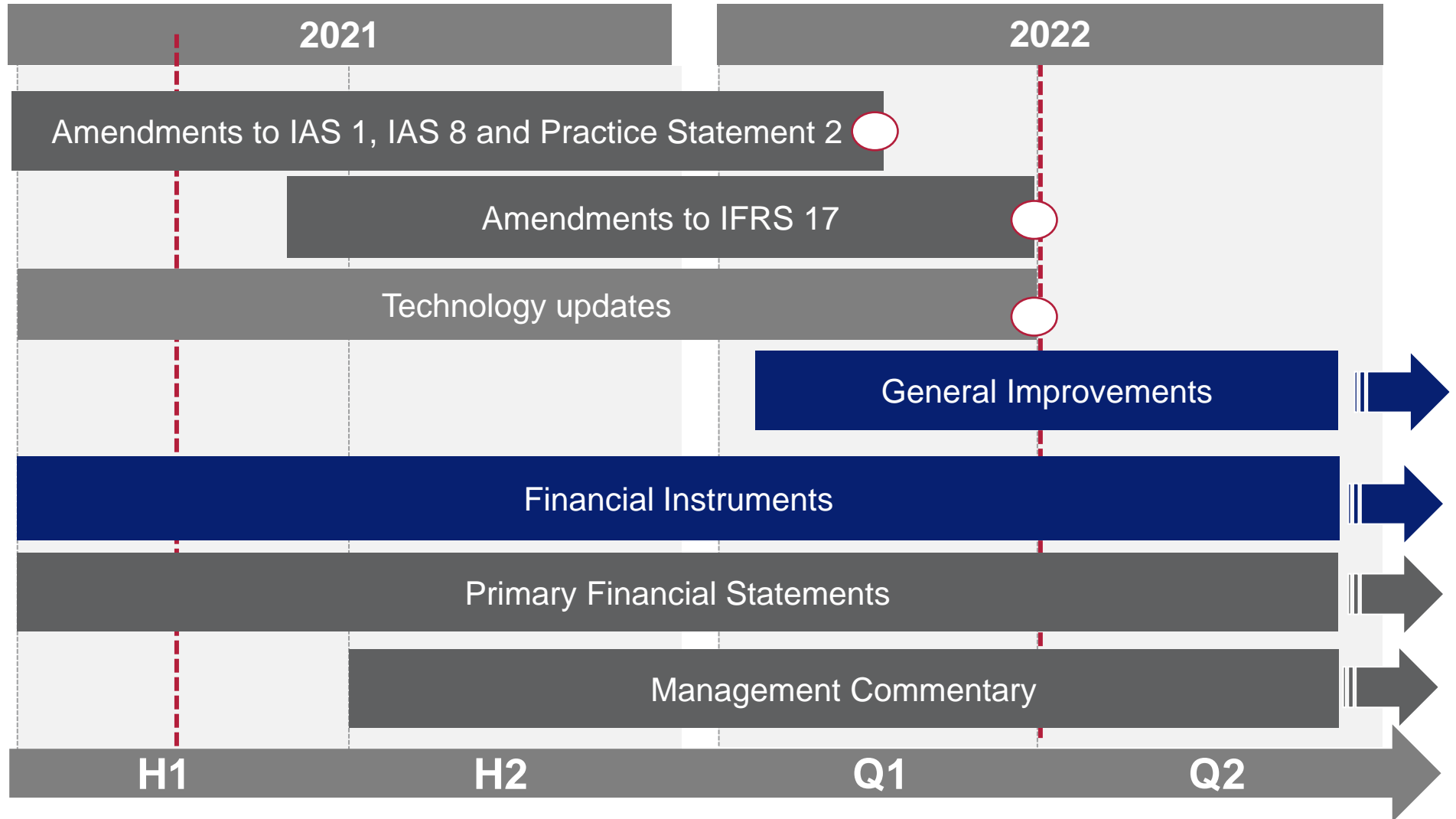
New / amended IFRS Accounting Standards

Common Practice/ General Improvements

Technology changes

○ Final IFRS Taxonomy Update

⋮ Annual IFRS Accounting Taxonomy



Connectivity between the IASB and the ISSB



Feedback from consultations

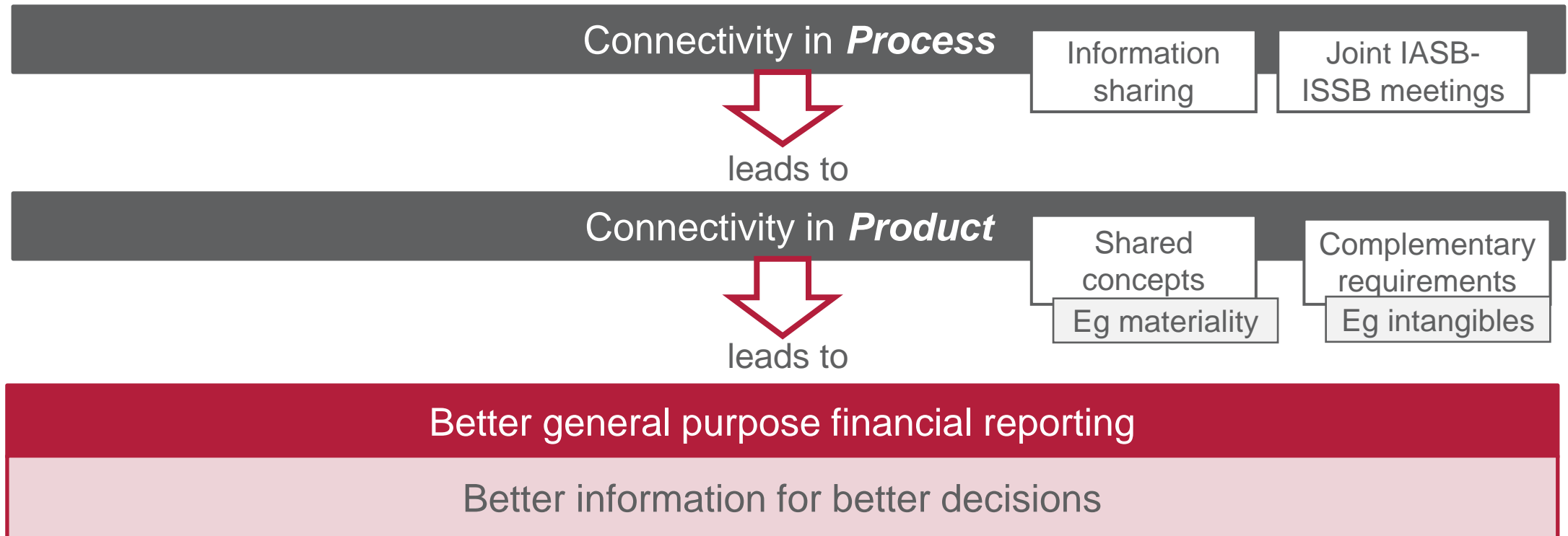
Demand for connectivity between the boards



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 boards important?



What is general purpose financial reporting?



IFRS Standards within the broader reporting landscape



Helpful materials

Resources available on our website

Supporting materials sorted by Standard

Website
www.ifrs.org



IFRS
Accounting
Standards

IFRIC
Interpretations

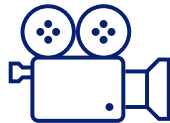
Cross-cutting
materials

News and
events



For example, for IFRS 9 *Financial Instruments*:

Videos



Webinars



Articles

Leaflet



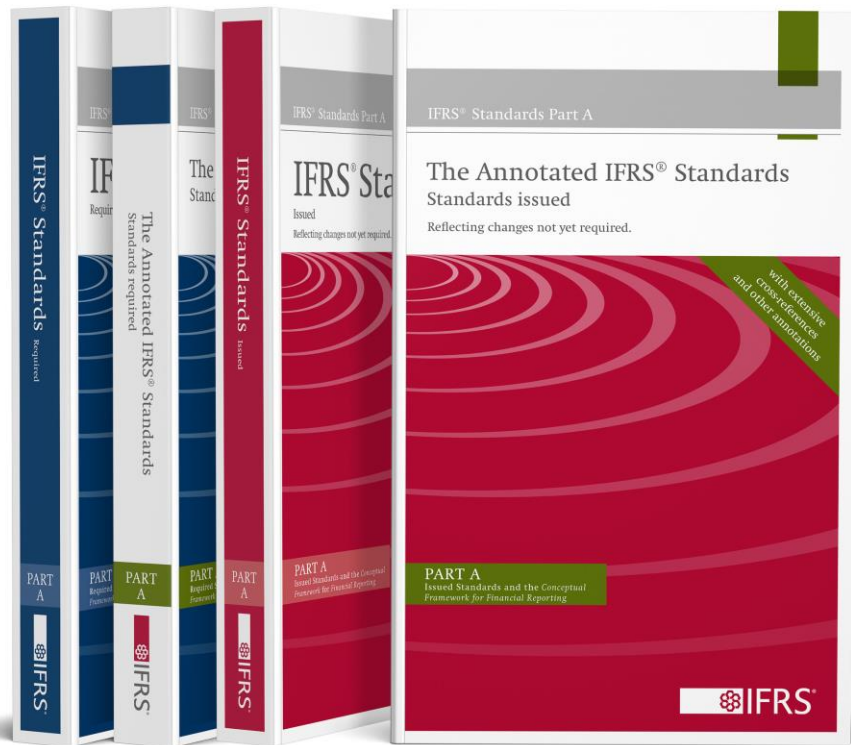
Transition
Resource
Group



Agenda
decisions

Supporting IFRS
Accounting
Standards

IFRS Standards and their Annotated equivalents



IFRS Standards

The IFRS[®] Standards
Required 2022

The IFRS[®] Standards
Issued 2022

IFRS Standards + extensive cross-references + annotations

The Annotated IFRS[®]
Standards Required 2022

The Annotated IFRS[®]
Standards Issued 2022

Annotated IFRS Standards also available in Spanish

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