
Joint CMAC-GPF meeting June 2023

IASB Update

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Overview

This update is prepared as of 2 June 2023

- Update on current work plan
- Projects to be discussed at this meeting
- Other research projects
- Other standard-setting projects
- Post-implementation reviews
- Other maintenance projects
- New requirements

Update on current work plan



Amendments issued

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)

Forthcoming

Lack of Exchangeability
(Amendments to IAS 21)

 Amendments issued since the last CMAC and GPF meetings

Supplier finance arrangements

Amendments to IAS 7 and IFRS 7 issued in May 2023

For further information -

- [Watch our webcast](#)
- [Read our Investor Perspectives article by IASB Member Zach Gast](#)

Consultations



Comments due by

Recently published

Exposure draft proposing amendments to *IFRS for SMEs Accounting Standard*, International Tax Reform—Pillar Two Model Rules

17 Jul 2023

Exposure draft proposing narrow-scope amendments to IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments

19 Jul 2023

Request for information on PIR of IFRS 9—*Impairment*

27 Sep 2023

Forthcoming

Expected Q2 2023:

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

Expected H2 2023:

- Exposure draft proposing amendments to IAS 32 *Financial Instruments with Characteristics of Equity*

Other developments since the last CMAC and GPF meetings

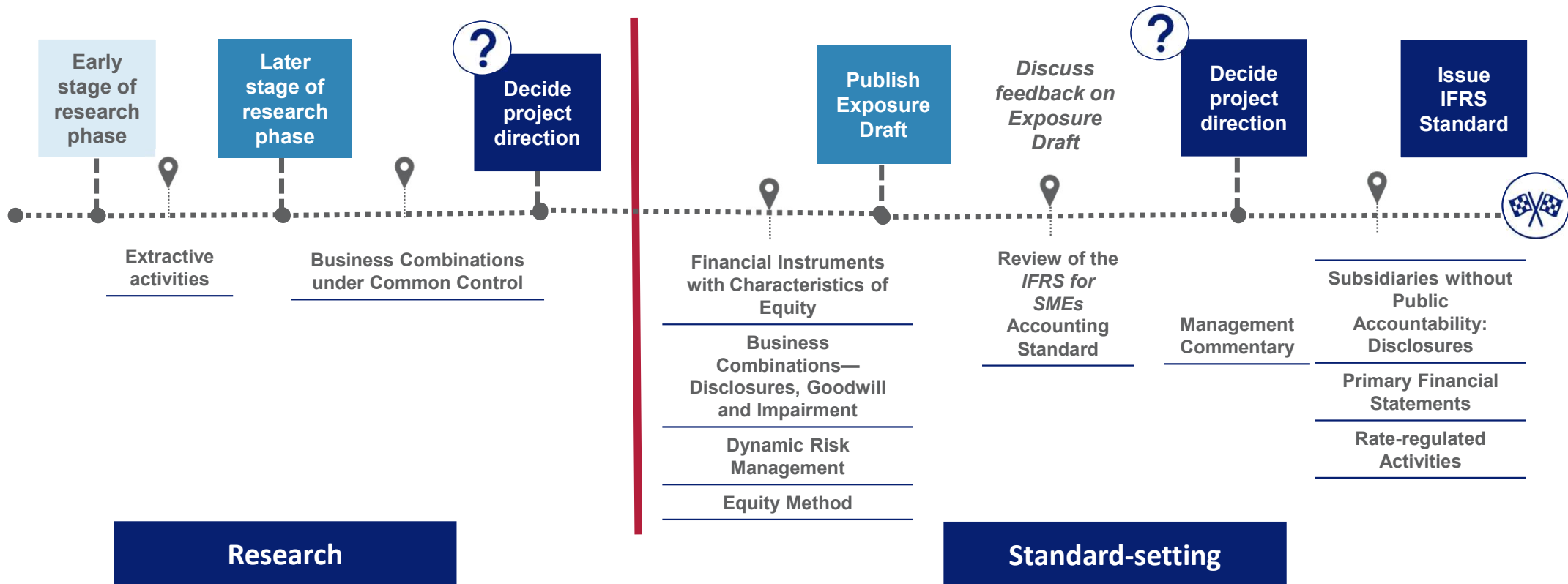
Climate-related Risks in the Financial Statements

Project commenced in March 2023

Targeted Standards-level Review of Disclosures

Project Summary and Feedback Statement published in March 2023

Current projects are in different stages



Projects to be discussed at
this meeting



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

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 risk

Next milestone

- Decide project direction

Climate-related Risks in the Financial Statements

Objective

- To explore whether and how financial statements can better communicate information about climate-related risks

Areas of focus

- Research the nature and causes of stakeholder concerns about the reporting of climate-related risks in the financial statements
- Consider possible courses of action, if any
- Consider the work of the ISSB to the extent that it applies to the financial statements

Next milestone

- Review research

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

- Feedback on Exposure Draft published
21 March 2023
- Comment period ends
19 July 2023

Business Combinations under Common Control

Objective

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

Project update

- In April 2023 the IASB discussed whether the current project direction is likely to result in the project moving into the standard-setting phase in the future

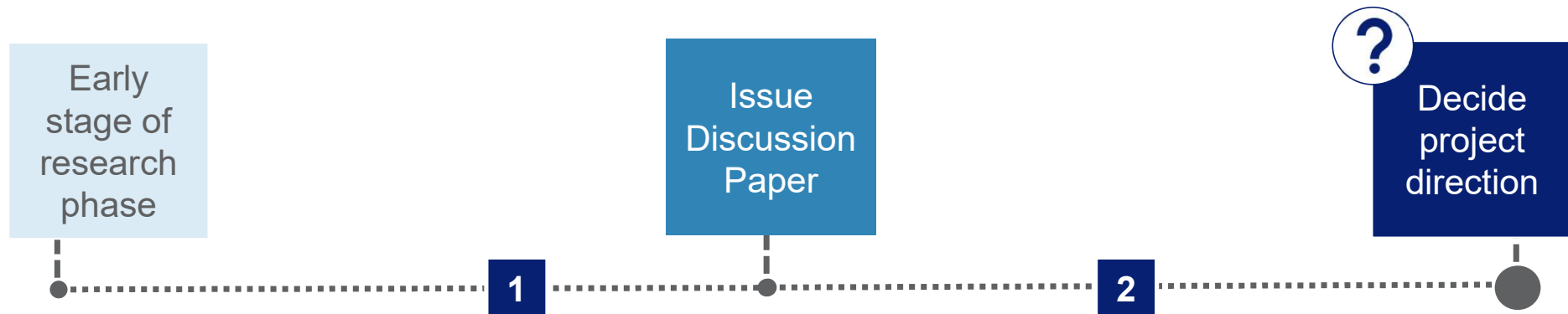
Next steps

- Decide project direction

Other research projects



Overview: research projects



1 **Extractive Activities**

2 **Business Combinations under Common Control**

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

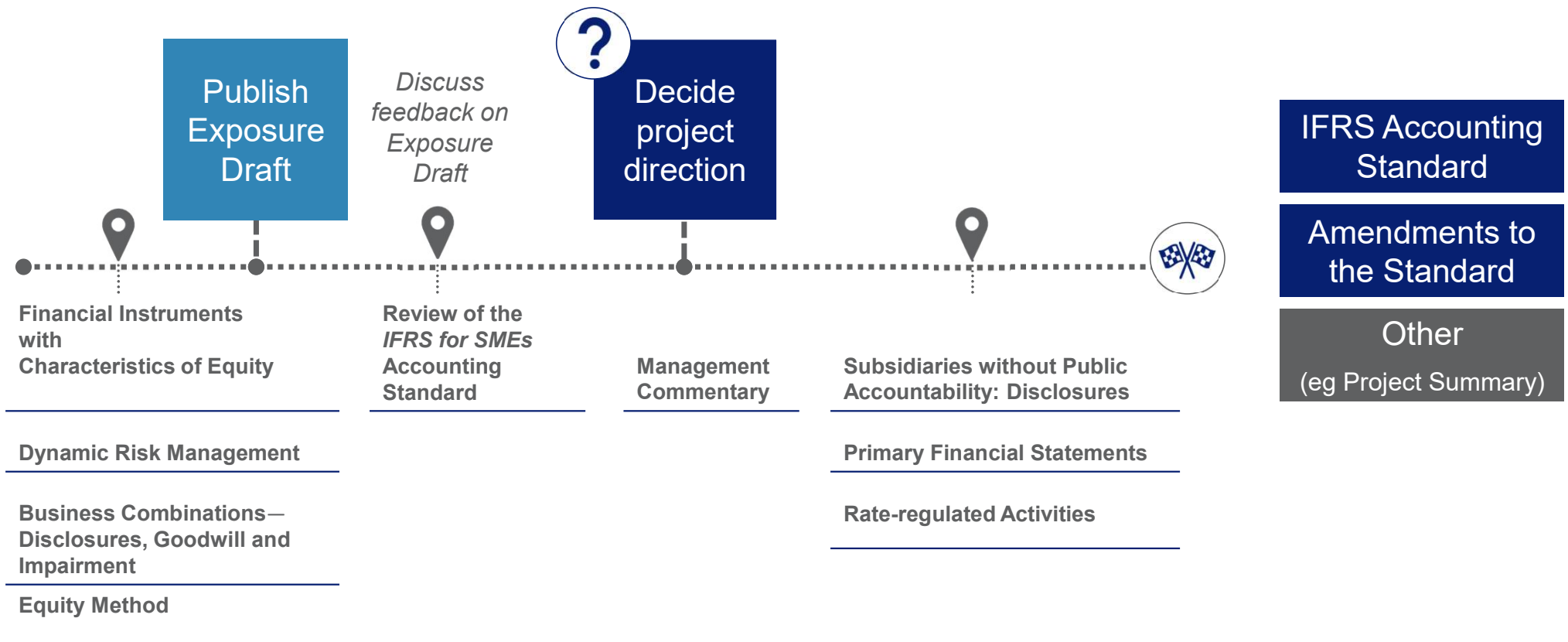
Next steps

- Decide project direction

Other 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
- In May 2023 the IASB discussed a set of illustrative examples intended to demonstrate the designation and application of the DRM model (See [Agenda Paper 4A for the May 2023 IASB](#) meeting for more information).

Next milestone

- Further discussions on the DRM model

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

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, where possible

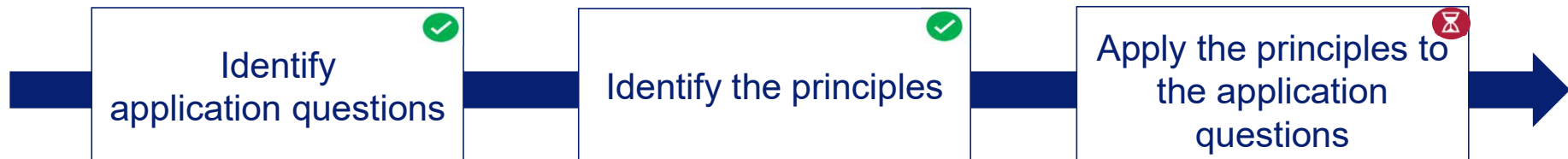
Project update

Ownership changes ✓	Deferred taxes ✓
Recognition of losses ✓	Impairment
Transactions with (and between) equity accounted investments ✓	Contingent consideration

Next steps

- Discuss remaining application questions
- Discuss any implications of applying IASB tentative decisions to investments other than those in associates

Project approach



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

- Discuss Exposure Draft feedback
- Seek advice from the SME Implementation Group

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 ISSB is consulting on its priorities (comments due on 1 September 2023)
- IASB discussed staff comparison with *Integrated Reporting Framework* and feedback on comparison

Next milestone

- Consider project direction

Subsidiaries without Public Accountability: Disclosures

Objective

- Permit eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements this would simplify the preparation of subsidiary financial statements

Current focus

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

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

Post-implementation reviews



Post-implementation reviews

Recently completed

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—*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

- Published Request for Information
- Comment period closes 27 September 2023

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

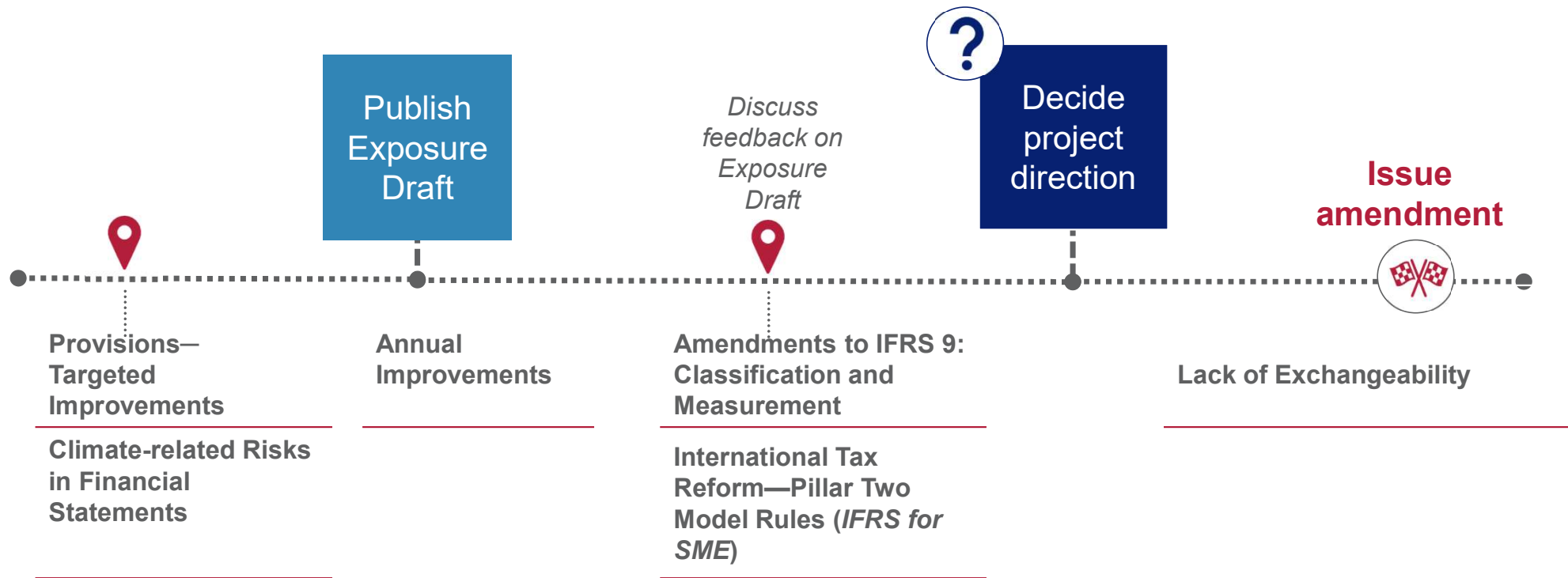
Next milestone

- Publish Request for Information end of June 2023

Other maintenance projects



Overview: maintenance projects



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

- Issue IFRS Accounting Standard amendments

International Tax Reform—Pillar Two Model Rules (*IFRS for SMEs* Accounting Standard)

Objective

- Address potential implications of the imminent implementation of the OECD's Pillar Two model rules for income tax accounting

Areas of focus

- Using the IASB's alignment approach decide, whether and how to amend the *IFRS for SMEs* Accounting Standard for amendments to IAS 12.
- A narrow-scope standard-setting project outside the second comprehensive review of the *IFRS for SMEs* Accounting Standard.

Next milestone

- Feedback on Exposure Draft published
1 June 2023
- Comment period ends
17 July 2023

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

- Discuss other potential amendments

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)
- *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12)

1 January 2024

- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Non-current Liabilities with Covenants* (Amendments to IAS 1)
- *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)

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

International Tax Reform—Pillar Two Model Rules

Objective

- Respond to concerns about the potential implications of the imminent implementation of the OECD's Pillar Two model rules for income tax accounting

The amendments to IAS 12

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



Effective date

- The temporary exception is effective immediately
- The disclosures requirements are effective for annual reporting periods beginning on or after 1 January 2023 (but not required for interim periods ending in 2023)

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



Effective date

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

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

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

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

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

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

The amendments to IAS 7 and IFRS 7

- 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



Effective date

Annual reporting periods beginning on or after 1 January 2024

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