



IFRS® Foundation

Agenda paper 2

# Update on the International Standards Board (IASB)'s activities

IFRS Advisory Council

April 2022

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# Update on the IASB's activities—contents

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- Snapshot of what's on the horizon

## Detailed descriptions

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- Upcoming deliberations
  - Research projects
  - Standard-setting projects
  - Narrow-scope projects
  - Strategy project

# Executive summary



Significant developments since  
the November 2021 meeting

# Significant developments since the November 2021 meeting (1/3)

## Final amendments issued

- Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)

## Consultation periods ended

- Exposure Draft *Management Commentary*
- Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*
- Request for information *Post-implementation Review IFRS 9—Classification and Measurement*
- Exposure Draft *Subsidiaries without Public Accountability: Disclosures*

## Consultation documents published\*

- Exposure Draft *Supplier Finance Arrangements* on 26 November with 120-day comment period
- Exposure Draft *Non-current Liabilities with Covenants* on 19 November with 120-day comment period

\* Comment periods will have ended by the time of the Advisory Council meeting in April 2022

# Significant developments since the November 2021 meeting (2/3)

## Third Agenda Consultation

1. Decided strategic direction and balance of IASB's activities for 2022-2026
2. Decided criteria for assessing priority of financial reporting issues that could be added to IASB's work plan for 2022 to 2026
3. Decided to continue progressing projects on current work plan with small exception (see Changes to the work plan below)

## Post-implementation reviews (PIRs)

1. Agreed on a consistent approach to prioritising matters identified in PIRs
2. Decided to begin the PIRs of IFRS 15 *Revenue from Contracts with Customers* and the impairment requirements in IFRS 9 *Financial Instruments* and to consider when to begin the PIRs of IFRS 16 *Leases* and the hedge accounting requirements in IFRS 9 in H2 2022
3. Concluded decision-making on PIRs of IFRS 10, IFRS 11 and IFRS 12

## Changes to the work plan

1. Decided to withdraw research project on Pension Benefits that Depend on Asset Returns
2. Decided to withdraw narrow-scope project on Availability of a Refund (Amendments to IFRIC 14)

# Significant developments since the November 2021 meeting (3/3)

## Engagement with other bodies

1. Working with International Sustainability Standards Board (ISSB) Chair and Vice Chair to facilitate connectivity with the IASB
2. Started holding hybrid meetings and re-launched hybrid work approach
3. Will hold IFRS Foundation Conference at Leonardo Royal London Bridge Hotel on 23-24 June 2022
4. Will hold joint FASB-IASB educational meeting on 30 September 2022

## Changes to the IASB—Departures\*

- Sue Lloyd, Vice-Chair—appointed as ISSB Vice-Chair
- Tom Scott, Member (on 31 March 2022)

\* From 1 April 2022, four of the 14 IASB member positions are vacant





# Snapshot of what's on the horizon

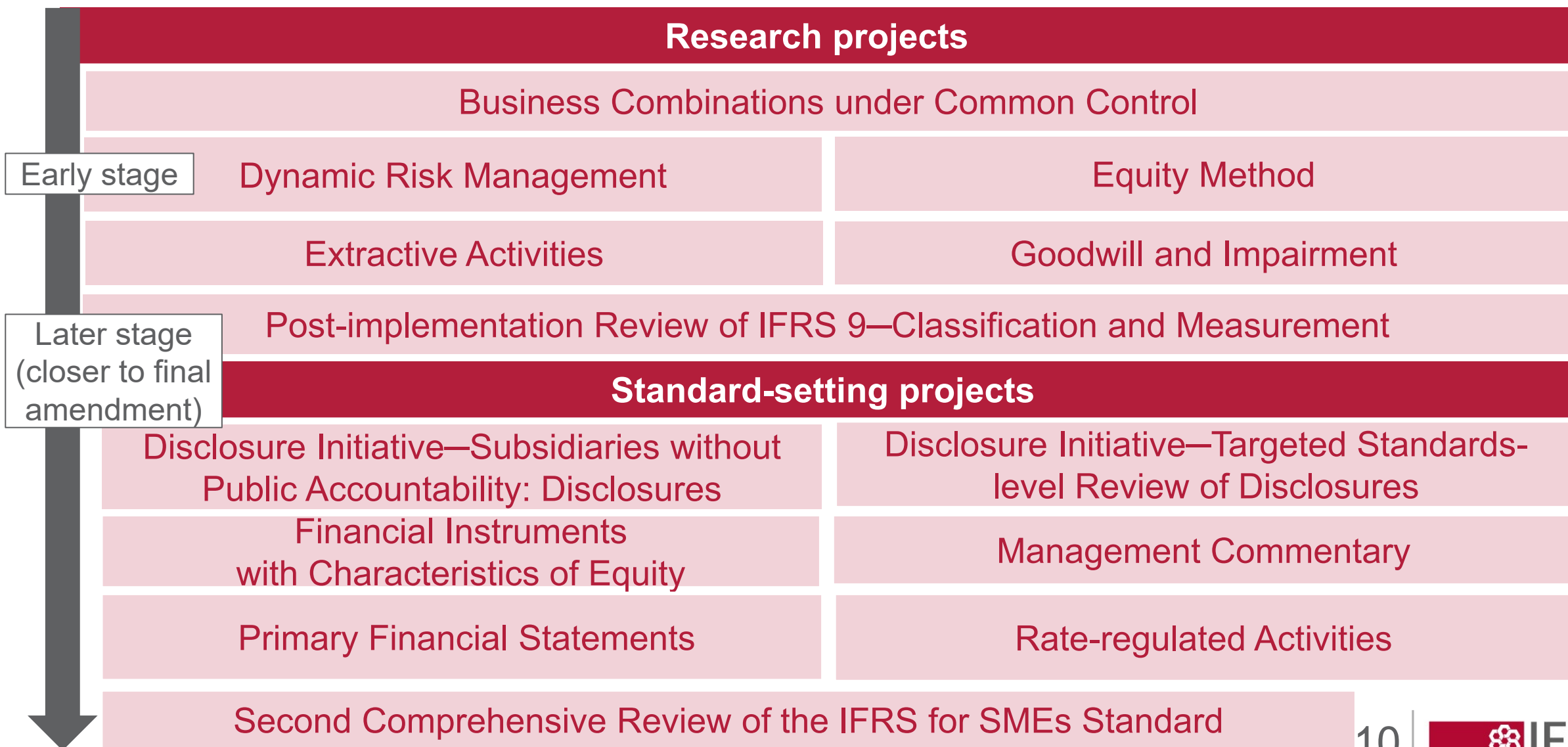


## Forthcoming documents (see slides 14-18)

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<b>Project</b>	<b>Next steps</b>
Pension Benefits that Depend on Asset Returns	Project Summary expected April 2022
Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12	Feedback Statement expected Q2 2022
Lease Liability in a Sale and Leaseback	Narrow-scope amendment expected Q3 2022
Second Comprehensive Review of the IFRS for SMEs Standard	Exposure Draft expected Q3 2022

# Upcoming deliberations (1/2)



# Upcoming deliberations (2/2)

## Narrow-scope projects

Lack of Exchangeability (Amendments to IAS 21)

Non-current Liabilities with Covenants (Amendments to IAS 1)

Provisions—Targeted Improvements

Supplier Finance Arrangements

## Strategy project

Third Agenda Consultation

**Overall, the IASB is shifting from a period of multiple consultation documents out for comment to a period of significant deliberation of feedback**

# Requirements coming into effect soon

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1 January 2023

IFRS 17 *Insurance Contracts*  
(including amendments)

*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)\*

\* IASB tentatively decided to defer the effective date of the amendments to no earlier than 1 January 2024

# Detailed descriptions

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# Forthcoming documents

# Pension Benefits that Depend on Asset Returns

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## Objective

- Decide whether and how to address a perceived inconsistency in the measurement of a defined benefit obligation when the amount of benefits varies with the return of a specified pool of assets

## Conclusion

- The IASB decided to remove this research project from its work plan because:
  - there is not enough evidence that these benefits are widely offered
  - the cost to complete the project could be substantial due to some complexities in the approach
  - the proposed approach could be seen as an exception to the general measurement requirements in IAS 19 *Employee Benefits*

## Next milestone

Publish project summary



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

## Objective

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

## Topics in the Request for Information (Dec 2020)

Consolidated reports

Joint arrangements

Disclosures

## Conclusion

- All 12 IASB members concluded that IFRS 10, IFRS 11 and IFRS 12 are working as intended.
- Based on its analysis and deliberation of the feedback, the IASB decided that topics identified in the Post-implementation Review were not of high enough priority to be added to the IASB's work plan of active projects or research pipeline for 2022 to 2026
- The IASB commented that if stakeholders required more immediate support on application questions, questions can be submitted to the IFRS Interpretations Committee

## Next milestone

Publish Feedback Statement

# Lease Liability in a Sale and Leaseback

## Objective

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

## Proposed amendments to IFRS 16

- Specify **subsequent measurement requirements** for the lease liability in a sale and leaseback transaction

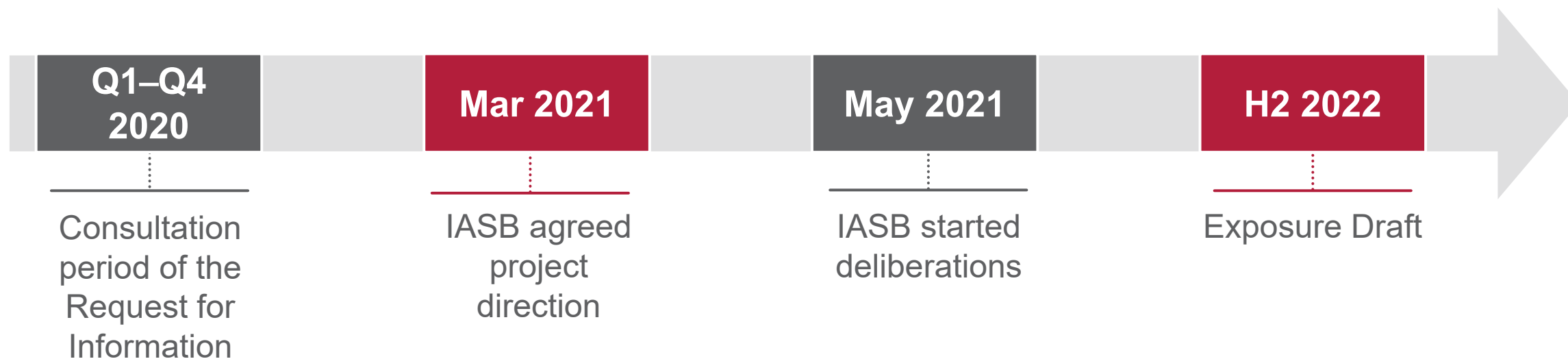
## Project update

- The IASB tentatively decided to confirm many of its proposals in the Exposure Draft
- The IASB, however, proposed to no longer prescribe how a seller-lessee determines the proportion of the right of use the seller-lessee retains or the subsequent measurement mechanics
- The seller-lessee, instead, applies paragraphs 36–46 of IFRS 16 in such a manner that it does not recognise any amount of the gain or loss that relates to the right of use retained
- The proposed effective date is 1 January 2024

## Next milestone

Issue amendment to IFRS 16 (Q3 2022)

# Second Comprehensive Review of the *IFRS for SMEs* Standard—Timeline (1/3)

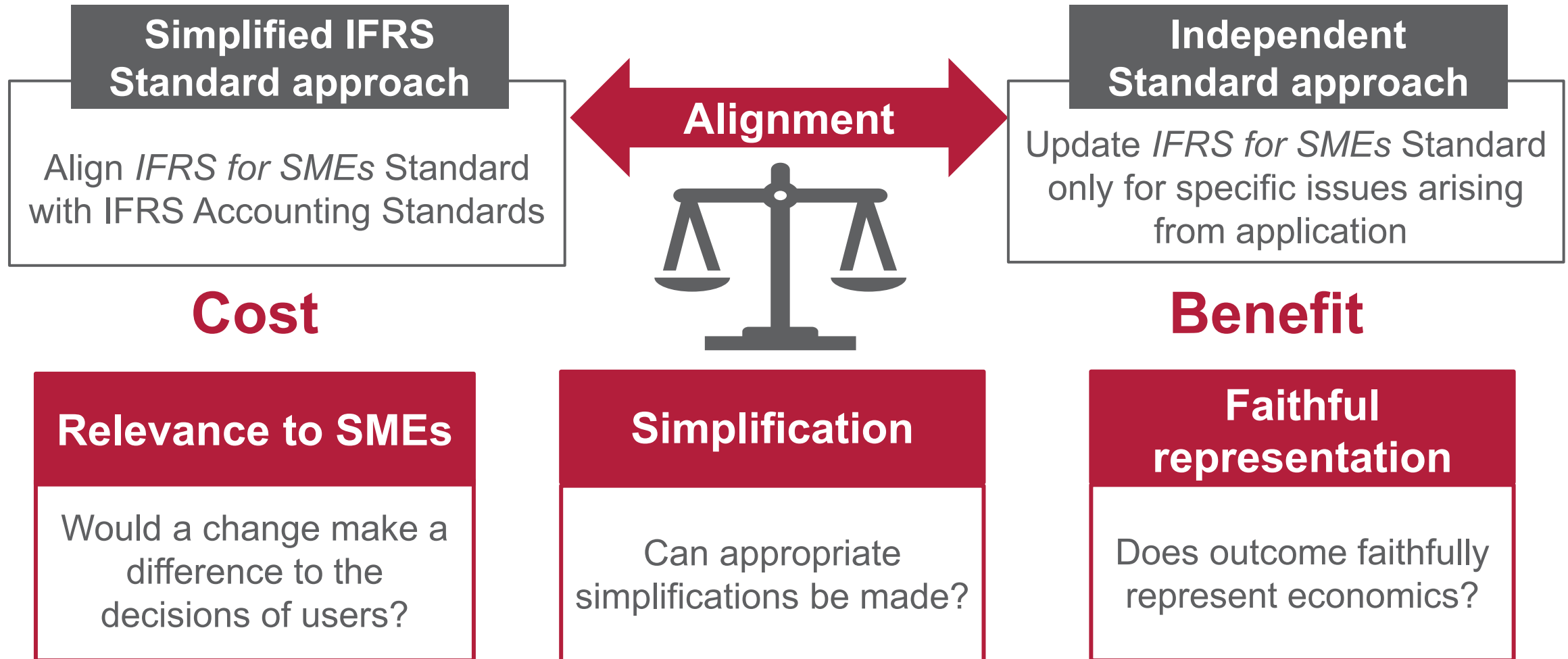


## Objective

Update the *IFRS for SMEs* Standard using the alignment approach the IASB consulted on

Alignment is using IFRS Accounting Standards as the starting point, and applying the principles of relevance, simplicity and faithful representation, including the assessment of costs and benefits

# Second Comprehensive Review of the *IFRS for SMEs* Standard—Framework (2/3)



# Second Comprehensive Review of the *IFRS for SMEs* Standard—Main tentative decisions (3/3)



**Simplified  
IFRS Standard  
approach**



**Independent  
Standard  
approach**

**Alignment with  
IFRS Accounting Standards**

**Partial alignment with  
IFRS Accounting Standards**

**Not to align with  
IFRS Accounting Standards**

*Rewrite as new section in the  
IFRS for SMEs Standard*

*The Conceptual  
Framework for Financial  
Reporting*

**IFRS 3**  
*Business Combinations*

**IFRS 13**  
*Fair Value Measurement*

**IFRS 15**  
*Revenue from Contracts  
with Customers*

*Update current section in the  
IFRS for SMEs Standard*

**IFRS 10**  
*Consolidated Financial  
Statements*

**IFRS 11**  
*Joint Arrangements*

**IFRS 9**  
*Expected Credit Loss*

*No changes to  
IFRS for SMEs Standard*

**IFRS 14**  
*Regulatory Deferral  
Accounts*

**IFRS 16**  
*Leases*

**IAS 19**  
*Employee Benefits  
(2011 Amendments)*



# Upcoming deliberations

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# Research projects



# Business Combinations under Common Control

## Objective

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

## Preliminary views in Discussion Paper (Nov 2020)

- Specify which method should be applied in which circumstances to reduce diversity in practice and improve transparency in reporting
- Use the **acquisition method** set out in IFRS 3 for combinations that affect investors outside the group
- Use a **book-value method** to be specified in IFRS Accounting Standards in all other cases

## Project update

- Start deliberating project scope in March 2022
- Initial focus of deliberations will be on project scope and selection of measurement method(s) to apply
- How to apply the measurement method(s) and other topics to be deliberated subsequently

## Next milestone

Decide project direction

# Dynamic Risk Management

## 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

## Overview of the DRM model

- Companies dynamically manage the **current net open risk position**—that is, the net of eligible assets and liabilities, including core demand deposits. The **risk mitigation intention** is the extent of current net open position that the company dynamically manages using derivatives
- When designated derivatives are successful in mitigating the repricing risk due to changes in interest rates and achieving the entity's **target profile**, changes in the fair value of such derivatives are recognised in OCI and reclassified to the statement of profit or loss over time

## Project update

- The IASB is currently considering the mechanics of the DRM model—which amounts to recognise and where to recognise them in financial statements

## Next steps

Continue the redeliberation of key issues identified in the meetings with preparers

# 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

## Project update

- The IASB directed the staff to research the implications of differences between the principles in IAS 28 and those in other IFRS Accounting Standards relating to business combinations and consolidation before considering the application questions

## Next milestone

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 the disclosure objectives and requirements about a company's exploration and evaluation expenditure and activities
- Explore removing the temporary status of IFRS 6

## Project update

- The IASB directed the staff to perform research to understand: users' information needs; why users do not currently get that information; and the costs of requiring entities to provide that information

## Next steps

Decide project direction

# Goodwill and Impairment

## Objective

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

## Preliminary views

- Disclose management's objectives for acquisitions and subsequently disclose the performance against those objectives
- Some targeted improvements to existing standards
- Retain impairment-only model for goodwill
- Simplify impairment test
- Do not change recognition of intangibles separately from goodwill

## Project update

- The IASB decided this information conceptually can be required in financial statements
- The staff are investigating practical concerns (eg about disclosing commercially sensitive information) with stakeholders using staff examples
- The staff are analysing specific aspects of the feedback on the subsequent accounting for goodwill
- Discussed feedback in May 2021

The IASB will redeliberate its preliminary views at future meetings, after considering the feedback on the staff's work on disclosures and the subsequent accounting for goodwill

## Next milestone

Decide project direction

# Post-implementation Review of IFRS 9— Classification and Measurement

## Objective

- Assess whether the classification and measurement requirements in IFRS 9 are working as intended

## Topics in the Request for Information (Sept 2021)

- Business model, SPPI, Fair value changes in equity instruments
- Presentation of own credit gains and losses
- Modifications to contractual cash flows, Effective interest method, Transition to IFRS 9

Financial assets

Financial liabilities

Other topics

## Discussion plan for the Feedback on the Request for Information

- The IASB discussed feedback on the Request for Information in March

April/May 2022		Q2/Q3 2022			
Contractual cash flow characteristics*	Business model assessment	Equity instruments and OCI	Modifications to contractual cash flows	Amortised cost and effective interest method	Other matters

## Next milestone

Discuss Request for Information Feedback

\*Including ESG, contractually linked instruments

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# Standard-setting projects



# Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

## Objective

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

## Features of proposals in Exposure Draft (July 2021)

- Sets out **reduced disclosure requirements** for eligible subsidiaries
- A **voluntary standard** forming part of the IFRS Accounting Standards
- Would **reduce costs** for preparers and **maintain usefulness** of the financial statements

## Project update

- Staff are analysing feedback to discuss with the IASB in April

## Next milestone

Discuss Exposure Draft Feedback

# Disclosure Initiative—Targeted Standards-level Review of Disclosures

## Objective

- Improve the IASB’s approach to developing disclosure requirements in a way that enables companies to enhance their judgement and provide more decision-useful information for investors

## Main proposals in Exposure Draft (Mar 2021)

- New approach to developing disclosure requirements—requiring compliance with disclosure objectives instead of prescriptive items of information, thus requiring companies to apply judgement
- A new set of disclosure requirements in IFRS 13 and IAS 19 applying the new approach

## Project update

- The IASB discussed feedback from fieldwork and feedback from outreach with and comment letters from users:
  - Support for early engagement of the IASB with users and integrated development of disclosure requirements with the rest of the accounting model
  - Some scepticism about whether the proposals would change the behaviours towards applying the disclosure requirements
  - Concerns about the proposals on non-mandatory items of information, including cost to preparers, comparability of information and enforceability of the proposals

## Next milestone

Discuss Exposure Draft Feedback

# Financial Instruments with Characteristics of Equity

## Purpose

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

## Approach

- Explore clarifying IAS 32 classification principles (rather than rewriting IAS 32) to address practice issues
- Provide classification guidance and illustrative examples
- Improve presentation and disclosure

## Project update

- The IASB made tentative decisions on classification for the following practice issues: financial instruments with contingent settlement provisions; the effects of applicable laws on contractual terms of financial instruments; and financial instruments with contractual obligations to deliver cash (or to settle in such a way that it would be a financial liability) at the discretion of the issuer's shareholders

## Next milestone

Publish Exposure Draft

# Management Commentary

## Objective

- Overhaul IFRS Practice Statement 1 to provide a **comprehensive framework** for preparing management commentary—building on innovations in narrative reporting and focusing on capital market needs

## Features of proposals in Exposure Draft (May 2021)

- Focus on information needs of **investors** and **creditors**
- Disclosure objectives + supporting guidance
- Would bring together in one report **financial**, **sustainability** and **other** information about matters fundamental to entity's long-term prospects

## Project update

- The IASB discussed feedback in March
- Strong **investor support** for the project, as it addresses common shortcomings in reporting practice
- Support for **focus on investors' information needs**, but some call for focus on other stakeholders
- Support for proposed **objectives-based approach**, disclosure objectives and areas of content
- Call to **work together with the ISSB** with suggestions to pause the project to enable that connectivity
- Some suggestions for further integration with **other reporting frameworks** (e.g. <IR> Framework<sup>1</sup>)

## Next milestone

Discuss Exposure Draft Feedback

<sup>1</sup> International Integrated Reporting Council (IIRC, now Value Reporting Foundation)'s International Integrated Reporting Framework

# Primary Financial Statements (1/3)

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## Objective

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

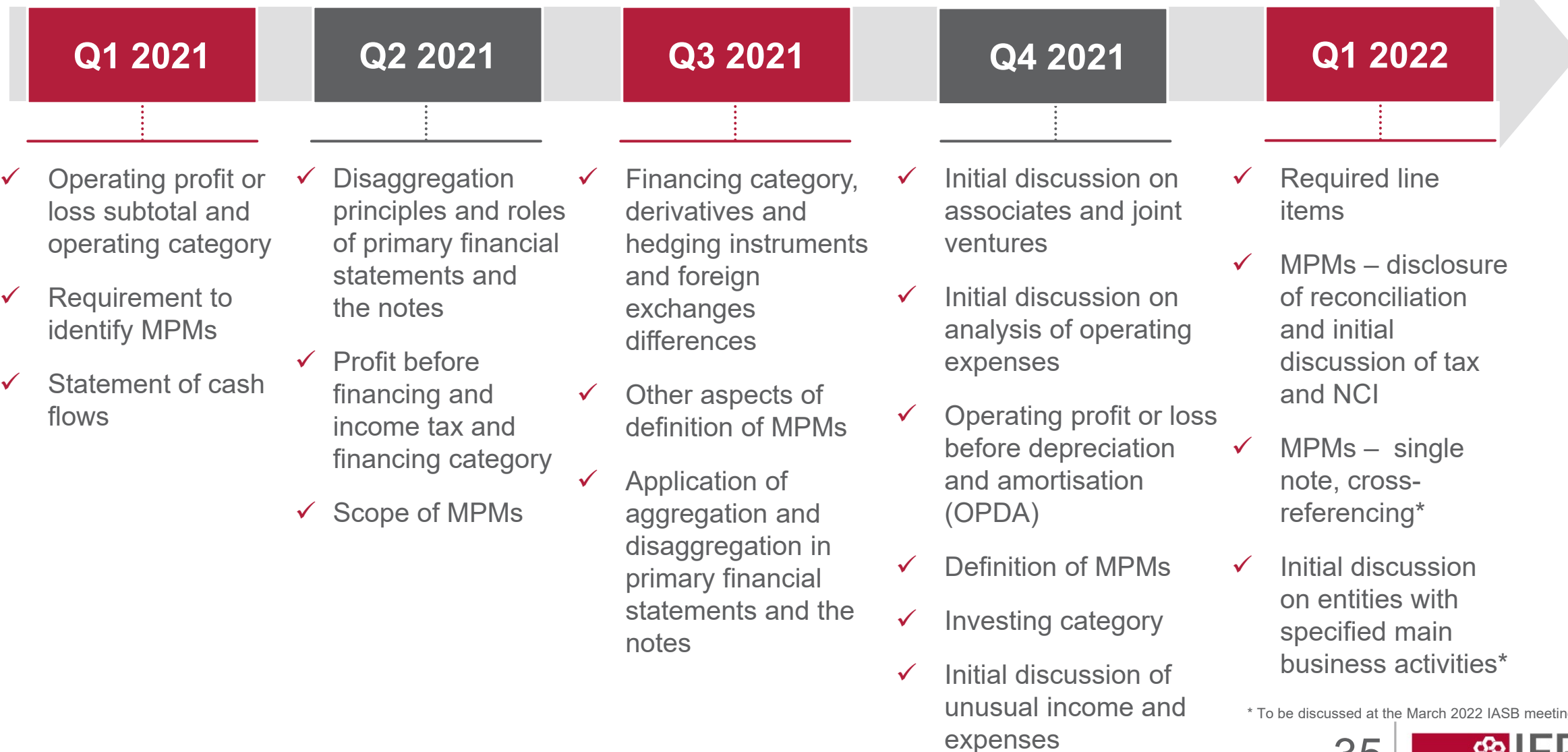
## Main proposals in Exposure Draft (Dec 2019)

- 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

# Primary Financial Statements—Project status (2/3)



\* To be discussed at the March 2022 IASB meeting

# Primary Financial Statements—Project status (3/3)

Topic	Proposals redeliberated	Remaining to be discussed
Subtotals	Required subtotals; Classification in categories, general model; Associates and joint ventures	Classification by entities with specified main business activities*; remaining issues for investing and financing categories
Management performance measures	Scope and definition; Disclosure of reconciliation	Disclosure of tax and non-controlling interests Single note*, cross-referencing*, use of columns, relationship with segments and other
Disaggregation and other issues	Roles of primary financial statements and notes; General principles  Direction for unusual income and expenses; Presentation of operating expenses; Direction for disclosure of operating expenses  Statement of cash flows	Definition of unusual income and expenses, related disclosures; Disclosure of operating expenses; Proposals relating to 'other' and other small issues left, including relating to the statement of cash flows

\* To be discussed at the March 2022 IASB meeting



# 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

## Main proposals in Exposure Draft (Jan 2021)

- Require recognition of **regulatory assets, regulatory liabilities, regulatory income and regulatory expense**
- Reflect **compensation** for goods or services supplied as part of a company's reported financial performance for the period in which it supplies those goods or services
- Measure regulatory assets and regulatory liabilities using a **cash-flow-based** measurement technique

## Project update

- The IASB discussed feedback received on the Exposure Draft (October and November 2021 meetings)
- Discussed plans for redeliberating the proposals in the Exposure Draft (December 2021 IASB meeting)
- Redeliberated proposals in the Exposure Draft relating to the scope (February 2022 IASB meeting)

## Next milestone

Issue IFRS Accounting Standard



# Narrow-scope projects

# Lack of Exchangeability (Amendments to IAS 21)

## 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

## Proposed amendments to IAS 21

- Specify when exchangeability between two currencies is lacking and **how to make** that assessment
- **Estimate the spot exchange rate** when exchangeability is lacking
- **Disclose** how the lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position, and cash flows

## Project update

- At its January 2022 meeting the IASB discussed a summary of the feedback on the Exposure Draft. The IASB was not asked to make any decisions

## Next milestone

Decide project direction

# Non-current Liabilities with Covenants (Amendments to IAS 1)

## Objective

- Improve the information about liabilities with covenants provided through classification (as current or non-current), presentation and disclosure in financial statements

## Proposed amendments to IAS 1



Comment period ended on 21 March 2022

- 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 end of the reporting period
- Add **presentation and disclosure requirements** for non-current liabilities subject to covenants
- Clarify situations in which an entity **does not have a right to defer settlement**

## Next milestone

Discuss Exposure Draft Feedback

# Provisions—Targeted Improvements

## 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

## Project update

- Staff have started developing recommendations for future discussion by the IASB

## Next steps

Staff will prepare a project plan for consideration by the IASB

# Supplier Finance Arrangements

## Objective

- Provide information that enable investors to assess the effects of supplier finance arrangements on a company's liabilities and cash flows

## Proposed amendments to IAS 7 and IFRS 7 Comment period ends 28 March 2022

- **Describe** the characteristics of an arrangement for which an entity would be required to provide the proposed disclosure
- Add **qualitative and quantitative disclosure** requirements for supplier finance arrangements to meet the disclosure objective
- **Highlight** the required disclosure of liquidity risk and risk management and of non-cash changes in financing liabilities arising from supplier finance arrangements

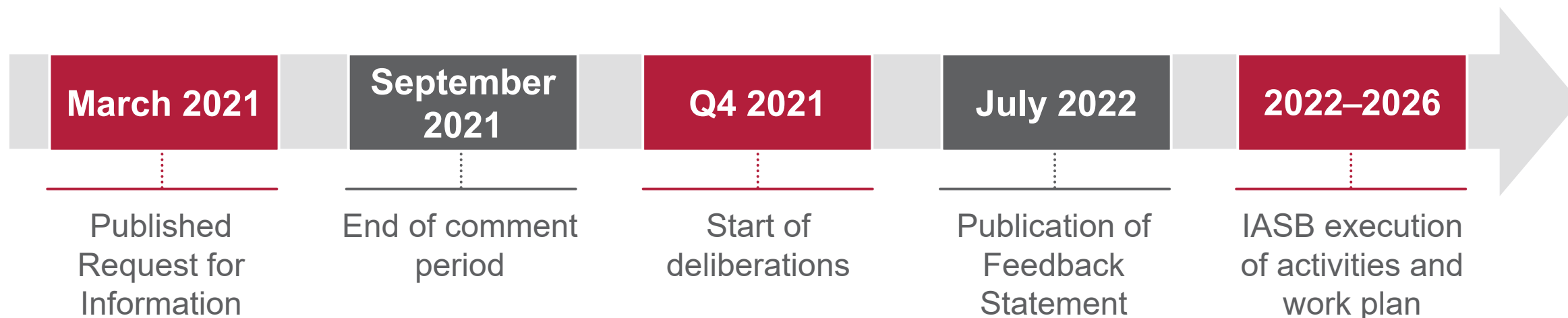
## Next milestone

Discuss Exposure Draft Feedback

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# Strategy project

# Third Agenda Consultation



Feedback will help the IASB determine its priorities and work plan from 2022 to 2026.

## Objective of the consultation—to seek views on

- 1 the strategic direction and balance of the IASB’s activities
- 2 the criteria for assessing the priority of financial reporting issues that could be added to the IASB’s work plan
- 3 new financial reporting issues that could be given priority in the IASB’s work plan



# 1 Strategic direction and balance of the IASB's activities



After considering cross-cutting themes, such as implications of connectivity with the ISSB, and consistent with stakeholders' feedback, the IASB decided:

- to begin no new activities within the current scope of its work; and
- to leave its current level of focus on its main activities largely unchanged.

Activity	Current level of focus	IASB's decision
New Accounting Standards and major amendments	40%–45%	Slightly decrease
Maintenance and consistent application	15%–20%	Leave unchanged
The <i>IFRS for SMEs</i> Standard	5%	Leave unchanged
Digital financial reporting	5%	Slightly increase
Understandability and accessibility of Accounting Standards	5%	Slightly increase (indirect support of maintenance and consistent application)
Stakeholder engagement	20%–25%	Leave unchanged

## 2 Criteria for assessing priority of financial reporting issues that could be added to the IASB's work plan



The IASB decided:

- not to reprioritise projects on its current work plan, but to continue working on those projects.
- not to make any changes to the list of criteria but to proceed with the list as proposed in the Request for Information.

### Overarching consideration

whether a potential project will meet investors' needs, while taking into account the costs of producing the information

- ① the importance of the matter to **investors**
- ② whether there is a **deficiency** in current reporting
- ③ the **type of companies** affected and jurisdictions where the matter is more prevalent
- ④ how **pervasive or acute** the matter is likely to be for companies
- ⑤ the potential project's **interaction with other projects**
- ⑥ the **complexity and feasibility** of the potential project and its solutions
- ⑦ the **capacity** of the IASB and its stakeholders to progress the potential project

### 3 Financial reporting issues that could be added to the IASB's work plan—to be decided in March–April 2022



- The IASB should not add too many **new projects** to the work plan as it will need capacity to deal with emerging issues and interaction with the ISSB
- Some projects are related and could be worked on at the same time—for example, intangible assets and cryptocurrencies
- The IASB should work on climate-related risks and pollutant pricing mechanisms (PPM) together with the ISSB

Some of the most commonly suggested projects (in alphabetical order)

Climate-related risks (incl. PPM)



Cryptocurrencies and related transactions



Going concern



Intangible assets



Operating segments (highly rated among users)



Statement of cash flows and related matters



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