

Technical Update

Joint CMAC-GPF meeting
June 2019

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The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.



Current work plan

IFRS Amendments expected 2019

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The Board expects to issue the following IFRS amendment in 2019:

Classification of Liabilities as Current or Non-current

The Board has issued the following Exposure Draft and expects to issue an IFRS amendment in 2019:

Interest Rate Benchmark Reform

Current major projects

Primary Financial Statements

Management Commentary

2019 Comprehensive Review of the IFRS for SMEs Standard

Business Combinations under Common Control

Goodwill and Impairment

Rate-regulated Activities

Dynamic Risk Management

Financial Instruments with Characteristics of Equity

Discussion Paper

Maintenance projects—Exposure Drafts

2019	Annual Improvements (2018—2020)	out for comments
	Updating a reference to the Conceptual Framework (IFRS 3)	
	Amendments to IFRS 17 <i>Insurance Contracts</i>	
	Deferred tax related to assets and liabilities from a single transaction	
	Disclosure Initiative—Accounting Policies	
2020	Targeted Standards-level Review of Disclosures	

Board considering feedback on Exposure Drafts

Accounting Policies and Accounting Estimates

Accounting Policy Changes

Property, Plant and Equipment: Proceeds before Intended Use

Onerous Contracts—Cost of Fulfilling a Contract

Research in progress

Provisions

Subsidiaries that are SMEs

Extractive activities

Pension Benefits that Depend on Asset Returns



Out for comment

Problem

The potential discontinuation of interest rate benchmarks (ie IBOR reform) could have a significant and widespread impact across financial markets as they are embedded in a variety of financial instruments

Approach

Phase 1 – Assess the nature and extent of the issues affecting financial reporting before IBOR reform is enacted

Phase 2 – A later phase will address issues arising when IBOR reform is enacted

Board's Tentative Decisions

Phase I

Address concerns related to the uncertainties arising from IBOR reform by providing relief on the application of the following hedge accounting qualifying criteria required by IFRS 9 and IAS 39:

- highly probable
- prospective assessment
- separately identifiable risk components

That relief does not affect the actual economics of the transactions which should continue to be reflected in financial reporting

Next steps

Exposure Draft issued May 2019 – comment deadline 17 June 2019

Identified problem

- Applying IFRS 3 *Business Combinations*, acquirers refer to *Conceptual Framework* to identify assets and liabilities at acquisition date
- 2018 *Conceptual Framework* revised liability definition. Updating reference in IFRS 3 could increase population of liabilities recognised
- Some liabilities recognised applying 2018 *Conceptual Framework* would not be recognised after acquisition date applying applicable IFRS Standard
 - Derecognition → ‘day 2’ gains that do not reflect economic gains
- Problem would arise for liabilities in scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*

Board's proposals

- Reference to *Conceptual Framework* could be updated without causing problems by also adding to IFRS 3 new requirement for liabilities in scope of IAS 37 / IFRIC 21
 - Acquirer would apply IAS 37 / IFRIC 21 (not new *Conceptual Framework*) to identify liabilities assumed in business combination
- Overall effect = no change to requirements of IFRS 3

Next steps

- Exposure Draft issued May 2019 – comments due 27 September 2019

Annual Improvements (2018 – 2020)

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Amendments to IFRS 1

Subsidiary as a First-time Adopter

Simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRS Standards after its parent. The proposed amendment relates to the measurement of cumulative translation differences.

Amendments to IFRS 9

Fees in the '10 per cent' Test

Clarify the fees an entity includes in assessing the terms of a new or modified financial liability for the purpose of determining whether to derecognise a financial liability.

Amendment to IE13 accompanying IFRS 16

Lease Incentives

Remove any potential for confusion regarding lease incentives by amending an Illustrative Example accompanying IFRS 16

Amendments to IAS 41

Taxation in Fair Value Measurements

Align the fair value measurement requirements in IAS 41 with those in other IFRS Standards.



Comment Letter Deadline: 20 August 2019





Due Process Handbook Review

Sets out standard-setting procedures



Updating Due Process Handbook

- Comments by 29 July 2019
- Trustees (DPOC) consider feedback October 2019
- Revised *Handbook* in 2020

Due Process Handbook proposed amendments

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Effects analysis

- Process throughout project, not just final report
- Incorporate enhancements

Agenda Decisions

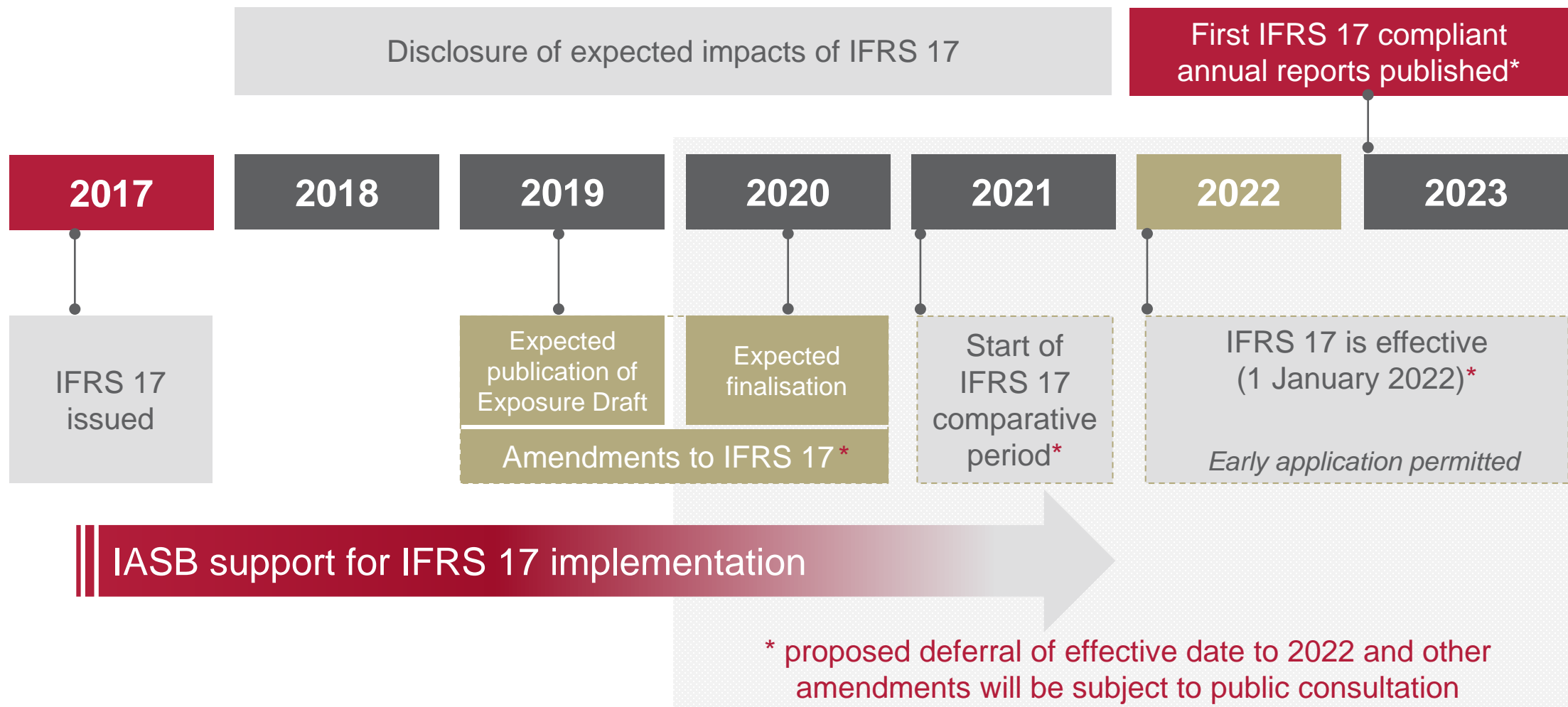
- Improve description, including limits
- Clarify status, timing expectations
- Board Agenda Decisions

Other matters

- Educational material
- Consulting on Work Plan decisions
- Role of Advisory Council
- IFRS Taxonomy

Coming soon ...

IFRS 17 timeline



IFRS 17 easing implementation

The Board has decided to propose targeted amendments to IFRS 17 to respond to concerns and challenges raised by stakeholders as IFRS 17 is being implemented

Exposure Draft expected at the end of June 2019

Deferral of effective date by one year

IFRS 17
IFRS 9

1

Additional scope exclusions

Loans
Credit cards

2

Allocation of acquisition costs to expected contract renewals

3

Attribution of profit to service relating to investment activities

4

Extension of risk mitigation option

5

Reduced accounting mismatches for reinsurance

6

Simplified balance sheet presentation

7

Additional transition reliefs

Business combinations
Risk mitigation—
transition date
Risk mitigation—fair
value approach

8

Deferred tax related to assets and liabilities from a single transaction

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The Board has proposed an amendment to IAS 12 that would narrow the initial recognition exemption in paragraphs 15 and 24 so that it would no longer apply to the extent that, on the initial recognition of a transaction, an entity would recognise equal amounts of deferred tax assets and liabilities

Exposure Draft expected in Q2 2019

Identified problem

- IAS1 *Presentation of Financial Statements* specifies criteria for classifying a liability as non-current. One of those criteria is unclear

Board's tentative decisions

Board has tentatively decided to clarify:

- that compliance with any conditions in a lending agreement should be assessed as at the reporting date
- that an entity's right to defer settlement is not affected by management's expectations at the reporting date, or settlement of the liability after reporting date
- how equity-settlement features affect classification

Upcoming meetings:

11-12 June

IFRS Interpretations Committee

20 -21 June

IFRS Foundation Annual Conference - London

24 June

IFRS Taxonomy Consultative Group

25 -27 June

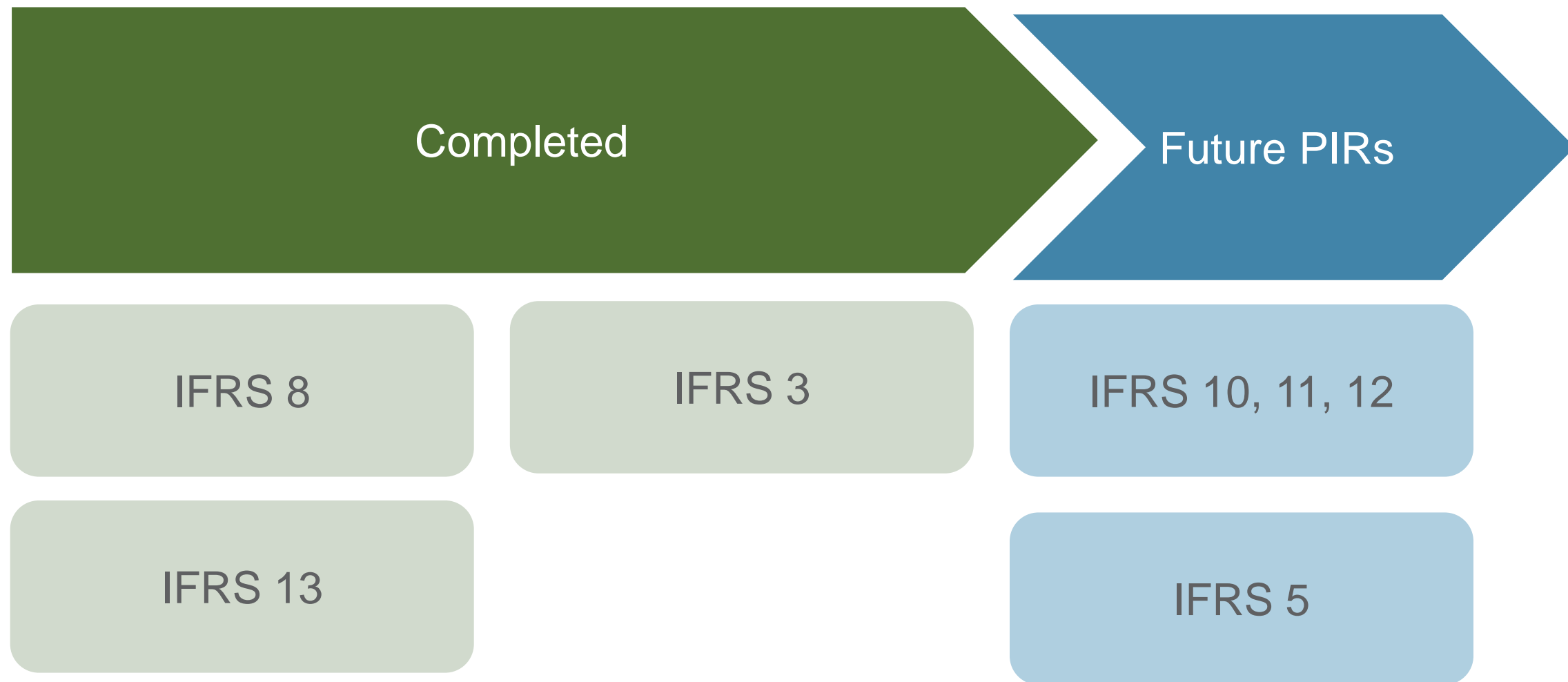
IFRS Foundation Trustee meeting

11-12 July

Accounting Standards Advisory Forum

23 July

IASB – FASB Joint Education Meeting



Completed projects

Amendments and Interpretations (effective date)

Topic	Effective date
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Annual Improvements 2015-2017 <ul style="list-style-type: none">• Amendments to IFRS 3 and IFRS 11: <i>Previously Held Interests in a Joint Operation</i>• Amendments to IAS 12: <i>Income Tax Consequences of Payments on Instruments Classified as Equity</i>• Amendments to IAS 23: <i>Borrowing costs eligible for capitalisation</i>	1 January 2019
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
<i>Conceptual Framework for Financial Reporting</i>	1 January 2020
Amendment to IFRS 3 – Definition of a Business	1 January 2020

Disclosure Initiative—Definition of Material (Amendments to IAS 1 and IAS 8)

New definition

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity



Some think the threshold 'could influence' is too low and could be applied too broadly

Focused only on information that cannot be omitted (material information)

Referred to 'users' but does not specify their characteristics

Replaces with 'could reasonably be expected to influence'*

Includes 'obscuring' to clarify that the effect of including immaterial information should also be considered*

Uses the wording of the definition in the Conceptual Framework

*Consistent with existing requirements in IAS 1 *Presentation of Financial Statements*

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