

Agenda Paper 2

IASB and IFRS Interpretations Committee Update

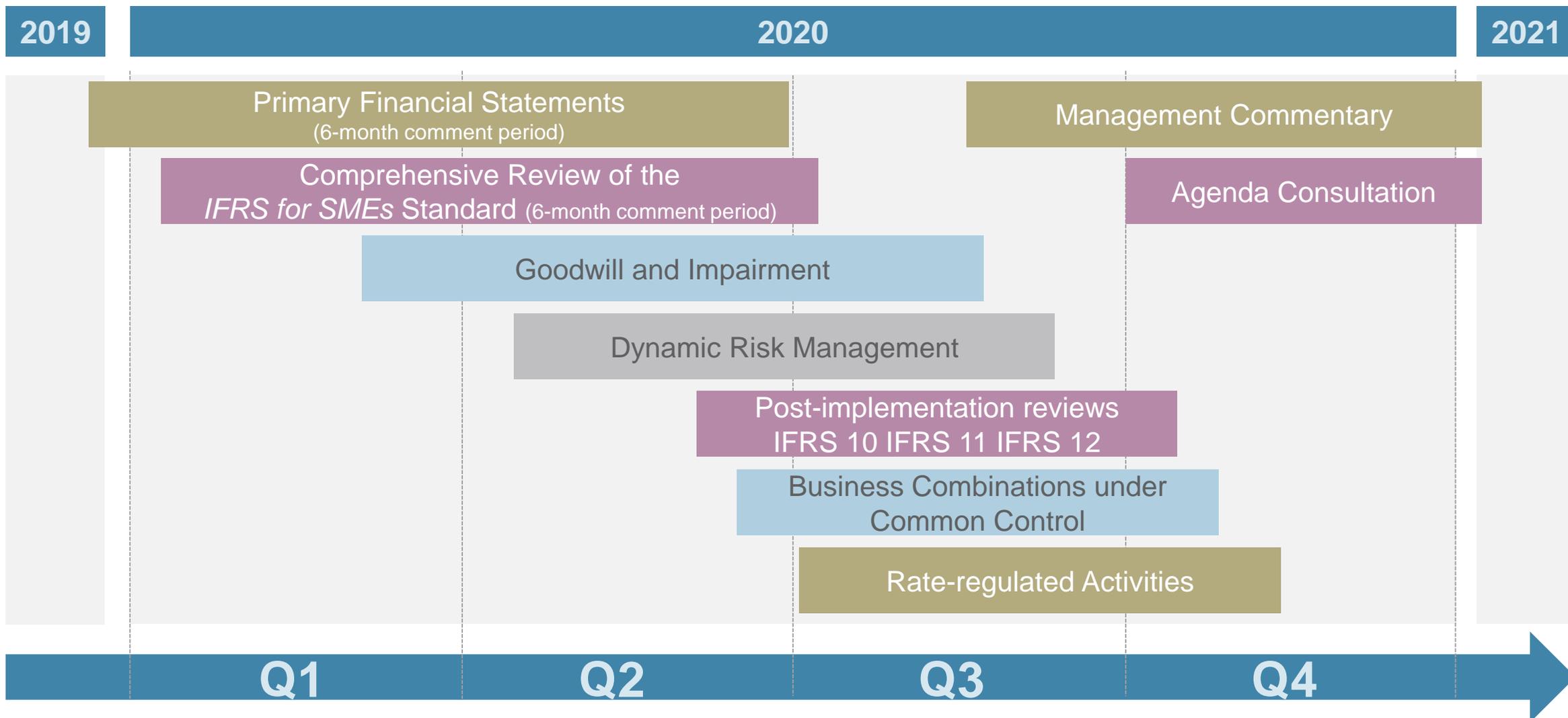
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Global Preparers Forum, March 2020

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

2020 major consultations



Business Combinations under Common Control— Which approach?

Board's tentative decision

Does the transaction affect non-controlling shareholders of the receiving entity?

No

Yes

Are the receiving entity's equity instruments traded in a public market?

Yes

No

Are all non-controlling shareholders related parties of the receiving entity?

Yes

No

Has the receiving entity chosen to apply a predecessor approach, and have all its non-controlling shareholders been informed about, and not objected to, the receiving entity applying that approach?

No

Yes

A current value approach

A predecessor approach

Management Commentary—revision of the Practice Statement

Progress to date

Objective of management commentary

➔ Discussed by Board but further clarifications are needed

Qualitative characteristics
(basis of preparation of management commentary)

➔ Tentative decisions by the Board

Topics to be discussed in management commentary

Business model

Resources and relationships

➔ Ongoing discussions with the Board

Strategy

Operating environment

➔ To be discussed at future Board meetings

Risks and opportunities

Performance, position and prospects

Forthcoming IFRS amendments

Next steps

Property, Plant and Equipment: Proceeds before Intended Use

IFRS amendment
March 2020

Updating IFRS 3 reference to the *Conceptual Framework*

IFRS amendment
April 2020

Annual Improvements to IFRS Standards 2018 – 2020

IFRS amendment
April 2020

Onerous Contracts—Cost of Fulfilling a Contract

IFRS amendment
Q2 2020

Amendments to IFRS 17 *Insurance Contracts*

IFRS amendment
Q2 2020

Accounting Policies and Accounting Estimates

IFRS amendment
(TBD)

Out for comment / in development

Feedback due by

Primary Financial Statements

Open for comment

30 June 2020

2019 Comprehensive Review of the *IFRS for SMEs* Standard

Open for comment

27 July 2020

Next steps

Deferred tax related to assets and liabilities from a single transaction

Consider feedback

Disclosure Initiative—Accounting Policy Disclosure

Consider feedback

Accounting Policy Changes

Decide project direction

Other technical projects

Next steps

IBOR Phase II

Exposure Draft

Disclosure Initiative—
Targeted Standards-level Review of Disclosures

Exposure Draft

Subsidiaries that are SMEs

Decide Discussion
Paper or Exposure Draft

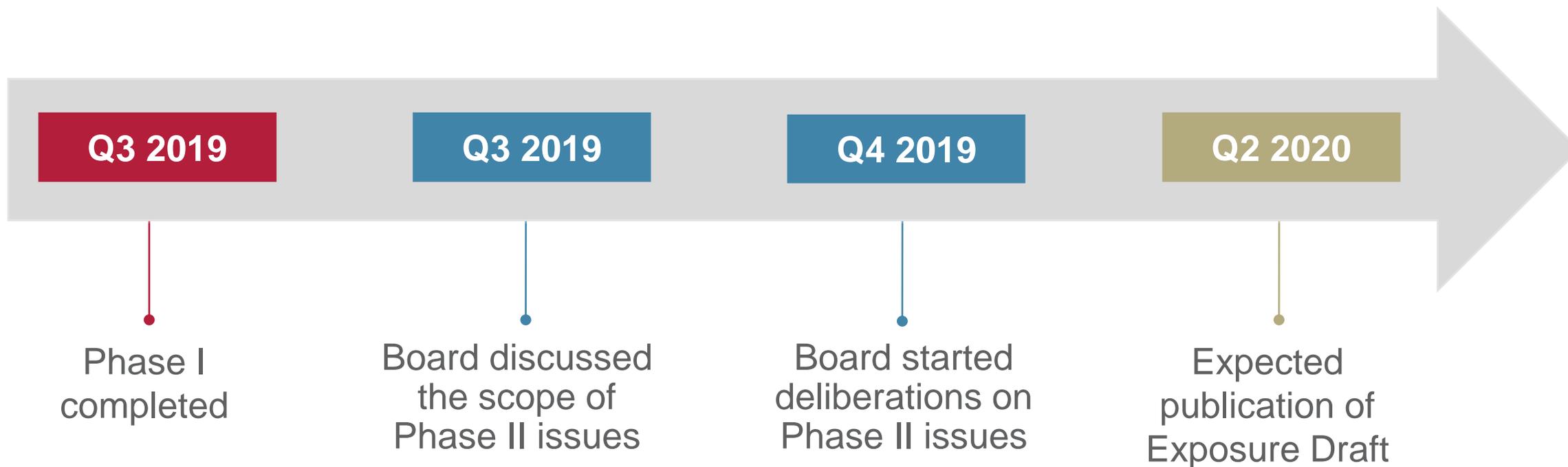
Provisions

Prepare project plan

Financial Instruments with Characteristics of Equity

Continue discussion
about project direction

IBOR Reform—timeline



Problem

The potential discontinuation of interest rate benchmarks (IBOR reform) could affect the usefulness of information provided in IFRS financial statements

Classification and measurement

The Board tentatively decided to amend IFRS 9 (and IAS 39) to:

- require that a change in the basis for determining contractual cash flows, even in the absence of an amendment to the contractual terms of a financial instrument, is a modification of a financial instrument
- provide a practical expedient allowing entities to apply paragraph B5.4.5 of IFRS 9 to modifications related to IBOR reform (ie re-estimate cash flows and update the effective interest rate)

Propose similar relief for a lessee applying IFRS 16 when variable rate cashflows are modified due to IBOR reform

Hedge accounting

The Board tentatively decided to:

- amend IFRS 9 and IAS 39 to enable entities to continue hedge accounting for changes made to hedge documentation that are directly required by IBOR reform
- continue to require the hedged item and hedging instrument to be measured as required by IFRS Standards and to recognise all ineffectiveness in profit or loss

Disclosures

- propose new disclosures in IFRS 7 to explain risks arising from IBOR reform to which the entity is exposed and the entity's progress in transitioning to alternative benchmark rates

Next steps

Request permission from trustees for 45-day comment period

Disclosure Initiative—overview of projects





There is disclosure overload for subsidiaries that are not publicly accountable if their financial statements are prepared applying IFRS Standards

Solution

Develop an IFRS Standard that permits subsidiaries that are SMEs to apply measurement and recognition requirements of IFRS Standards with reduced disclosure requirements

Approach

Use the *IFRS for SMEs* Standard:

- definition of publicly accountability– to define scope of subsidiaries that are SMEs
- to determine the disclosures to be reduced

Next steps

Decide on whether a Discussion Paper or an Exposure Draft

Provisions—Targeted Improvements (IAS 37)

Developing proposals for three targeted amendments to
IAS 37 Provisions, Contingent Liabilities and Contingent Assets

1 Align requirements for identifying liabilities with *Conceptual Framework*

Likely to include replacing IFRIC 21 *Levies* with new application requirements for levies

2 Clarify which costs to include in measure of a provision

Clarify whether costs included should be consistent with those for assessing whether a contract is onerous

3 Specify whether discount rates used should reflect entity's own credit risk

Current practice varies, especially for some long-term provisions

Next steps

- Staff will prepare a project plan for consideration by the Board

Requirements coming into effect

15

Effective date

IBOR Reform and its Effects on Financial Reporting—Phase I (Amendments to IFRS 9, IAS 39 and IFRS 7)

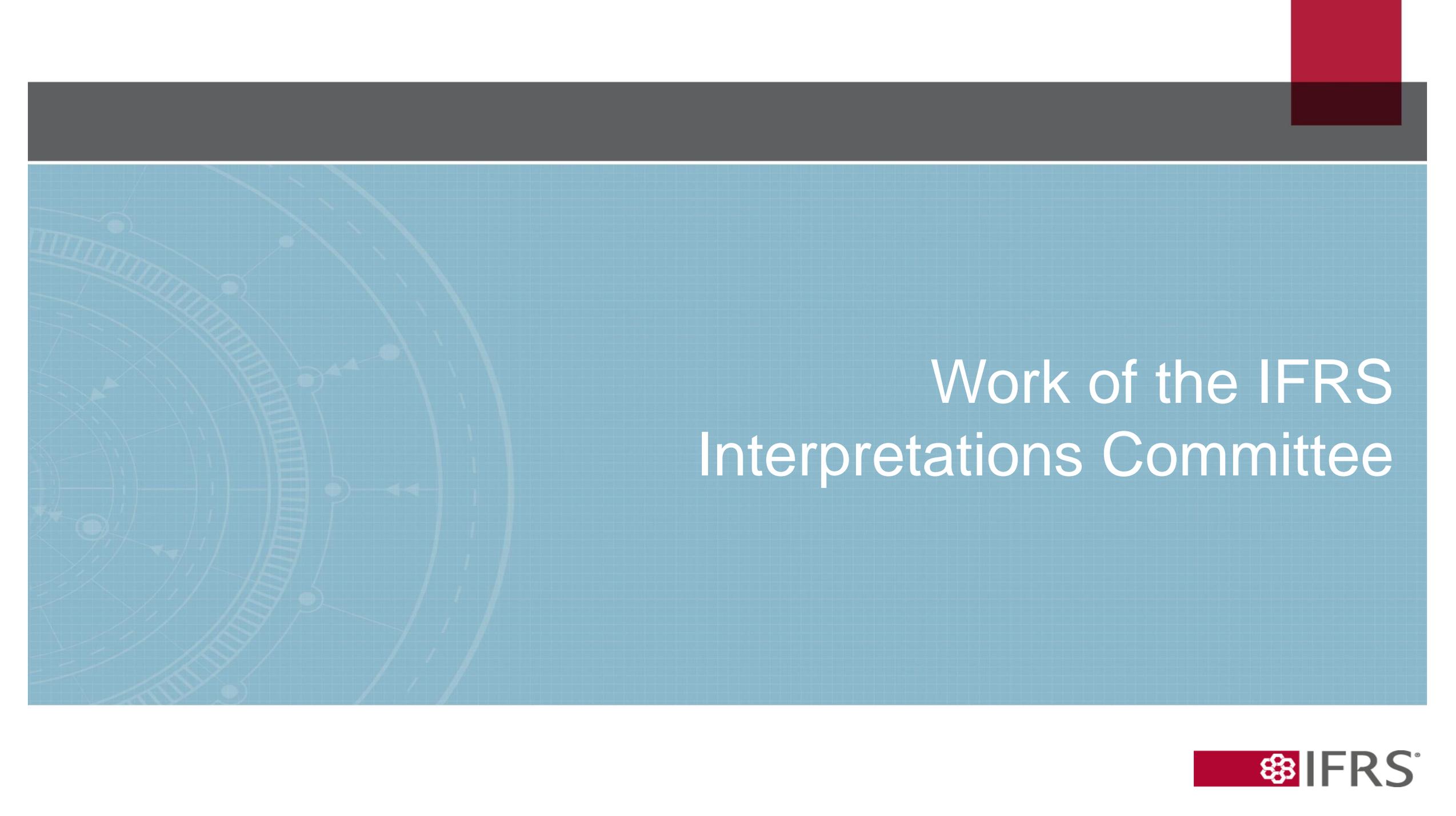
1 January
2020

Definition of Material (Amendments to IAS 1 and IAS 8)

1 January
2020

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

1 January
2022
*Earlier application
is permitted*



Work of the IFRS Interpretations Committee



30 addressed by Committee through agenda decisions with explanatory material

1 addressed through a narrow-scope amendment

2 work in progress

Five Committee meetings held in 2019

Sample of 2019 agenda decisions

IFRS 9 *Financial Instruments*

Curing of Credit-impaired Financial Asset

Fair value hedge of FX risk on non-financial assets

Highly probable requirement

Contracts to Buy or Sell a non-financial item

IFRS 16 *Leases*

Lease term

Lease liabilities in a Joint Operation

Lessee's Incremental Borrowing Rate

Definition of Lease

IFRS 15 *Revenue from Contracts with Customers*

Promised Goods or Services

Compensation for Delays / Cancellations

Training costs*

Over Time Transfer of Constructed Good

Other Standards

Cloud Computing Arrangements

Holdings of Cryptocurrencies

Hyperinflationary foreign operations*

* Tentative agenda decision published. The Committee will consider comments and decide whether to finalise at a future meeting

Committee's current and future agenda

New submissions to the Committee

IAS 12—deferred tax related to undistributed profits of a subsidiary

To be discussed at
March 2020 meeting

Supply chain financing—reverse factoring arrangements

To be discussed at a
future meeting

Ongoing discussion

IFRS 16—sale and leaseback transaction with variable payments

To be discussed at
March 2020 meeting

Lack of Exchangeability (IAS 21)

20

Lack of Exchangeability

The exchange rate an entity uses when a currency's exchangeability is lacking.

Potential narrow-scope amendments to IAS 21 would:

Identify the circumstances in which exchangeability is lacking

Require estimation of spot exchange rate

Provide disclosures

Next steps Continue discussion on how to amend IAS 21 at a future meeting



Helpful material

Resources available on our website

Website
www.ifrs.org



Videos



Leaflet
Supporting IFRS Standards



Supporting materials sorted by Standard

IFRS Standards

IFRIC Interpretations

News and events



For example, for IFRS 9 *Financial Instruments*



Webinars



Articles



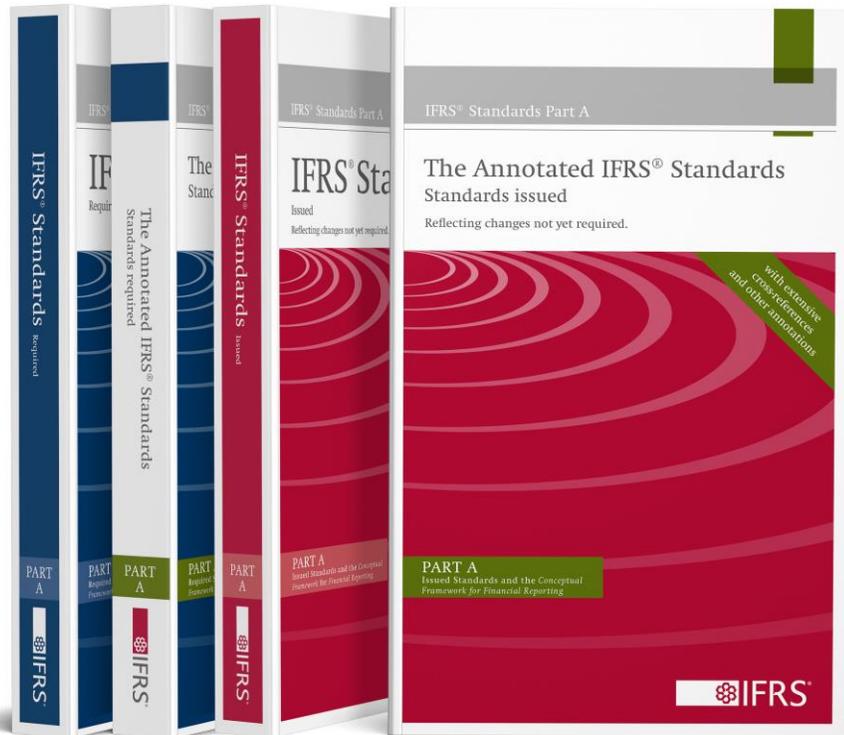
Transition Resource Group



Agenda decisions

www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standard/ifrs-9/

IFRS Standards and their Annotated equivalents



IFRS Standards

The IFRS[®] Standards
Required 2020

The IFRS[®] Standards
Issued 2019

IFRS Standards + extensive cross-references + annotations

The Annotated IFRS[®]
Standards Required 2020

The Annotated IFRS[®]
Standards Issued 2019

Annotated IFRS Standards also available in Spanish

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