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

- Introduction
- Consultations
- Projects with consultations recently closed
- Forthcoming IFRS amendments
- Other projects
- Third Agenda Consultation
Introduction
Introduction

IASB work plan

• This document sets IASB's technical projects, highlighting the next milestone
• Such projects include research, standard-setting and maintenance

Third Agenda Consultation

• The consultation closed on 27 September
• This document provides an overview of the feedback
Overview of main consultations

<table>
<thead>
<tr>
<th>Q1 2021</th>
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- **Targeted Standards-level Review of Disclosures**
- **Subsidiaries without Public Accountability: Disclosures**
- **Post-implementation Review of IFRS 9**
- **Supplier Finance Arrangements**
- **Non-current Liabilities with Covenants**

- Research projects
- Standard-setting projects
- Maintenance projects
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

1. New approach for the IASB to use when developing and drafting disclosure requirements in IFRS Standards (proposed Guidance)

2. Replace disclosure requirements in IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* with a new set of disclosure requirements developed applying the proposed Guidance

3. Focus compliance on detailed disclosure objectives rather than prescriptive requirements, thus requiring companies to apply judgement
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 Standards

Features of the proposals

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

1. Business model, SPPI, Fair value changes in equity instruments  
   - Financial assets

2. Presentation of own credit gains and losses  
   - Financial liabilities

3. Modifications to contractual cash flows, Effective interest method, Transition to IFRS 9  
   - Other topics
Non-current Liabilities with Covenants

Objective

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

Approach

- 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.

Consultation document

Exposure Draft
Supplier Finance Arrangements

Objective

Provide information that would help investors determine the effects of supplier finance arrangements on a company’s liabilities and cash flows.

Approach

- **Explain** the type of arrangements to be included within the scope of the proposed amendments.
- Add **qualitative and quantitative disclosure** requirements for supplier finance arrangements to meet overall and specific disclosure objectives.
- Add supplier finance arrangements as an example within the existing liquidity risk disclosure requirements in IFRS 7.

Consultation document

Exposure Draft
Projects with consultations recently closed
## IASB discussing …

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<td>IFRS Standard</td>
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<td>Second Review of the <em>IFRS for SMEs</em> Standard</td>
<td>Exposure Draft</td>
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<td>Goodwill and Impairment</td>
<td>Decide Project Direction</td>
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<td>Lease Liability in a Sale and Leaseback</td>
<td>Decide Project Direction</td>
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<td>Management Commentary</td>
<td>Feedback Discussion</td>
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</table>
Primary Financial Statements

Objective

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

Main proposals

1. Require additional defined subtotals in statement of profit or loss
2. Strengthen requirements for disaggregating information
3. Require disclosures about management performance measures
Primary Financial Statements in 2021

Q1 2021
- Operating profit or loss subtotal and operating category
- Requirement to identify MPMs
- Statement of cash flows

Q2 2021
- Disaggregation principles and roles of primary financial statements and the notes
- Profit before financing and income tax and financing category
- Scope of MPMs

Q3 2021
- Financing category, derivatives and hedging instruments and FX differences
- Other aspects of definition of MPM
- Application of aggregation and disaggregation in primary financial statements and the notes

Q4 2021
- Operating profit before depreciation, amortisation and specified impairments (OPDAI)
- Initial discussion on associates & JVs
- Initial discussion on analysis of operating expenses
  - Definition of MPMs
  - Initial discussion of unusual income and expenses
Second Review of the *IFRS for SMEs* Standard

**Objective**

- Update the *IFRS for SMEs* Standard for new requirements in IFRS Standards that are in the scope of the review

**Approach**

- Apply alignment approach to decide how to update the *IFRS for SMEs* 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

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**Timeline**

- **Q1–Q4 2020**
  - Consultation period of the Request for Information
- **Mar 2021**
  - IASB agreed project direction
- **May 2021**
  - IASB started deliberations
- **TBD**
  - Exposure Draft
Goodwill and Impairment

Objective

- Improve information companies provide about their acquisitions

Preliminary views

1. Disclose management’s objectives for acquisitions and subsequently disclose the performance against those objectives
   - Some targeted improvements to existing standards

2. Retain impairment-only model for goodwill
   - Simplify impairment test

3. Present amount of total equity excluding goodwill
   - Do not change recognition of intangibles separately from goodwill
Lease Liability in a Sale and Leaseback

**Objective**

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

**Proposed amendment to IFRS 16 Leases**

1. Specify the method used in initially measuring the right-of-use asset and liability arising in a sale and leaseback transaction

2. Specify subsequent measurement requirements for the lease liability in a sale and leaseback transaction
Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12

**Agenda ref 5**

<table>
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<tr>
<th>Period</th>
<th>Stage</th>
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<td>Q2 2019–Q2 2020</td>
<td>Review research</td>
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<tr>
<td>Q2–Q3 2020</td>
<td>Development of Request for Information</td>
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<tr>
<td>Q4 2020–Q2 2021</td>
<td>Request for Information</td>
</tr>
<tr>
<td>H2 2021</td>
<td>Discussion of feedback</td>
</tr>
<tr>
<td>H1 2022</td>
<td>Publish Feedback Statement</td>
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</table>

**Topics in the Request for Information**

1. Control assessment, investment entities, specific accounting requirements
2. Collaborative arrangements, classifying joint arrangements, requirements for joint operations
3. Whether the disclosures provided applying IFRS 12 meet the Standard’s objective

**Objective**

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

1. Require recognition of regulatory assets, regulatory liabilities, regulatory income and regulatory expense

2. 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

3. Measure regulatory assets and regulatory liabilities using a cash-flow-based measurement technique
Business Combinations under Common Control

Objective

- Fill a ‘gap’ in IFRS Standards
- Give investors the information they need without imposing unnecessary costs on companies

Preliminary views

1. Specify which method should be applied in which circumstances to reduce diversity in practice and improve transparency in reporting.

2. Use the **acquisition method** set out in IFRS 3 *Business Combinations* for combinations that affect investors outside the group, including all combinations by companies whose shares are publicly traded.

3. Use a **book-value method** to be specified in IFRS Standards in all other cases – such as group restructurings involving wholly-owned subsidiaries.
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

Proposed Amendments to IAS 21

1. Specify when exchangeability between two currencies is lacking and how to make that assessment

2. Estimate the spot exchange rate when exchangeability is lacking

3. Disclose how the lack of exchangeability affects, or is expected to affect, the entity’s financial performance, financial position, and cash flows
Management Commentary

Objective
Overhaul IFRS Practice Statement 1 to provide a comprehensive framework for preparing management commentary—building on recent developments in narrative reporting.

Features of the proposals

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

Agenda ref 5

- **May 2021**: Exposure Draft published
- **Q4 2021**: Consultation period ends
- **H1 2022**: Discussion of feedback
- **TBD**: Decide project direction
Forthcoming IFRS amendments

Expected in December 2021
Identified problem
Possible accounting mismatches between financial assets and insurance contract liabilities in the prior periods presented on initial application of IFRS 17

The amendment
- Provides a classification overlay
- Relates only to comparative information presented on initial application of IFRS 17
- Enables companies to present comparative information about particular financial assets in a manner consistent with how IFRS 9 is expected to be applied

Effective date
Annual reporting periods beginning on or after 1 January 2023
Other 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

• Explore clarifying IAS 32 classification principles (rather than rewriting IAS 32) to address practice issues (e.g., classification of financial instruments settled in the issuer’s own equity instruments)
• Provide classification guidance and illustrative examples
• Improve presentation and disclosure

Next milestone

Exposure Draft
**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.

**Core model**

\[
\text{Derivatives} + \text{Asset profile} = \text{Target profile}
\]

- When derivatives are successful in aligning the asset profile with the target profile, changes in fair value of such derivatives are deferred in OCI and reclassified to the statement of profit or loss over time.
- Assuming perfect alignment, the results reported in the statement of profit or loss should reflect the company’s target profile.

**Next steps**
Redeliberation of key issues identified in the outreach.
Provisions—Targeted Improvements to IAS 37

**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

**Next steps**

Staff will prepare a project plan for consideration by the IASB
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

Review list of application questions and 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

Next steps

Consider research to be performed
Third Agenda Consultation
Third Agenda Consultation

Objective of the agenda consultation

To seek views on

- the strategic direction and balance of the IASB’s activities
- the criteria for assessing the priority of financial reporting issues that could be added to the work plan
- new financial reporting issues that could be given priority in the IASB’s work plan
### Third Agenda Consultation—feedback overview (1/3)

- The Board’s **strategic direction** is about right; consider some minor changes to **rebalance** the level of focus
- Set aside capacity for interactions with the International Sustainability Standards Board (ISSB) and to respond to emerging issues
- Partnering with national standard-setters could help increase the Board’s capacity in some areas

<table>
<thead>
<tr>
<th>Activity</th>
<th>Current level of focus</th>
<th>Feedback</th>
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</thead>
<tbody>
<tr>
<td>Research and standard-setting projects</td>
<td>40%–45%</td>
<td>Decrease or leave unchanged</td>
</tr>
<tr>
<td>Maintenance and consistent application of IFRS Standards</td>
<td>15%–20%</td>
<td>Increase or leave unchanged</td>
</tr>
<tr>
<td>The <em>IFRS for SMEs</em> Standard</td>
<td>5%</td>
<td>Leave unchanged</td>
</tr>
<tr>
<td>Digital financial reporting</td>
<td>5%</td>
<td>Increase</td>
</tr>
<tr>
<td>Understandability and accessibility</td>
<td>5%</td>
<td>Increase</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>20%–25%</td>
<td>Leave unchanged</td>
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Third Agenda Consultation—feedback overview (2/3)

- Stakeholders generally agreed with the IASB’s proposed **criteria** for assessing the priority of financial reporting issues
- Stakeholders would like to understand how the criteria have been applied
- Consider including all proposed criteria in the *Due Process Handbook*

- The IASB should not add too many **new projects** to the work plan as 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 together with the ISSB
Some of the most commonly suggested projects (in alphabetical order)

- Climate-related risks
- Cryptocurrencies and related transactions
- Going concern
- Intangible assets
- Statement of cash flows and related matters
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