

Agenda paper 1

IFRS® Foundation

# Update on the Board's Work Plan

IFRS Advisory Council  
February 2021

# Update on the Board's work plan—contents

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- Snapshot of what's on the horizon

## Detailed descriptions

- Consultations in progress
- Forthcoming consultations
- Current redeliberations
- Forthcoming amendments
- Other projects

# Executive summary



# Significant developments since the last meeting

# Significant developments since the last meeting

## Consultation documents published

1. Discussion Paper *Business Combinations under Common Control*
2. Exposure Draft *Lease Liability in a Sale and Leaseback*
3. Request for Information Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12
4. Exposure Draft *Regulatory Assets and Regulatory Liabilities*

## Covid-19 response

1. Published educational materials on:
  - financial reporting challenges in times of heightened uncertainty
  - going concern
2. Added to work plan urgent standard-setting project on rent concessions that proposes extending practical expedient by a year to 30 June 2022

# Significant developments since the last meeting

## Research

1. Began post-implementation review of classification and measurement requirements in IFRS 9
2. Moved Financial Instruments with Characteristics of Equity project to standard-setting
3. Decided to obtain updated information about priority of research pipeline projects and the post-implementation review of IFRS 5 as part of the Third Agenda Consultation. The Board will, therefore, not start any of these projects at the moment.

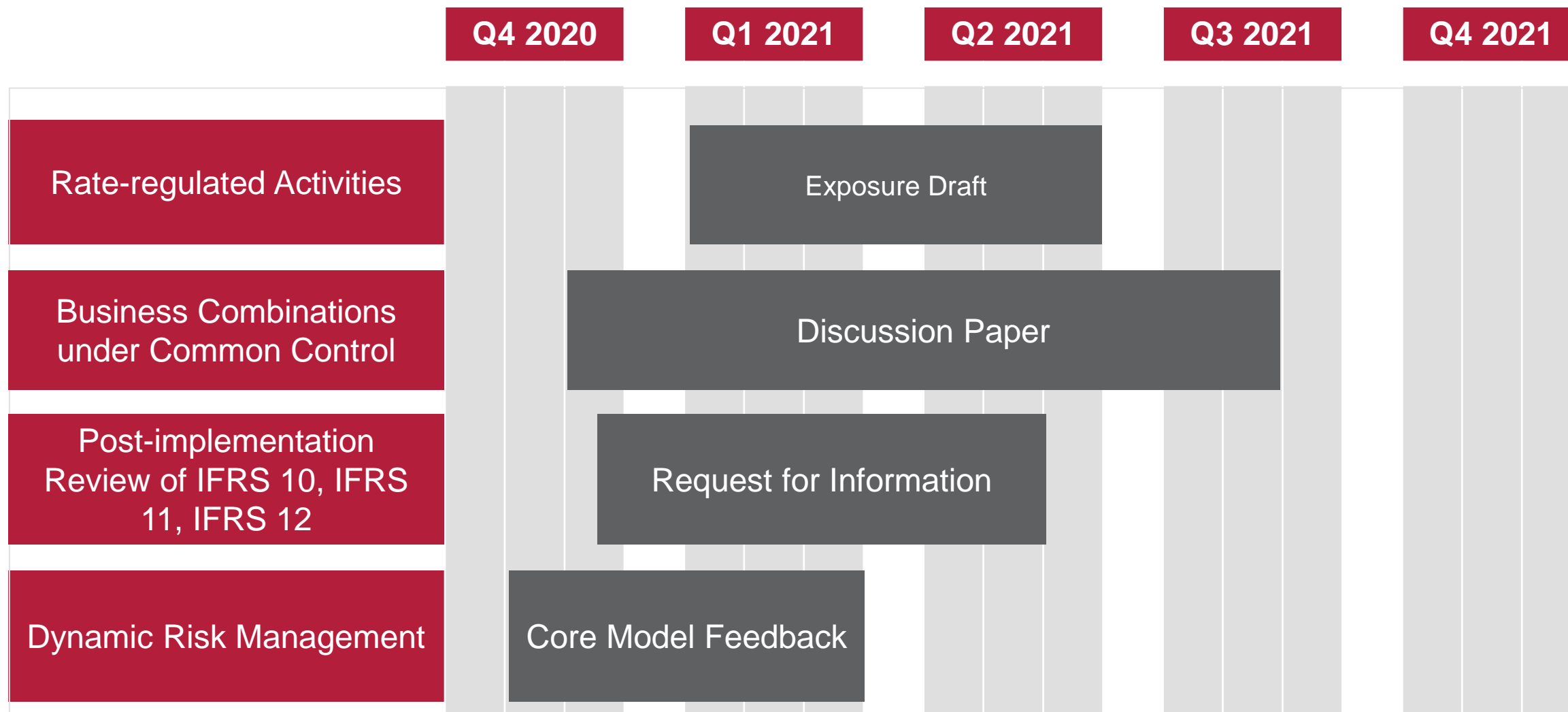
## Other updates

1. Published educational material on effects of climate-related matters on financial statements
2. Held annual joint IASB-FASB education meeting
3. Undertook, for the first time, new due process requirement to ask whether Board members object to a final agenda decision before it is published



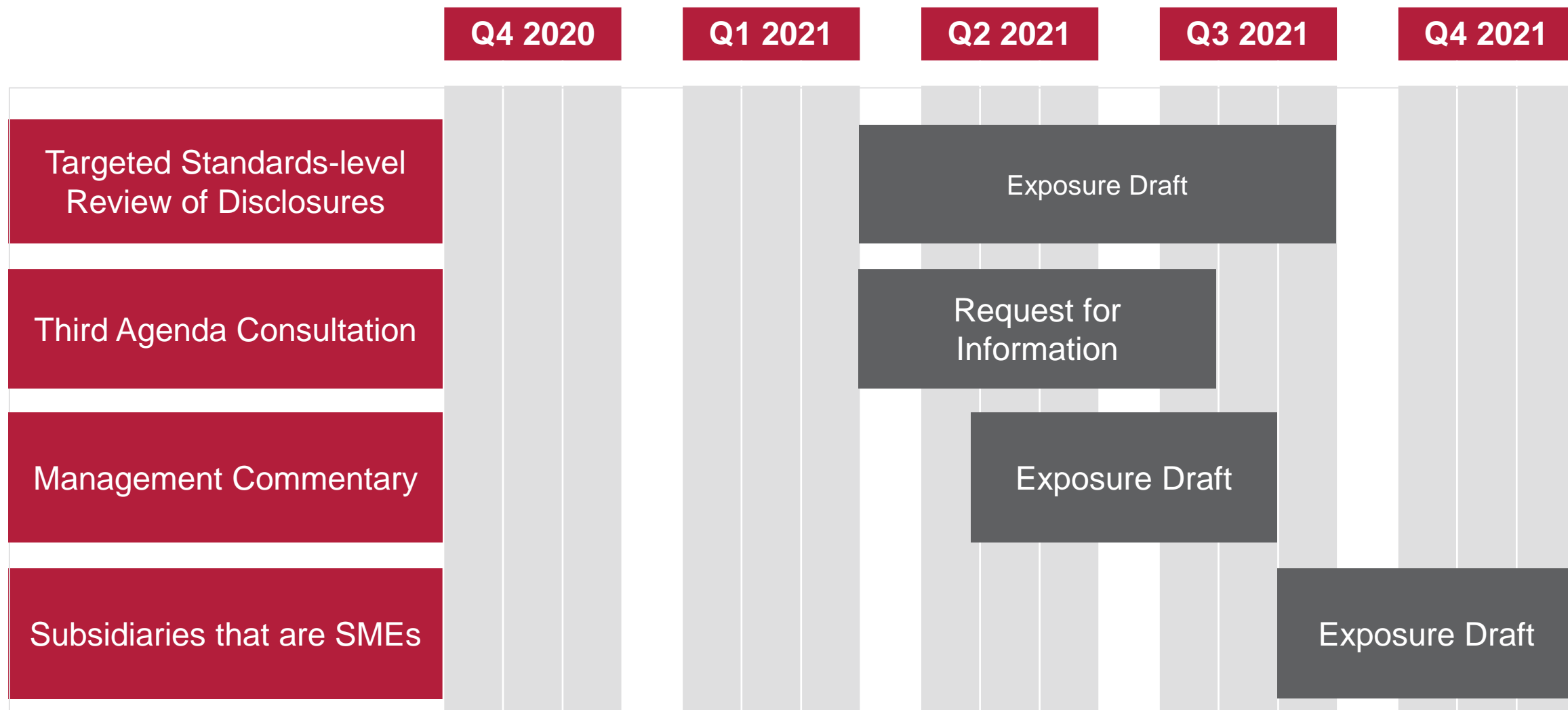
# Snapshot of what's on the horizon

# Consultations in progress





# Forthcoming consultations



# Current redeliberations

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	Redeliberating
Primary Financial Statements	Exposure Draft feedback
Second Review of the IFRS for SMEs Standard	Request for Information feedback
Goodwill and Impairment	Discussion Paper feedback

# New requirements and requirements coming into effect soon

1 January 2021*	1 January 2022	1 January 2023
Interest Rate Benchmark (IBOR) Reform—Phase 2	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> (Amendments to IAS 16)	<i>Classification of Liabilities as Current or Non-current</i> (Amendments to IAS 1)
	<i>Reference to the Conceptual Framework</i> (Amendments to IFRS 3)	IFRS 17 <i>Insurance Contracts</i> (amended June 2020)
	<i>Onerous Contracts—Cost of Fulfilling a Contract</i> (Amendments to IAS 37)	Accounting Policies and Accounting Estimates (Amendments to IAS 8)
	<i>Annual Improvements to IFRS Standards 2018–2020</i>	Disclosure Initiative—Accounting Policies
		Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

\* In each case for annual reporting periods beginning on or after 1 January

# Detailed descriptions



Consultations in progress

# Rate-regulated Activities



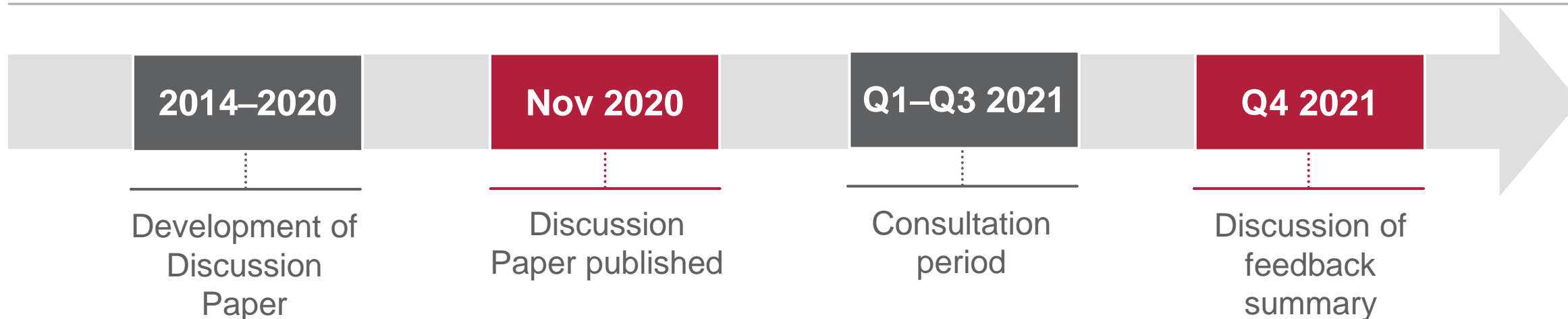
## Objective

- Provide information about effects of regulatory assets, regulatory liabilities, regulatory income and regulatory expense 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



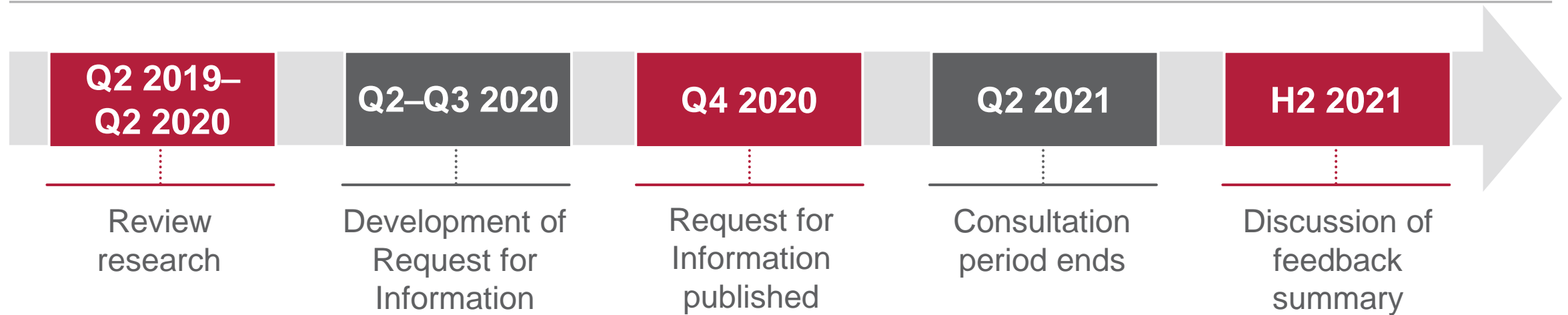
## Objective

- 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

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



## Topics in the Request for Information



### Objective

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

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



# 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

Derivatives

+

Asset profile

=

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

Core model feedback expected Q2 2021

A grayscale world map is the background, showing continents and a grid of dotted lines representing latitude and longitude. Overlaid on the left side of the map are several thick, curved, light-gray lines that sweep across the frame from the bottom left towards the top right. The text 'Forthcoming consultations' is centered in white, sans-serif font.

# Forthcoming consultations

# Disclosure Initiative—Targeted Standards-level Review of Disclosures

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## The disclosure problem

- Not enough relevant information
- Too much irrelevant information
- Ineffective communication

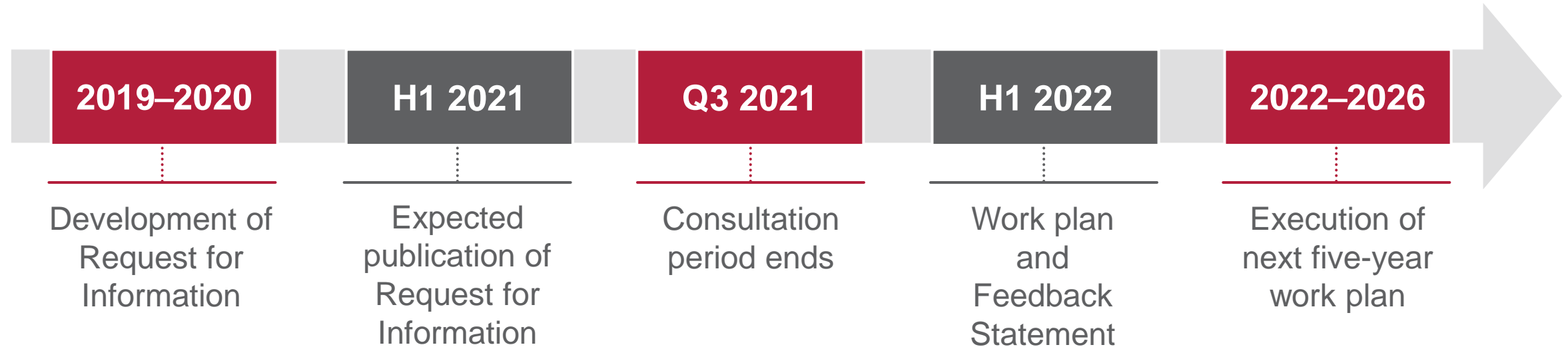
## Approach

- Help stakeholders improve the usefulness of disclosures for the primary users of financial statements
- Develop guidance for the Board to use when developing and drafting disclosure objectives and requirements
- Objective is not to change the volume of required disclosures, although this may be a consequence

## Forthcoming consultation document

Exposure Draft expected March 2021

# Third Agenda Consultation—Defining the Board’s work plan for 2022–2026



## Agenda Consultation

The primary objective of an agenda consultation is to seek public comments on

- the strategic direction and balance of the Board’s activities
- the criteria for assessing the priority of financial reporting issues that may be added to the Board’s work plan
- financial reporting issues that should be given priority in the Board’s work plan

# Management Commentary

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## Purpose

Revise the IFRS Practice Statement 1 *Management Commentary* issued in 2010, which sets out a non-binding framework for preparing management commentary on financial statements

## Approach

- Consolidate innovations in narrative reporting since 2010
- Address gaps in reporting practice, such as the short-term focus in reporting and failure to identify and discuss matters that are specific and important to a company
- Retain a principle-based approach, but provide sufficient detail to support rigorous application of the Practice Statement by companies and the effective review of companies' management commentaries by auditors and regulators
- Can meet investors' and creditors' information needs by referencing others' disclosure requirements

## Forthcoming consultation document

Exposure Draft expected April 2021

# Disclosure Initiative—Subsidiaries that are SMEs

## Purpose

For subsidiaries of a parent that applies IFRS Standards in preparing consolidated financial statements, reduce costs while still providing information needed by the users of the subsidiaries' financial statements

## Solution

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

## Approach

Use the *IFRS for SMEs* Standard:

- to define SMEs (non-publicly accountable)
- as the starting point for the reduced disclosure requirements

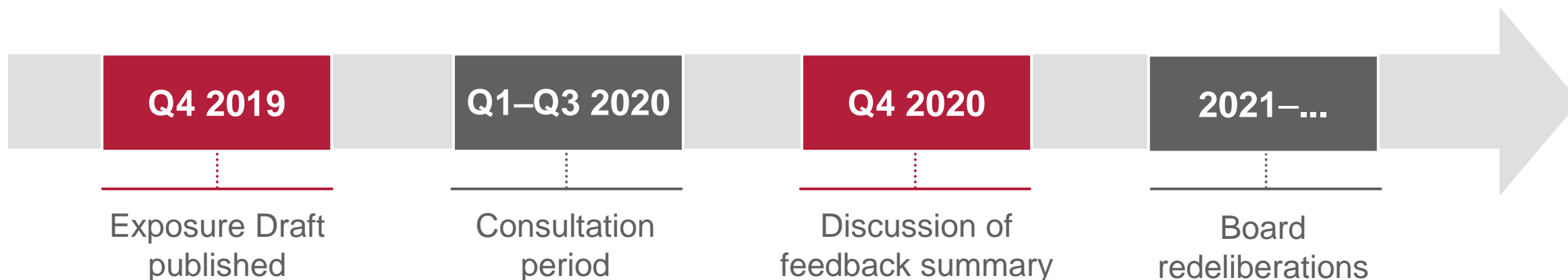
## Forthcoming consultation document

Exposure Draft expected in H2 2021



# Current redeliberations

# Primary Financial Statements



## Objective

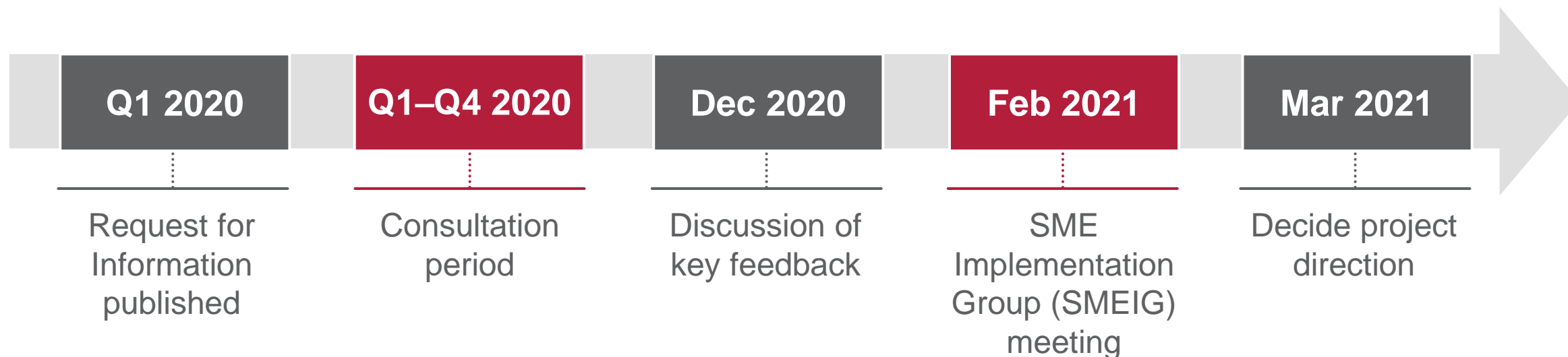
- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

## 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**



# Second Review of the *IFRS for SMEs* Standard



## Objective

- Seek feedback on whether and how to align with IFRS Standards
- Decide whether to propose amendments

## Questions on...

- A** ... strategy and the general framework for the review
- B** ... sections of the *IFRS for SMEs* Standard that could be aligned with IFRS Standards
- C** ... new topics and other matters related to the *IFRS for SMEs* Standard

# Goodwill and Impairment



## Preliminary views



### Objective

- Improve information companies provide about their acquisitions

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

A grayscale world map is the background for the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the frame from the bottom left towards the top right. A network of thin, dotted white lines is also visible, forming a grid-like pattern across the map.

# Forthcoming amendments

# Accounting Policies and Accounting Estimates (Amendments to IAS 8)

## 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 forthcoming 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 Initiative—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 forthcoming 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**

# Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

## 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 forthcoming 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

A stylized world map in shades of gray, overlaid with several thick, curved, light-gray lines and a network of dotted lines, suggesting global connectivity or project scope. The text "Other projects" is positioned on the right side of the map.

# Other projects

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

## Due Process Handbook



### Objective

- Goal of improving financial reporting underlies any new IFRS Standard
- Opportunity to assess effect of new requirements on investors, preparers and auditors
- Review considers the issues that were important during development and issues that came to the attention of the Board after publication





# 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 (eg classification of financial instruments settled in the issuer's own equity instruments)
- Provide classification guidance and illustrative examples
- Improve presentation and disclosure

## Forthcoming consultation document

Exposure Draft

# Narrow-scope amendments to IAS 21

## Problem

What exchange rate should a company use when a currency's exchangeability is lacking?

## Proposed narrow-scope amendment to IAS 21

- Identify the circumstances in which exchangeability is lacking
- Require estimation of spot exchange rate
- Require specific disclosures when exchangeability is lacking

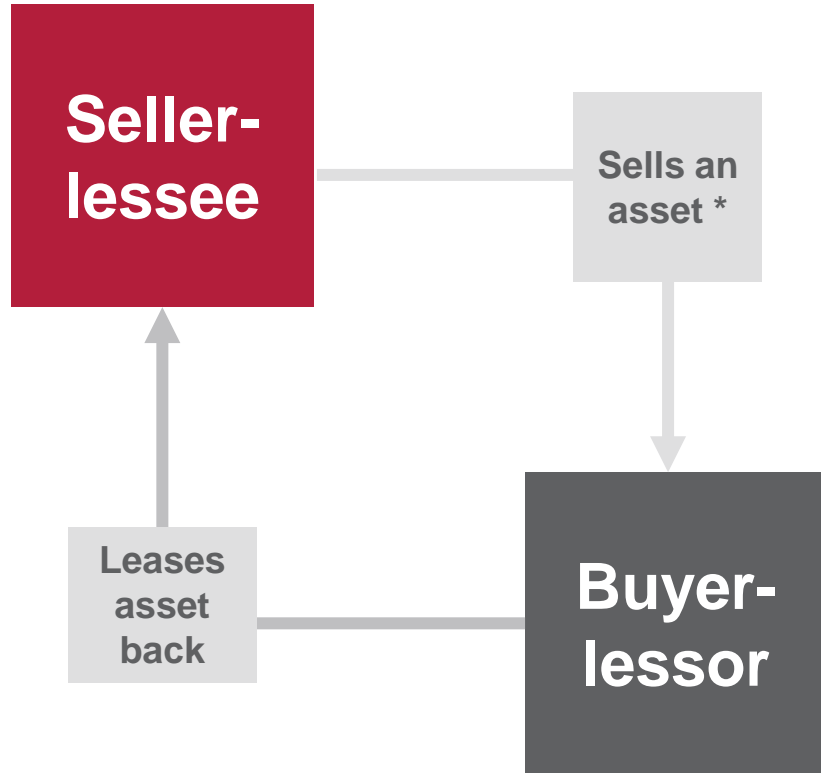
## Transition

Prospectively with no restatement of comparatives

## Forthcoming consultation document

Exposure Draft expected Q1 2021

# Narrow-scope amendment to IFRS 16



## Problem

How to measure lease liability in a sale and leaseback transaction—particularly those with variable payments

## Proposed amendment to IFRS 16

- Specify how to initially measure the right-of-use asset and lease liability in a sale and leaseback transaction
- Specify subsequent measurement requirements for the lease liability in a sale and leaseback transaction

## Exposure Draft out for comment

Comment period ends 27 March 2021

\* The transaction satisfies the requirements in IFRS 15 to be accounted for as a sale

# Provisions—Targeted Improvements (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 Board

# Equity method

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## Objective

- Assess whether application problems 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 problems in the equity method and decide which of these problems to address
- Address application problems by identifying and explaining the principles that underlie IAS 28

## Next steps

Update the Board on research findings

# Other research projects in the current work plan

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## Pension Benefits that Depend on Asset Returns



### Objective

Address a perceived inconsistency in the measurement of a defined benefit obligation when the amount of benefits depend on the return of a specified pool of assets

## Extractive Activities



### Objective

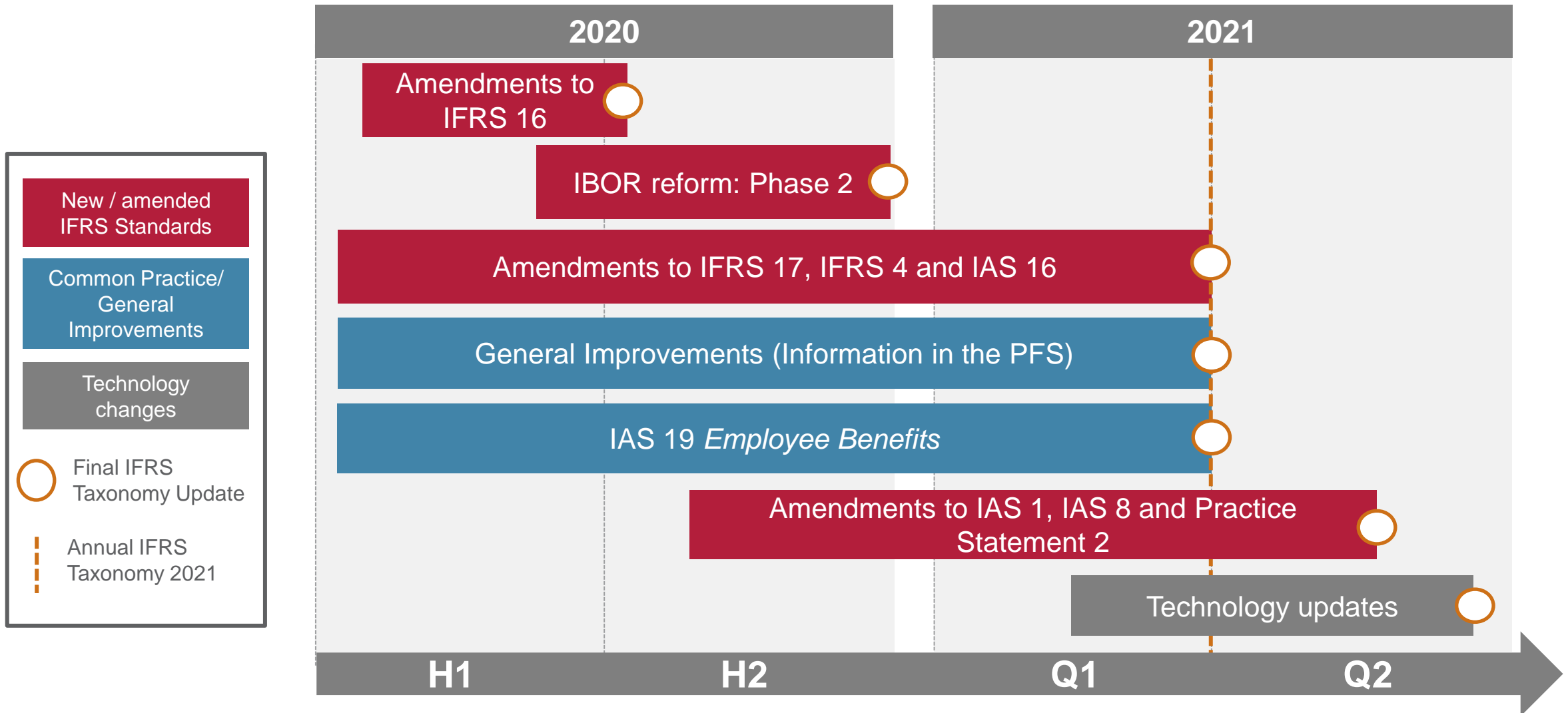
Gather evidence to decide whether to start a project to replace IFRS 6 *Exploration for and Evaluation of Mineral Resources*

# Research pipeline and inactive projects

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1	Pollutant Pricing Mechanisms	Assess whether the Board should develop a proposal to address any diversity that may exist in accounting for pollutant pricing mechanisms
2	High Inflation: Scope of IAS 29	Assess whether it is feasible to extend the scope of IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> to economies subject to high inflation, rather than hyperinflation
3	Variable and Contingent Consideration	Cross-cutting issue raised in 2015 Agenda Consultation and in earlier deliberations of other topics. This work may also lead to work on risk-sharing and collaborative arrangements
4	IFRS 5	Post-implementation Review of IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>

# 2020-21 updates to the IFRS Taxonomy





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