

A world map in shades of gray is the background. Overlaid on the map are several curved lines: a thick black arc, a thick red arc, and several dotted lines in white, orange, red, and blue. The text is positioned on the right side of the slide.

IFRS® Foundation

# IASB Technical Update

Nick Anderson

Joint CMAC-GPF meeting  
June 2021  
Agenda Paper 4

# Overview

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Introduction

Redeliberations

Consultations

Other projects

Work of the IFRS Interpretations Committee

A grayscale world map is the background for the top half of the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. A network of thin, dotted lines is also visible, suggesting a global grid or data flow.

# Introduction

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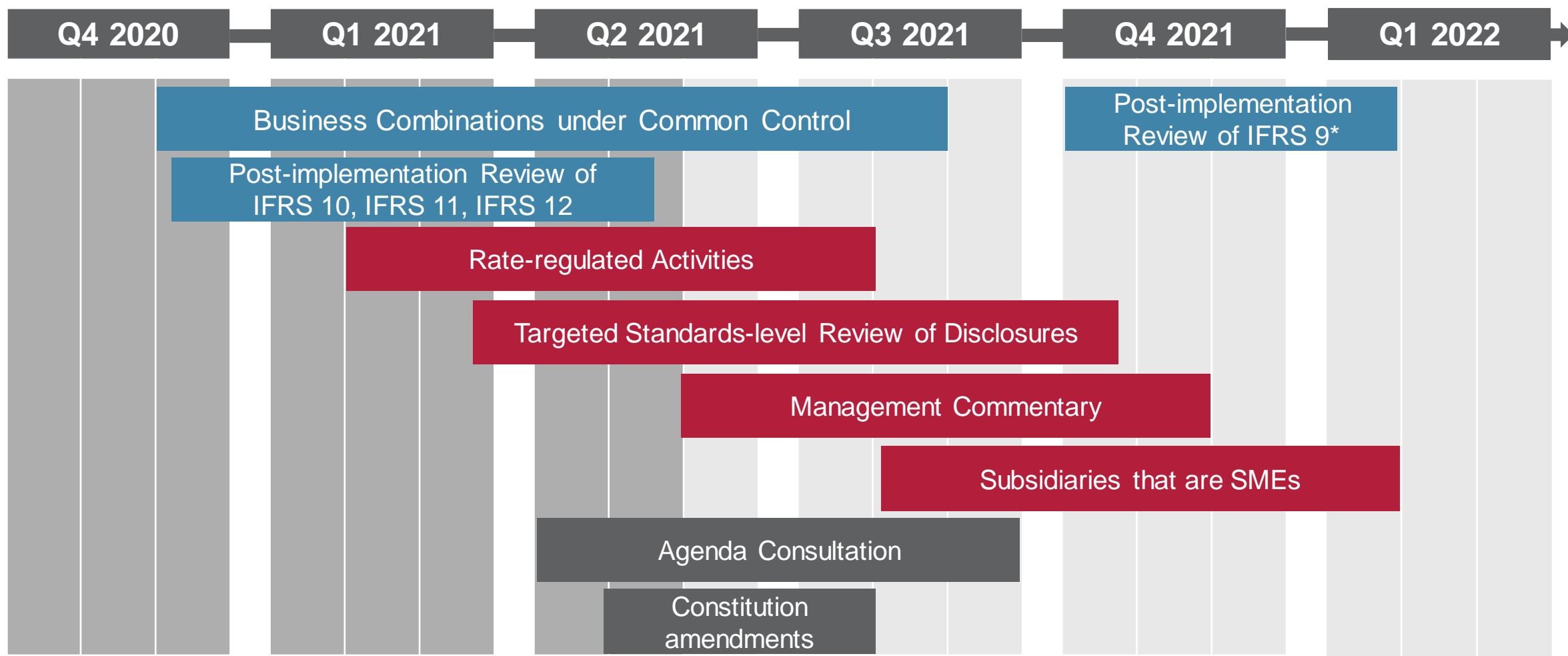
## Content

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

## Recent developments

- Exposure Draft *Lack of Exchangeability* proposing amendments to IAS 21 published on 20 April 2021
- Final amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* issued on 7 May 2021
- The Trustees of the IFRS Foundation published proposed amendments to the Constitution of the IFRS Foundation to accommodate the potential formation of a new International Sustainability Standards Board on 30 April 2021
- Exposure Draft *Management Commentary* published on 27 May 2021

# Overview of main consultations



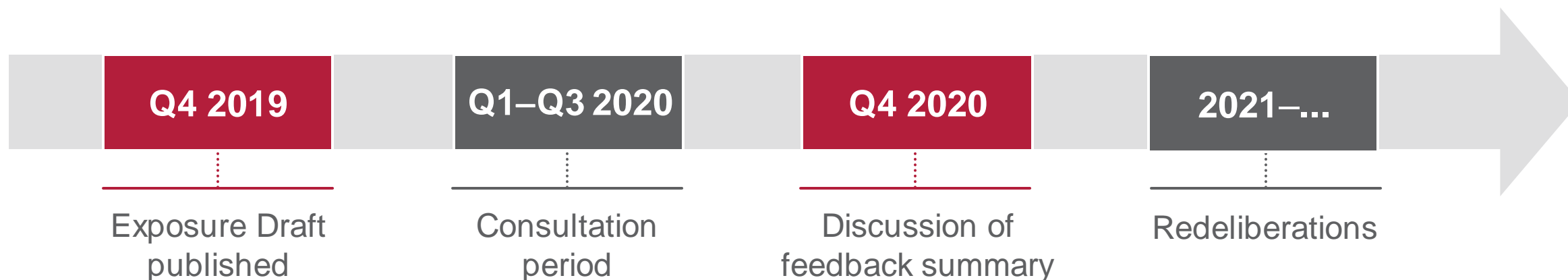
\*Comment period of 120 days expected as of May 2021

■ Research projects    
 ■ Standard-setting projects    
 ■ Strategy and governance projects

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 continents. Additionally, there are dotted lines forming a grid-like pattern across the map, suggesting a global network or interconnectedness.

# Redeliberations

# Primary Financial Statements



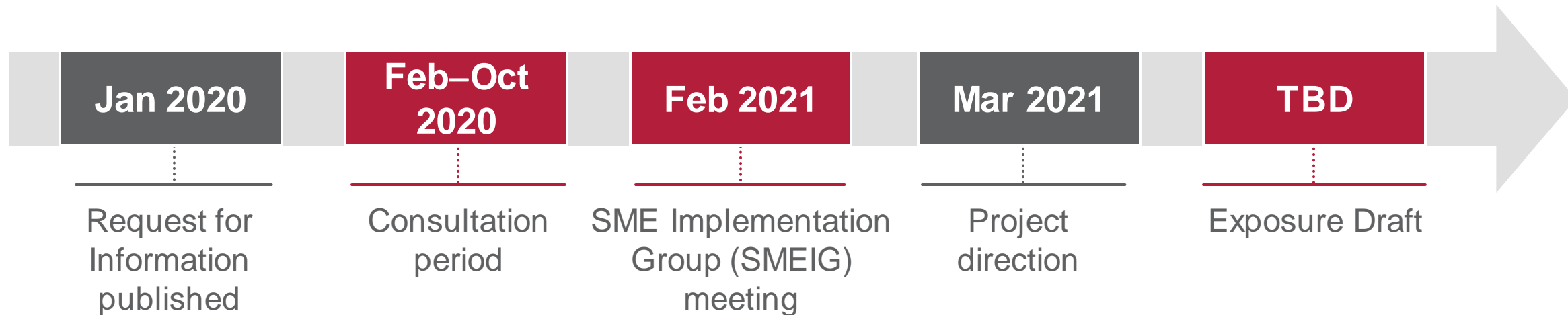
## Objective

- 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

- 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



# Goodwill and Impairment



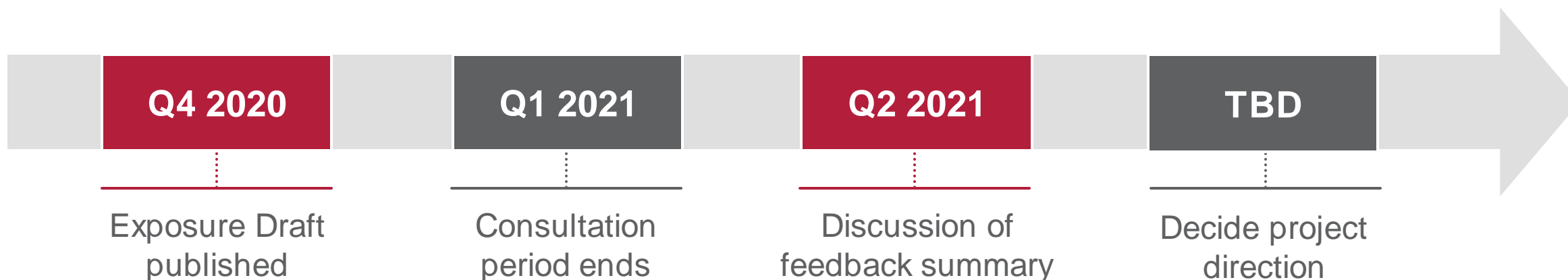
## Objective

- 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

# Narrow-scope amendment to IFRS 16



## Objective

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

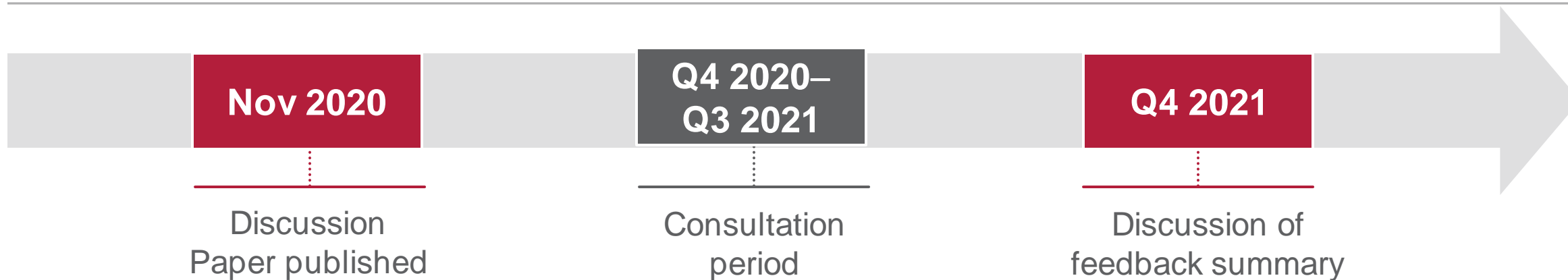
## Proposed amendment

- 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

A grayscale world map is the background for the top half of the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. A network of thin, dotted lines is also visible, connecting various points across the map. The overall aesthetic is clean and professional.

# Consultations

# Business Combinations under Common Control



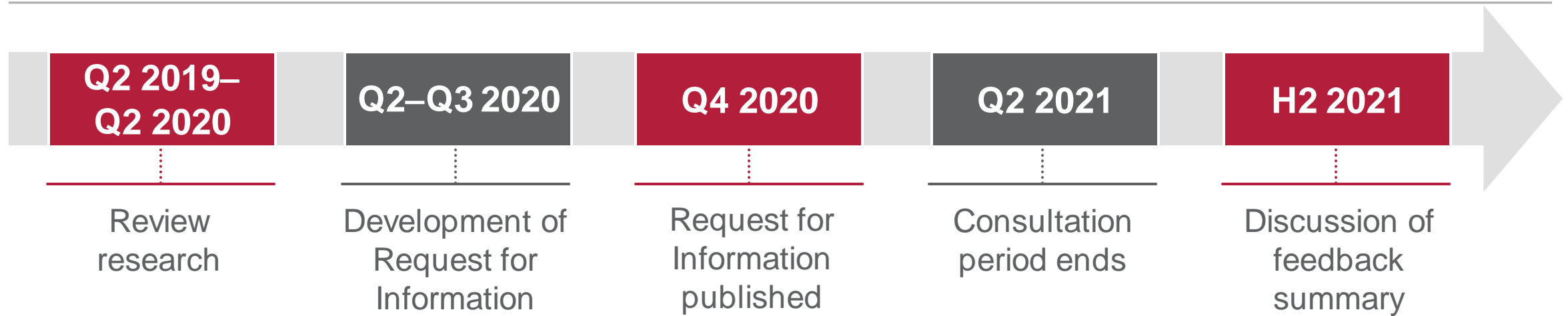
## Objective

- 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          |

# Rate-regulated Activities



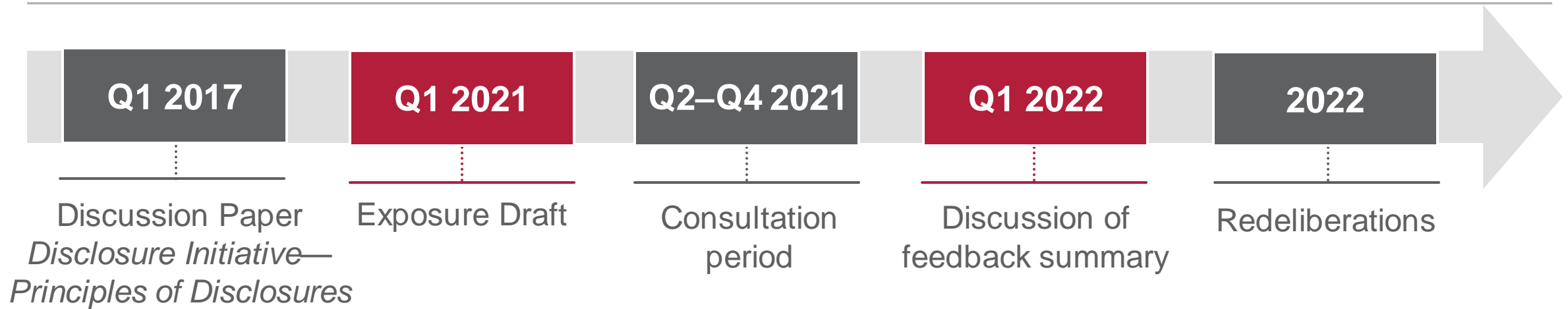
## Objective

- 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

# Disclosure Initiative—Targeted Standards-level Review of Disclosures



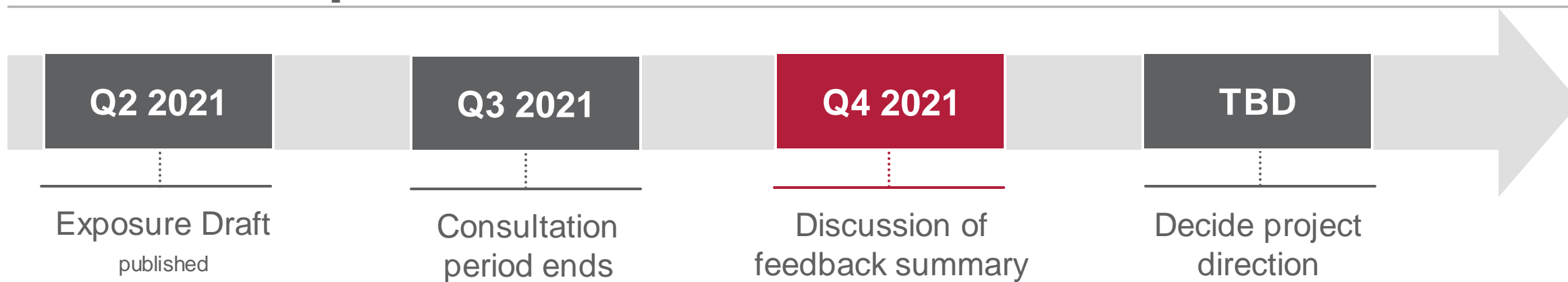
## Objective

- 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

# Narrow-scope 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

## Main proposals

- 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

## Purpose

Revise the IFRS Practice Statement 1 *Management Commentary* issued in 2010 to provide a comprehensive framework for preparing management commentary on financial statements

## Approach

- Consolidate innovations in narrative reporting since 2010
- Address shortcomings 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
- Adopt an objectives-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

## Consultation out for comment

Exposure Draft

# 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 Q3 2021

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

## Objective

- 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 IASB after publication

## Topics covered by the Post-implementation Review

### Financial assets

- Business model and SPPI
- Fair value changes in equity investments

### Financial liabilities

- Presentation of own credit gains and losses

### Other topics

- Modifications to contractual cash flows
- Transition to IFRS 9

## Forthcoming consultation document

Request for Information

# 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

## Next milestone

Exposure Draft

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 continents. Additionally, there are several dotted lines that form a grid-like pattern across the map, intersecting the curved lines.

# Other projects

# 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

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## 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

IASB to discuss principles

# Other research projects in the current work plan

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## Pension Benefits that Depend on Asset Returns



### 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

## Extractive Activities



### Objective

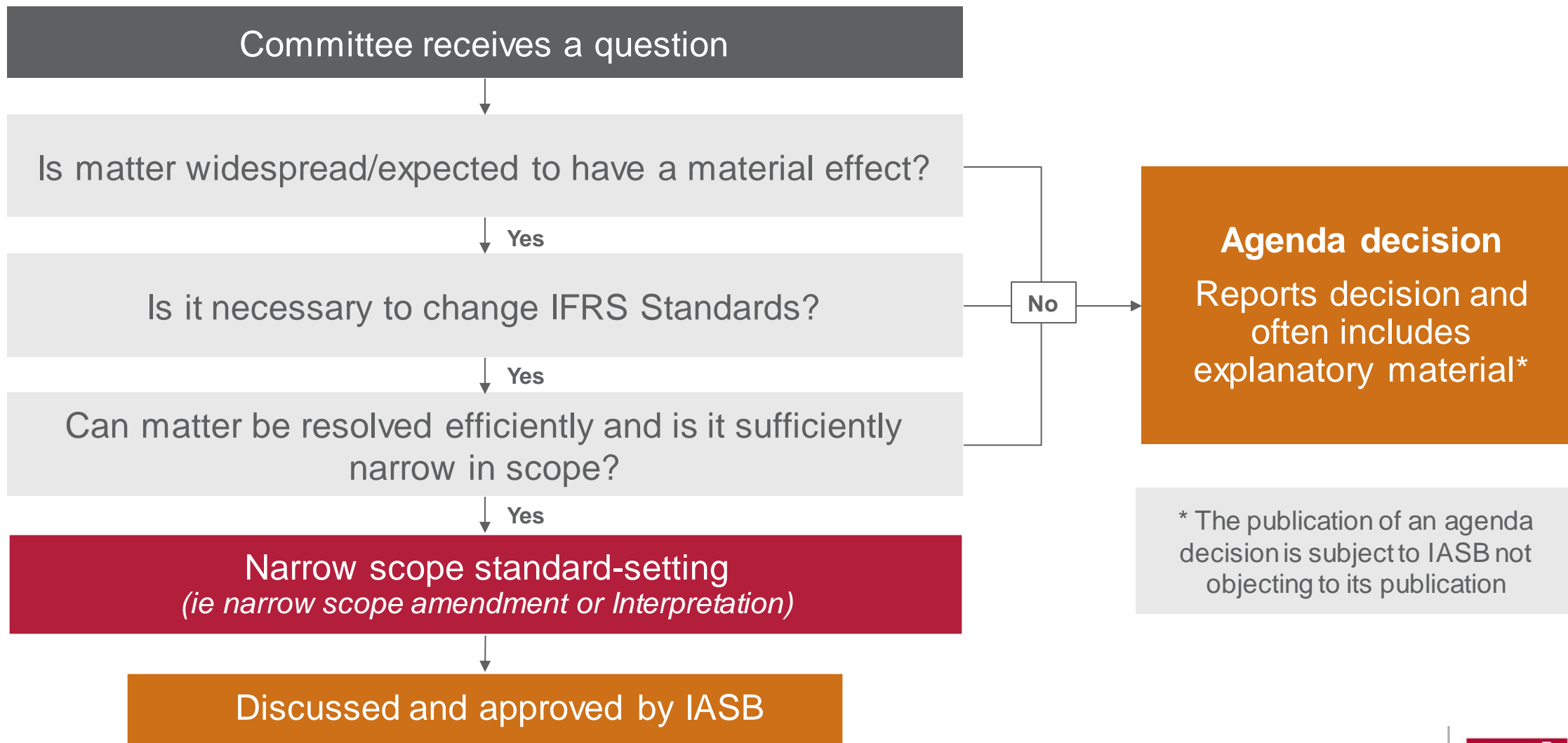
Gather evidence to decide whether to start a project to replace or amend IFRS 6 *Exploration for and Evaluation of Mineral Resources*





# Work of the IFRS Interpretations Committee

# The Interpretations Committee's process



# Committee's work: Overview of 2021 activities

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**7**

addressed by Committee through agenda decisions with explanatory material

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**2**

work in progress

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Three Committee meetings held in 2021 to date

# Sample of recent agenda decisions

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Supply Chain Financing  
Arrangements—Reverse  
Factoring

Sale and Leaseback with  
Variable Payments  
(IFRS 16 *Leases*)

Deferred Tax related to an  
Investment in a Subsidiary  
(IAS 12 *Income Taxes*)

Player Transfer Payments  
(IAS 38 *Intangible Assets*)

Configuration or Customisation  
Costs in a Cloud Computing  
Arrangement  
(IAS 38 *Intangible Assets*)

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