

Update on IASB activities

Emerging Economies Group Meeting

EEG Agenda Paper 8
May 2021

Consultations

Redeliberations

Other projects

Strategy and governance projects

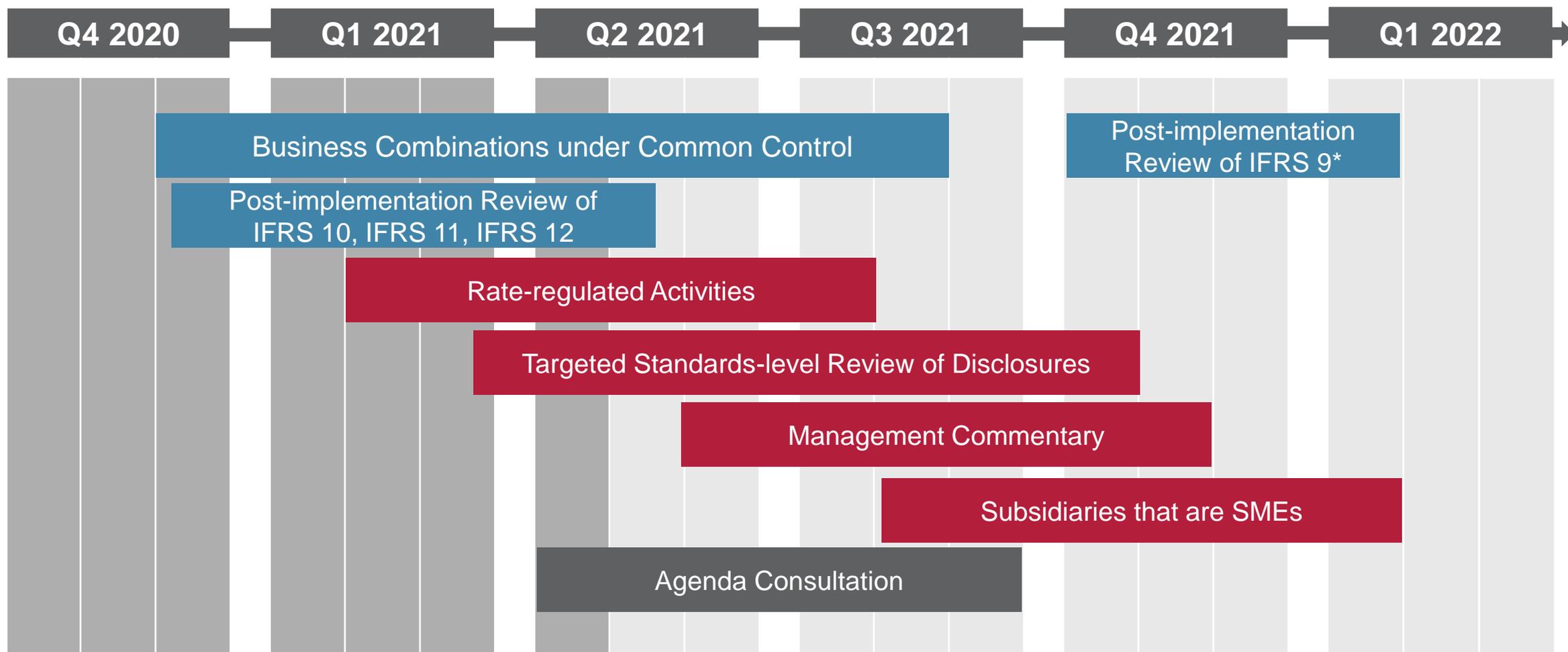
Helpful materials

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Consultations

Overview of IASB main consultations

Agenda ref 8



*Comment period of 120-days expected as of April 2021

■ Research projects
 ■ Standard-setting projects
 ■ Other projects

Business Combinations under Common Control

Agenda ref 8



Objective

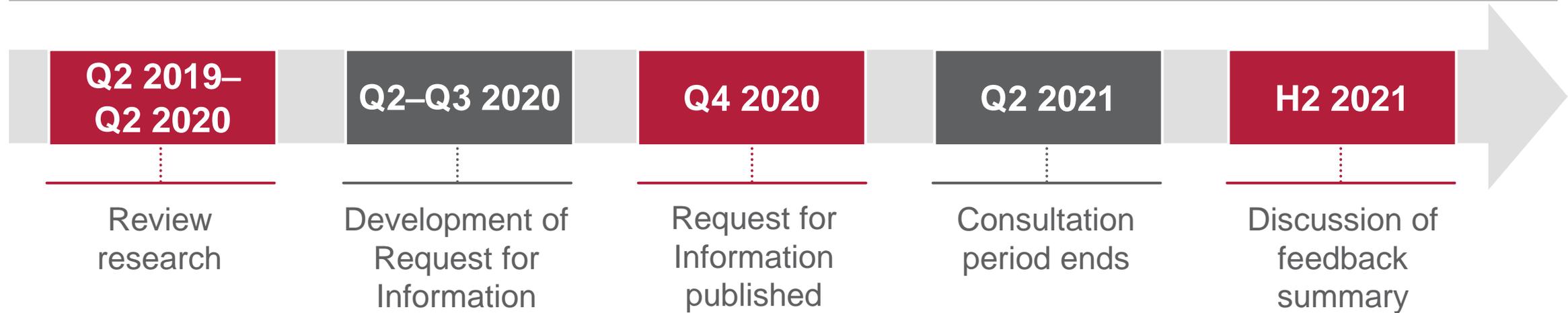
- Fill a 'gap' in IFRS Standards
- Give investors the information they need without imposing unnecessary costs on companies

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

Agenda ref 8



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

Agenda ref 8



Objective

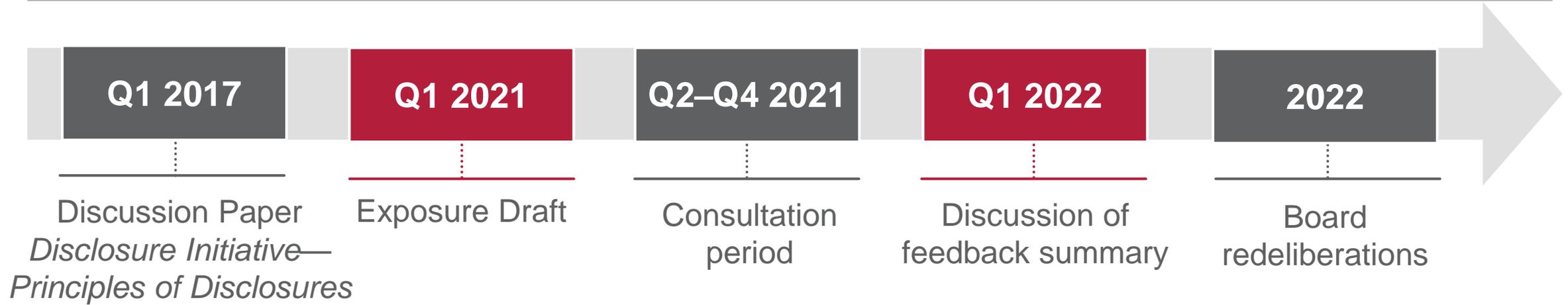
- Provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on companies financial performance and financial position

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

Agenda ref 8



Objective

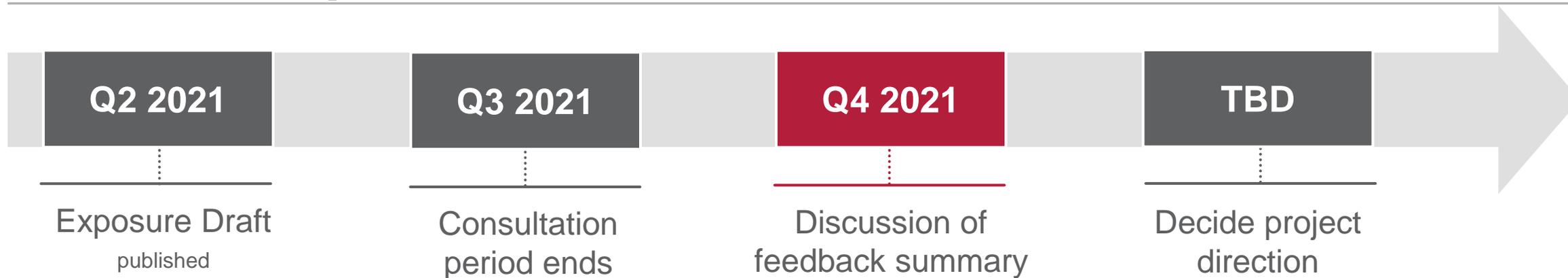
- Improve the Board’s approach to developing disclosure requirements in a way that enables companies to enhance their judgement and provide more decision-useful information for investors

Main proposals

- 1 New approach for the Board 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

Agenda ref 8



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

Agenda ref 8

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
- 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 Q2 2021

Disclosure Initiative—Subsidiaries that are SMEs

Agenda ref 8

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

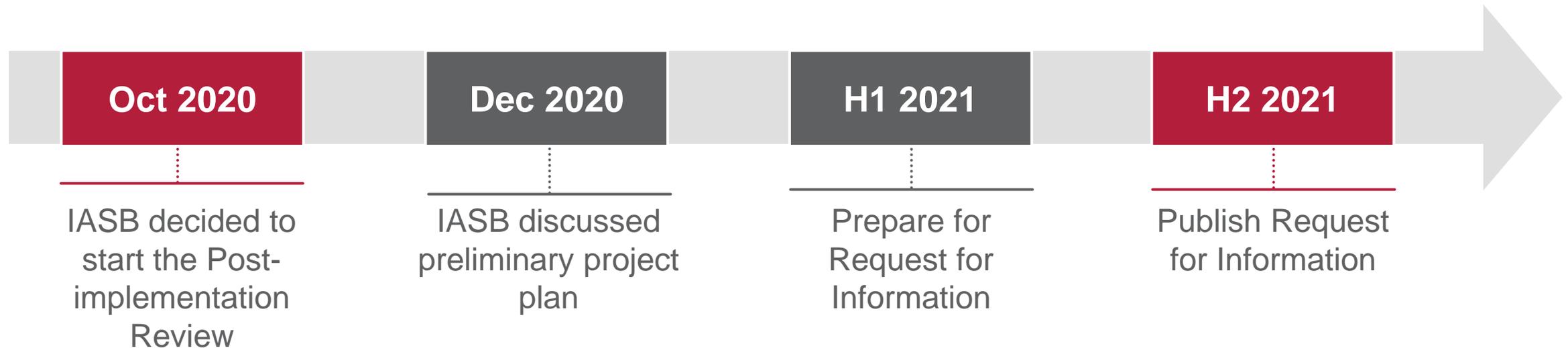
Agenda ref 8

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 IASB after publication



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Redeliberations

Board redeliberating ...

Agenda ref 8

Next steps

Primary Financial Statements

IFRS Standard

Second Review of the *IFRS for SMEs* Standard

Exposure Draft

Goodwill and Impairment

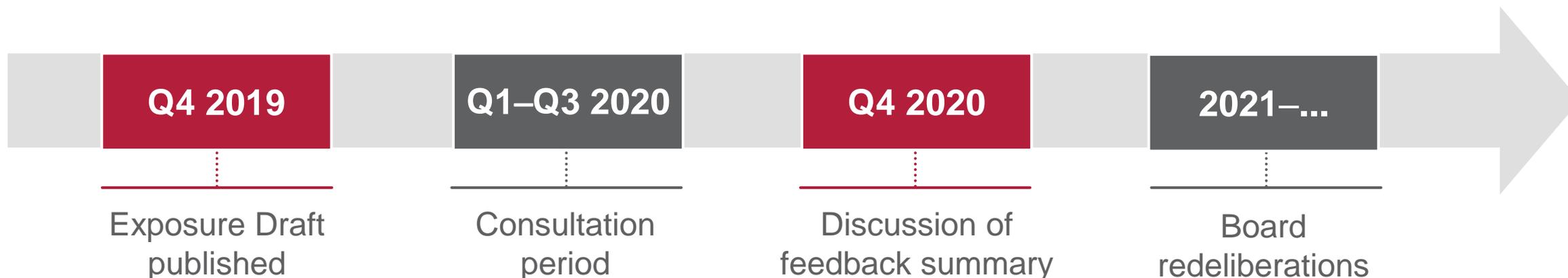
Discussion Paper Feedback

Narrow-scope amendment to IFRS 16

Exposure Draft Feedback

Primary Financial Statements

Agenda ref 8



Objective

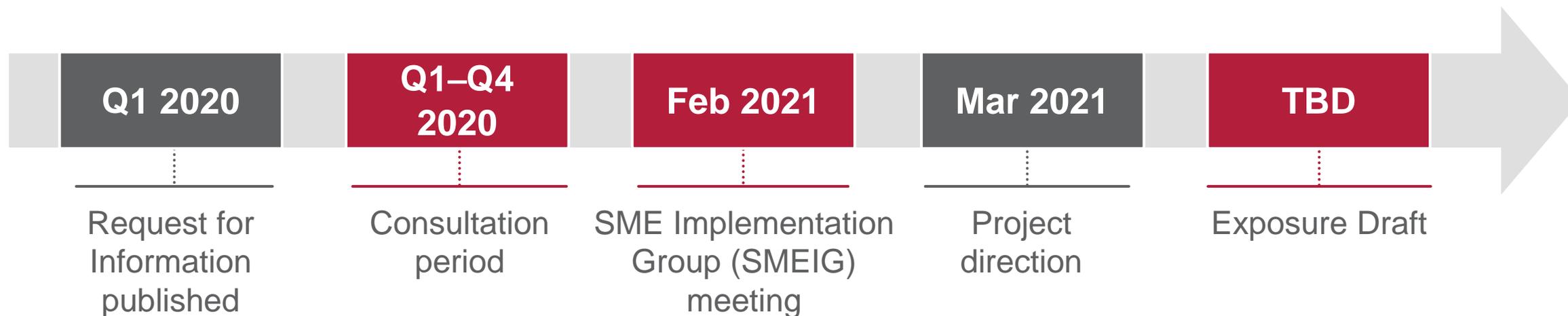
- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

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

Agenda ref 8



Objective

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

Agenda ref 8



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

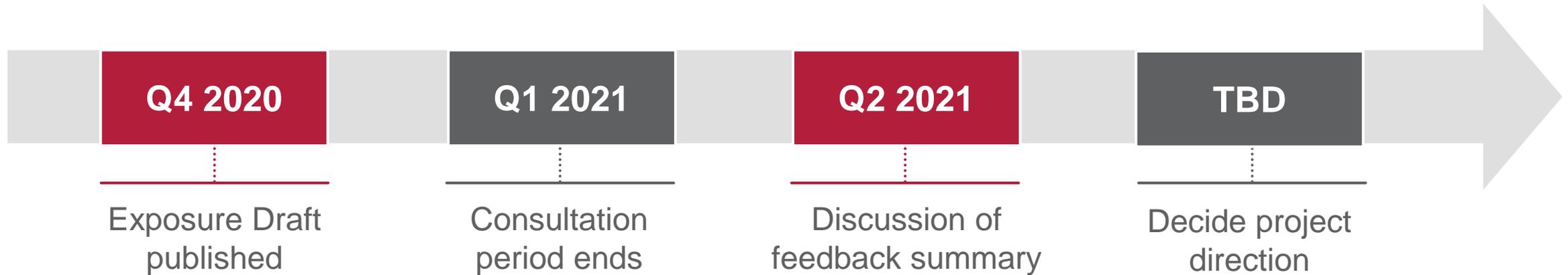
- Retain impairment-only model for goodwill
- Simplify impairment test

3

- Present amount of total equity excluding goodwill
- Do not change recognition of intangibles separately from goodwill

Narrow-scope amendment to IFRS 16

Agenda ref 8



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

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Other projects

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

Agenda ref 8

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

Financial Instruments with Characteristics of Equity

Agenda ref 8

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

Dynamic Risk Management

Agenda ref 8

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

Decide project direction

Provisions—Targeted Improvements to IAS 37

Agenda ref 8

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

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 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

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 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*

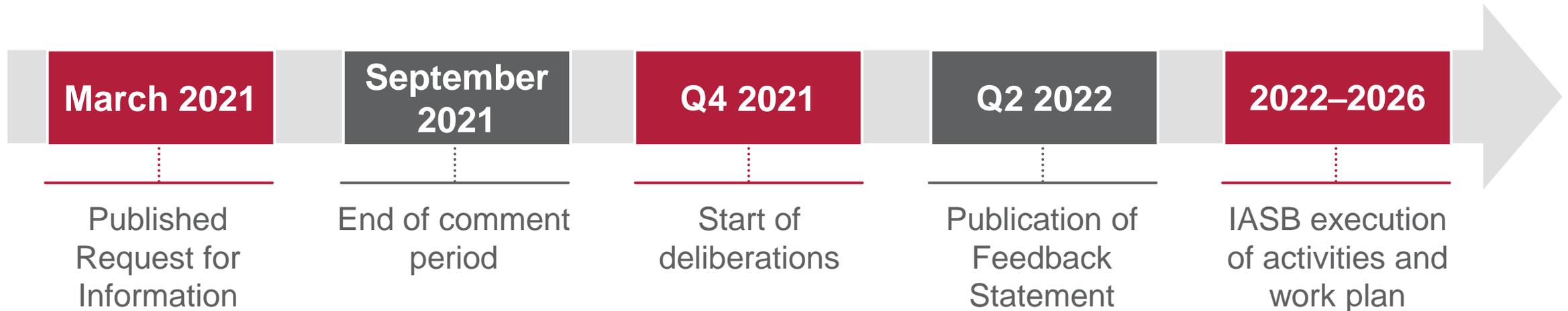


Strategy and governance projects

Third agenda consultation and
Trustees' consultations

Defining the IASB work plan for 2022–2026

Agenda ref 8



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

Research pipeline and inactive projects

Agenda ref 8

1

Pollutant Pricing Mechanisms

Assess whether the IASB 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 *Financial Reporting in Hyperinflationary Economies* 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

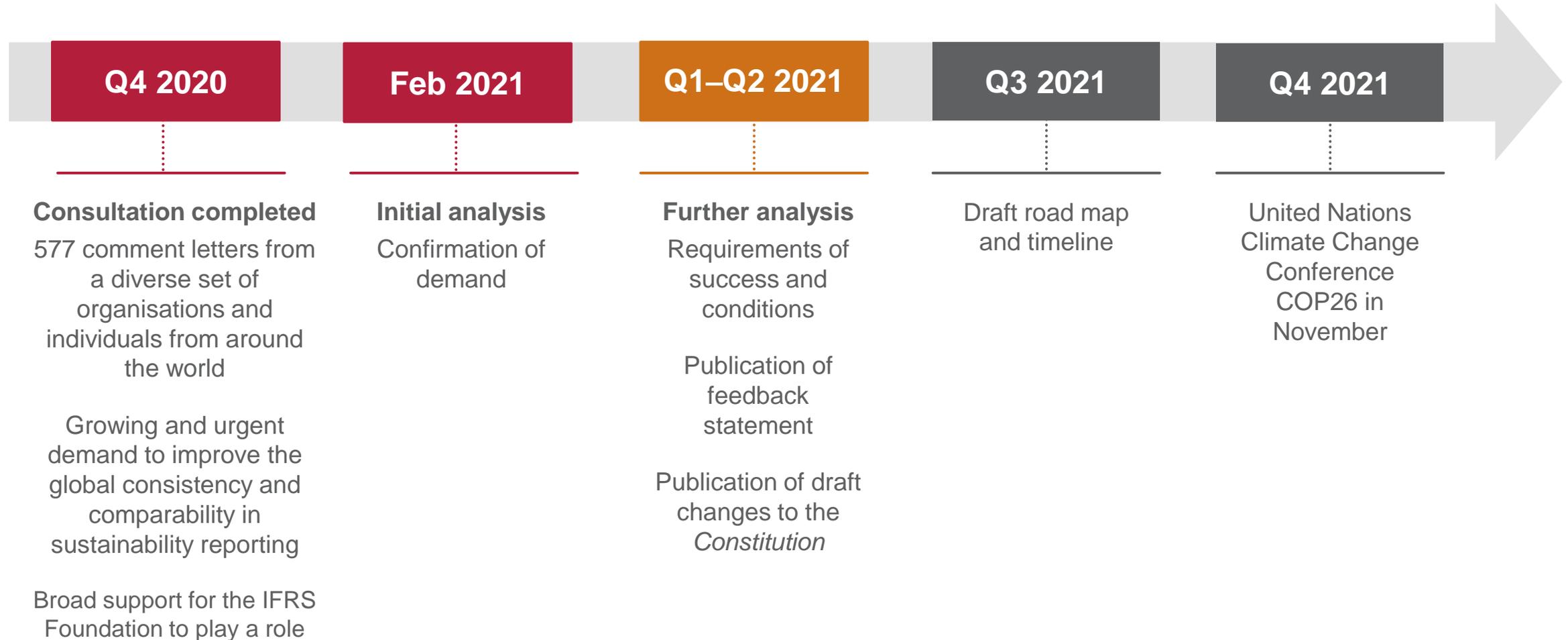
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IFRS 5

Post-implementation Review of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

IFRS Foundation Trustees' consultation on sustainability

Agenda ref 8



Follow the project at [ifrs.org/sustainability](https://www.ifrs.org/sustainability)

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Helpful materials

Resources available on our website

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Supporting materials sorted by Standard

Website
www.ifrs.org



Videos



Leaflet
*Supporting
IFRS Standards*



IFRS
Standards

IFRIC
Interpretations

Cross-cutting
materials

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

Agenda ref 8



IFRS Standards

The IFRS[®] Standards
Required 2021

The IFRS[®] Standards
Issued 2021

IFRS Standards + extensive cross-references + annotations

The Annotated IFRS[®]
Standards Required 2021

The Annotated IFRS[®]
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