

IASB Technical Update

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November 2021

Overview

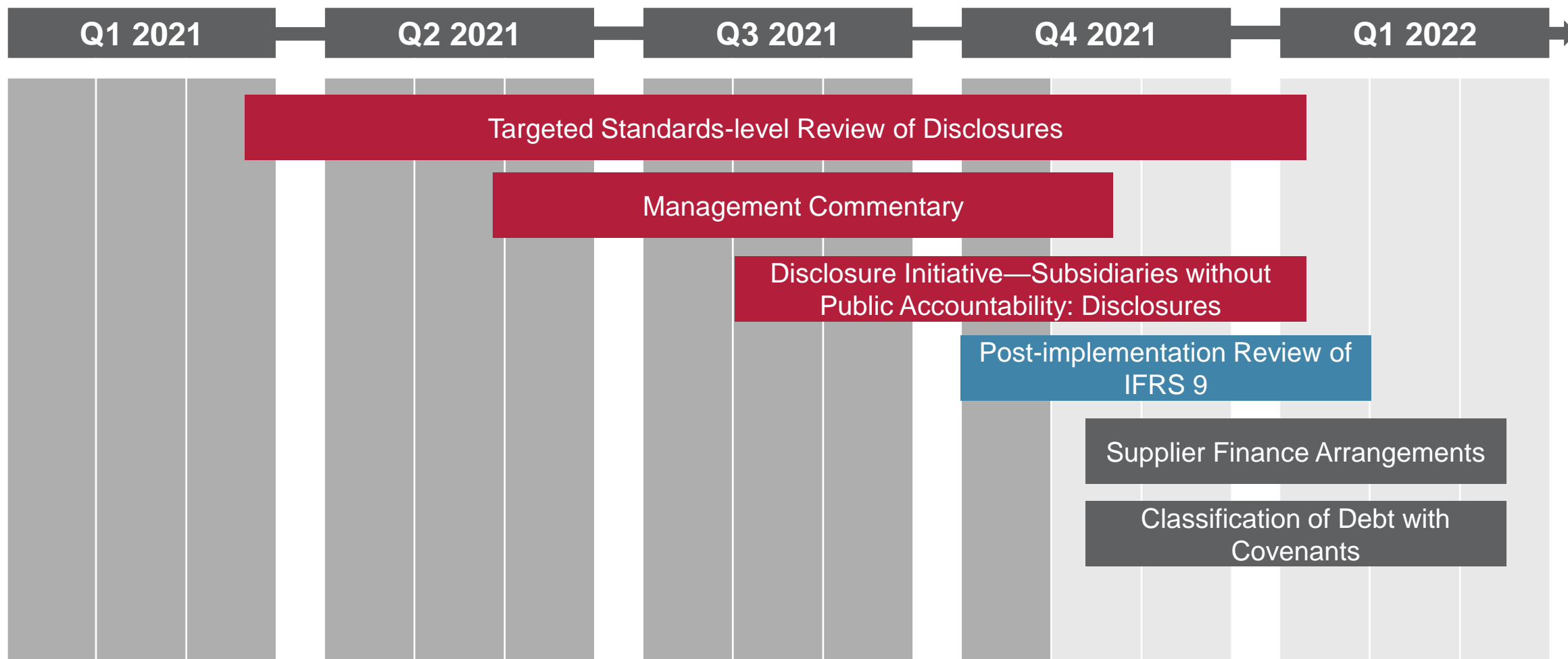
Update on current work plan

Redeliberations and consultations

Other projects

Strategy and Governance projects

Overview of main consultations



■ Research projects
 ■ Standard-setting projects
 ■ Maintenance projects

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Redeliberations

Board redeliberating ...

	Next steps
Primary Financial Statements	IFRS Standard
Second Review of the <i>IFRS for SMEs</i> Standard	Exposure Draft
Goodwill and Impairment	Decide Project Direction
Lease Liability in a Sale and Leaseback	Decide Project Direction
Post-implementation Review of IFRS 10, IFRS 11, and IFRS 12	Feedback Statement
Rate-regulated Activities	Feedback Discussion
Business Combinations under Common Control	Feedback Discussion
Lack of Exchangeability	Feedback Discussion
Amendment to IFRS 17	Feedback Discussion

Primary Financial Statements - Project overview

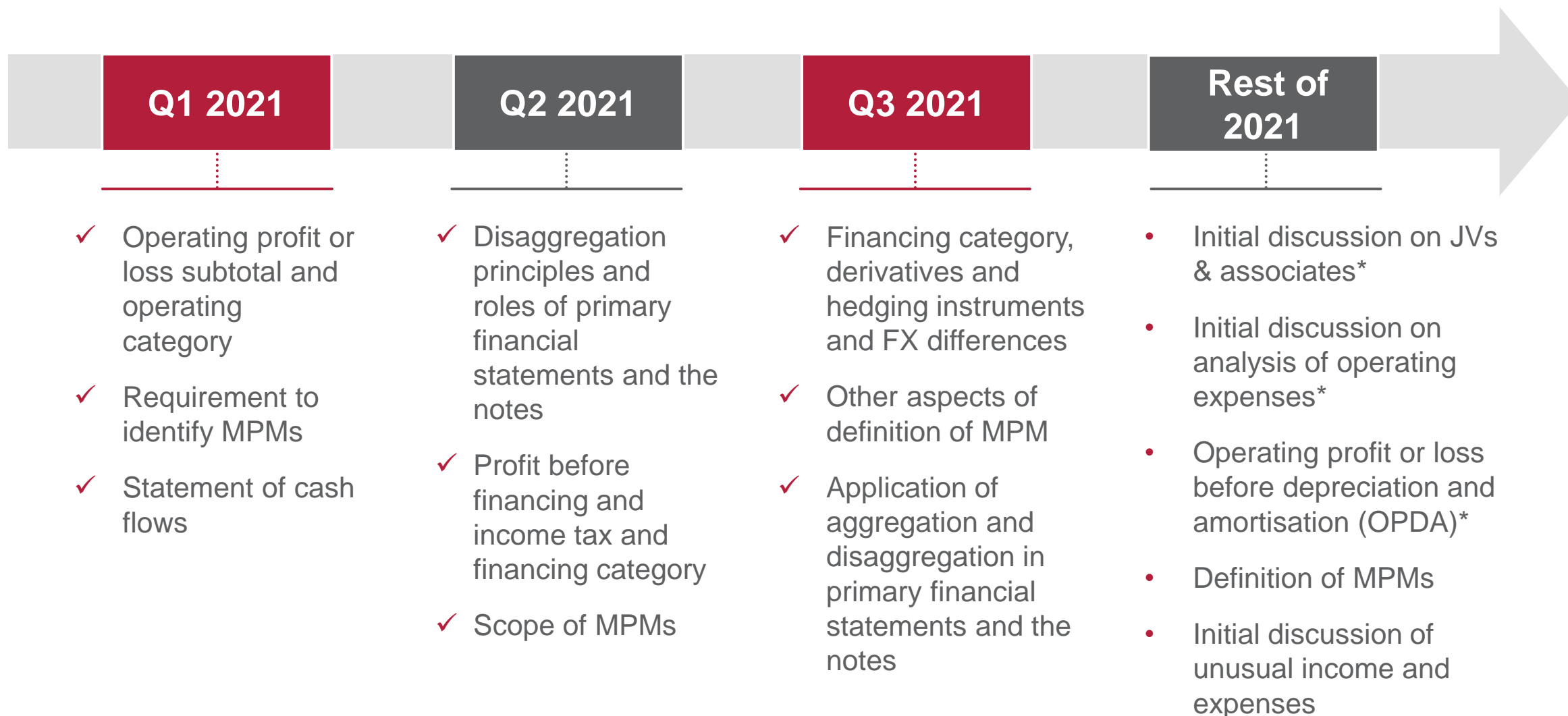
Objective

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

Main proposals

- Profit or loss subtotals and categories
- Disaggregation
- Management performance measures

Project status



*These papers are discussed during October 2021 Board meeting, refer to IASB Update October 2021 for the Board's decision.

Key factors considered in redeliberation planning



Project objective and focus

Improve how information is communicated in the financial statements, with a focus on the statement of profit or loss



Linkages between topics

Decisions on one topic may affect approach on another topic



Timeliness

Users want to see improvements as soon as possible



Efficiency

Use staff and Board time efficiently

General approach to redeliberation

Priority topics

- Profit or loss subtotals and categories (except associates and joint ventures)
- Management performance measures (except scope)
- Disaggregation principles and roles of primary financial statements and the notes
- Statement of cash flows

Staged approach

- Minimum line items
- Analysis of operating expenses
- Unusual income and expenses
- Integral and non-integral associates and joint ventures
- Scope of management performance measures

Summary of redeliberation to date - Subtotals and categories

What is confirmed from the ED?	What has changed?	Remaining topics to be discussed
<ul style="list-style-type: none">• Requirement for operating profit or loss subtotal and profit before financing and income tax subtotal• Definition of operating profit as a default category, includes, but is not limited to main business activities and includes volatile and unusual items• Income and expenses to be excluded from operating: investing, financing, income tax and discontinued operations	<ul style="list-style-type: none">• Classification of income and expenses from cash and cash equivalents from financing to the investing category• Approach to classification of items in the financing category• Default category for gains and losses from derivatives and hedging instruments changed from investing to the operating category• Addition of undue cost or effort as a relief for FX classification	<ul style="list-style-type: none">• Classification of JVs and associates*• Definition of income and expenses classified in investing category (including alignment with statement of cash flows)• Classification by entities with specified main business activities

Summary of redeliberation to date - Disaggregation

What is confirmed from the ED?	What has changed?	Remaining topics to be discussed
<ul style="list-style-type: none">• Discussion of roles of primary financial statements and notes• Principles of disaggregation – with refinements• Not reinstate para 29 of IAS 1 requiring to separately present dissimilar items unless immaterial	<ul style="list-style-type: none">• Include a reference to understandability in the description of the role of financial statements• Emphasise that single dissimilar characteristic can be enough to disaggregate if it is material• State the purpose of disaggregation more clearly and strengthen the application of disaggregation• Provide additional guidance to apply the principles, both in the primary financial statements and the notes.	<ul style="list-style-type: none">• Requirements for the analysis of expenses either by nature or by function*• Minimum line items• Unusual items• Specified and additional subtotals

Summary of redeliberation to date - Management performance measures

What is confirmed from the ED?	What has changed?	Remaining topics to be discussed
<ul style="list-style-type: none">• Requirement for disclosure of MPMs in financial statements• Scope of MPMs would not be beyond the income and expense subtotals	<ul style="list-style-type: none">• Addition to the scope of MPMs to include a subtotal of income and expense used in the numerator or denominator of a ratio, if that subtotal meets the definition of MPM• Remove the reference to complementing totals or subtotals specified by IFRS Standards• State that totals and subtotals specified by IFRS Standards are not management performance measures	<ul style="list-style-type: none">• OPDA*• MPM definition and requirements including public communications and faithful representation• Disclosures including reconciliation, tax and non-controlling interests• Interaction with other requirements• Other proposals including columns


Summary of redeliberation to date - Other topics

What is confirmed from the ED?

- Requirement of operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows from operating activities
- Interest and dividends paid classified as financing activities, and dividends received classified as investing activities in the statement of cash flows

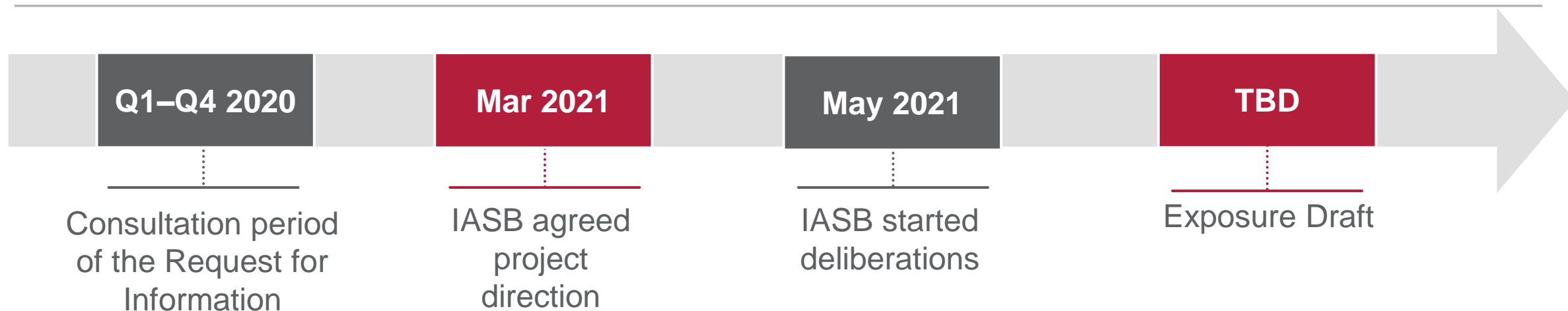
Remaining topics to be discussed

- Classification of interest received in the statement of cash flows
- Proposals relating to labelling of items of other comprehensive income
- Requirements carried over from IAS 1 *Presentation of Financial Statements*
- Amendments to other IFRS Standards; IFRS 12 *Disclosure of Interests in Other Entities*, IAS 33 *Earnings Per Share* and IAS 34 *Interim Financial Reporting*
- Transition provisions
- Effective date

A grayscale world map is centered in the background. 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, connecting various points across the map, suggesting a global or interconnected theme.

Redeliberation – other topics

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



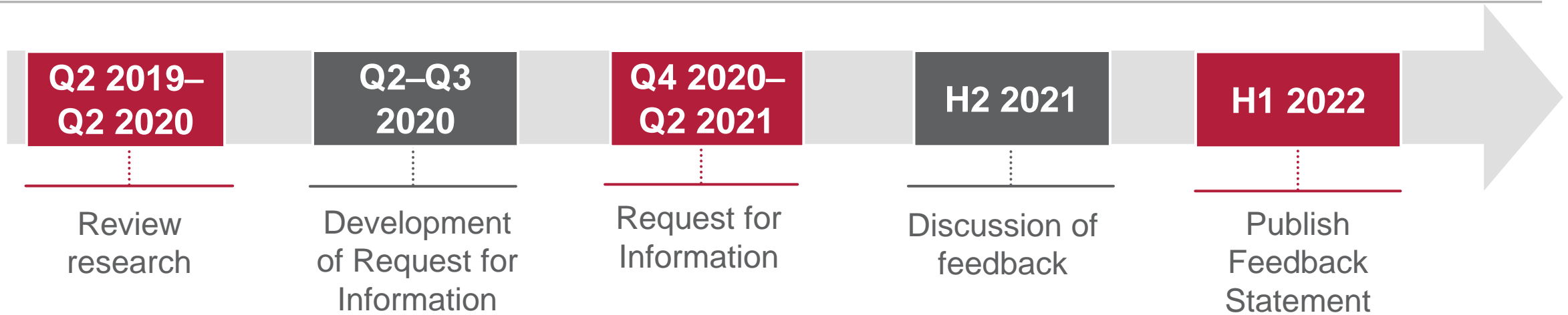
Objective

- 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

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



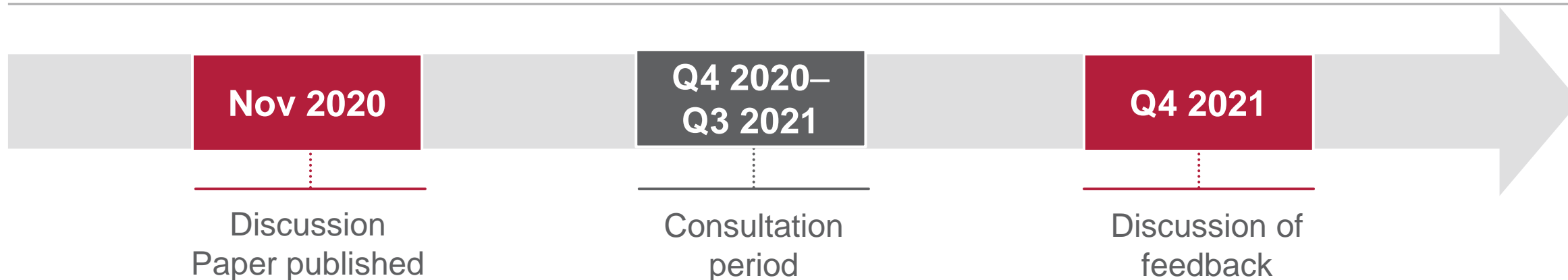
Objective

- 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

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



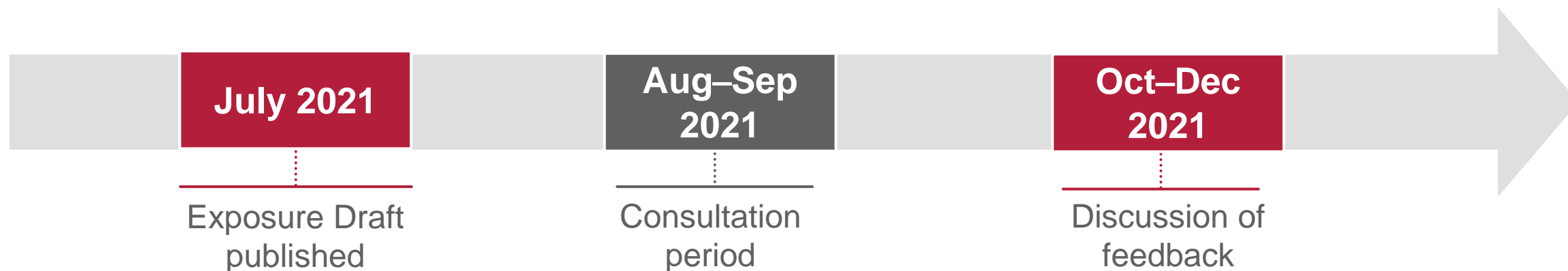
Objective

- 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

Initial Application of IFRS 17 and IFRS 9— Comparative Information (Amendment to IFRS 17)



Objective

Enable insurance companies to resolve possible accounting mismatches in the prior periods presented on initial application of IFRS 17 and IFRS 9

Features of the proposal

- 1 Optional 'classification overlay'
- 2 Relates only to comparative information presented on initial application of IFRS 17 and IFRS 9 by insurance companies
- 3 Enables companies to present comparative information about particular financial assets in a manner consistent with IFRS 9 (rather than its predecessor IAS 39)



Consultations out for
comment

Disclosure Initiative—Targeted Standards-level Review of Disclosures



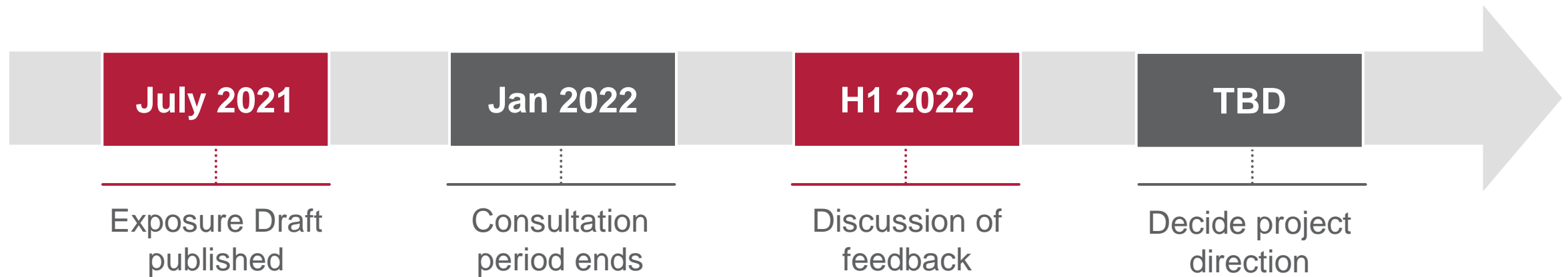
Objective

- 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

Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures



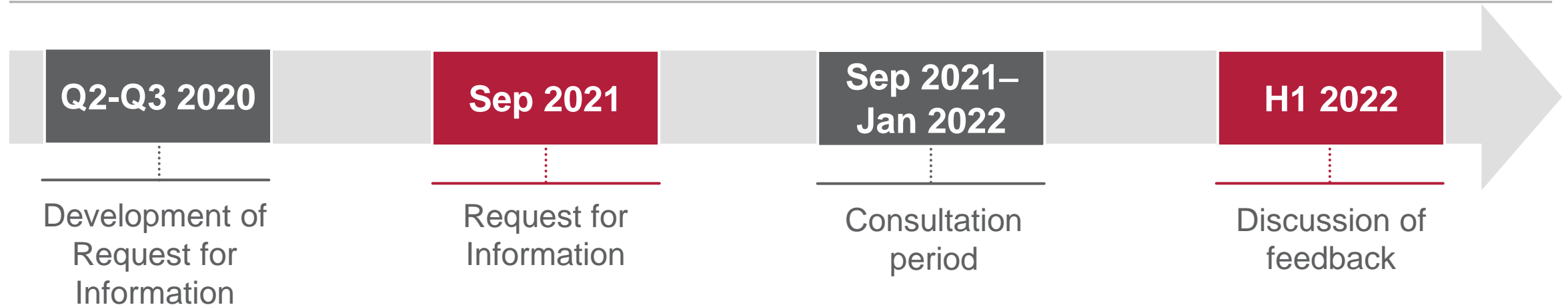
Objective

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 |

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Forthcoming consultations

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

Next milestone

Exposure Draft expected Q4 2021

Classification of Debt 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**

Next milestone

Exposure draft expected Q4 2021

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Other projects

Other topics

Financial Instruments with
Characteristics of Equity

Extractive Activities

Pension Benefits that Depend
on Asset Returns

Provisions—Targeted
Improvements to IAS 37

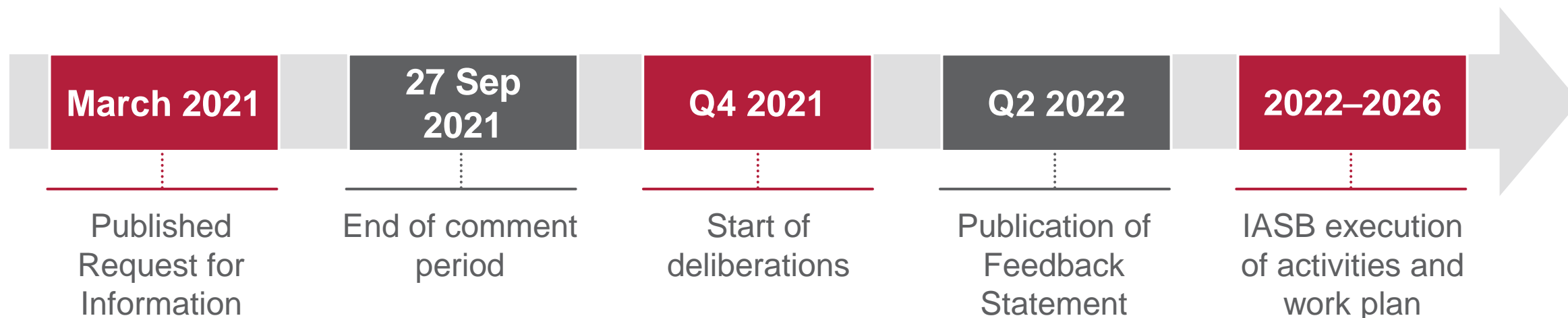
Dynamic Risk Management



Strategy and Governance projects

Third agenda consultation and Sustainability Reporting

Third Agenda Consultation



Feedback will help the Board determine its priorities and work plan from 2022 to 2026.

Objective of the consultation—to seek views on

- 1 the strategic direction and balance of the Board’s activities
- 2 the criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan
- 3 new financial reporting issues that could be given priority in the Board’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 proposed new 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.

Activity	Current level of focus	Feedback
Research and standard-setting projects	40%–45%	Decrease or leave unchanged
Maintenance and consistent application of IFRS Standards	15%–20%	Increase or leave unchanged
The <i>IFRS for SMEs</i> Standard	5%	Leave unchanged
Digital financial reporting	5%	Increase
Understandability and accessibility	5%	Increase
Stakeholder engagement	20%–25%	Leave unchanged

Third Agenda Consultation—feedback overview (2/3)



- Stakeholders generally agreed with the Board’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*.



- We should not add too many **new projects** to the work plan as we will need capacity to deal with emerging issues and interaction with the proposed 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 proposed ISSB.

Third Agenda Consultation—feedback overview (3/3)

Some of the most commonly suggested projects (in alphabetical order)

Climate-related risks



Cryptocurrencies and related transactions



Going concern




Intangible assets

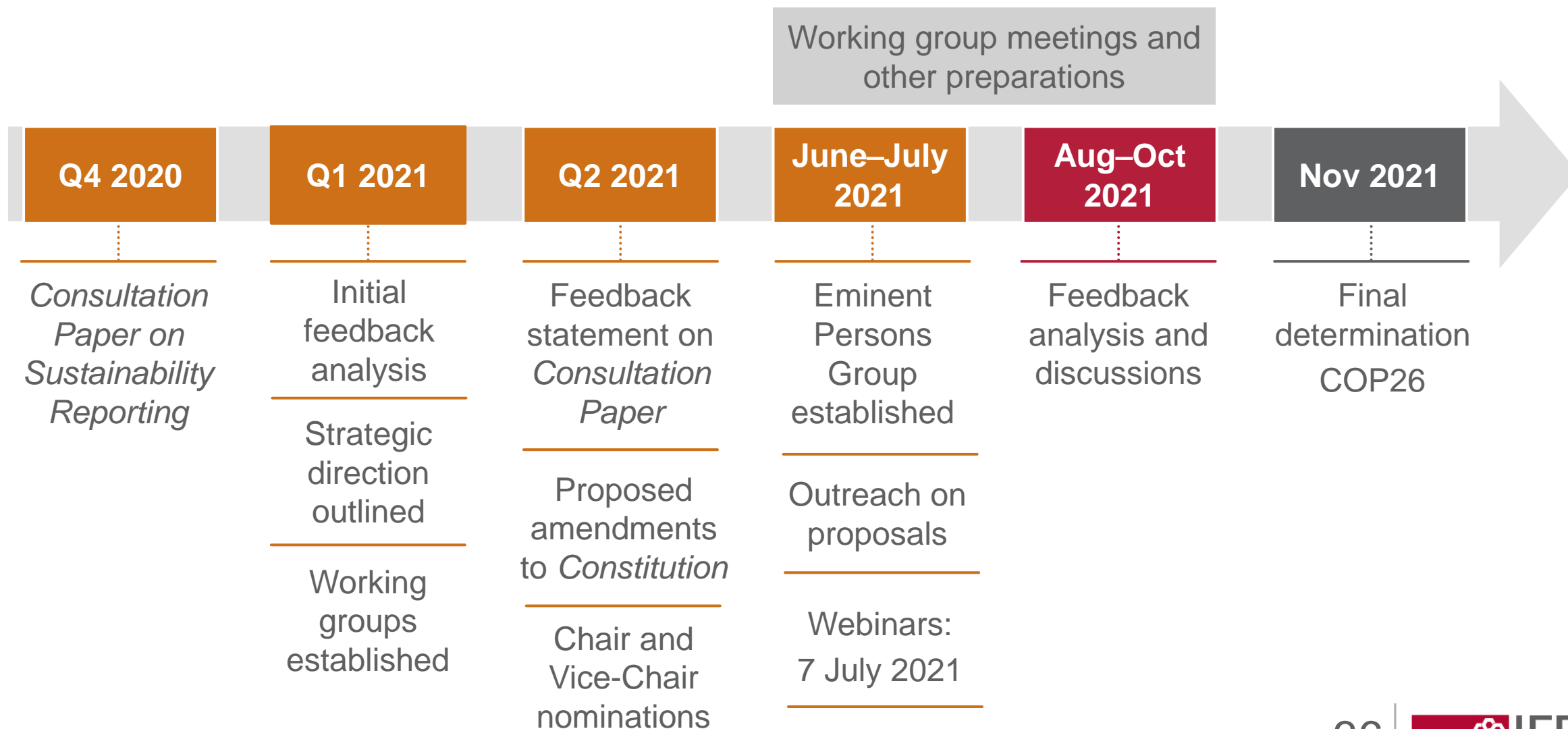


Statement of cash flows and related matters



- 
- Detailed feedback analysis for the November Board meeting will be available on our [website](#) about one week before this CMAC meeting.
 - During the meeting, we will provide oral summary of feedback and seek CMAC members' reactions to this feedback, if any.

Road to COP26



Proposed solution: International Sustainability Standards Board (ISSB)

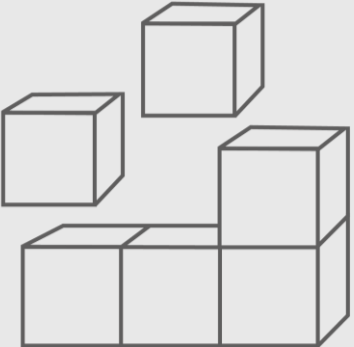
Four strategic focus areas



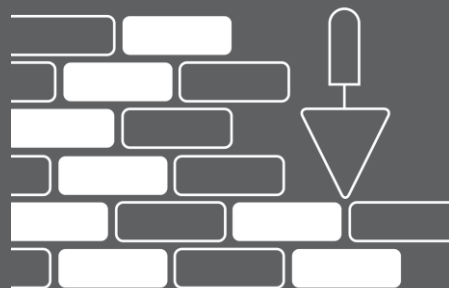
Investor focus
(enterprise value)



Sustainability
scope, starting
with climate



Global baseline



Build on existing
frameworks

Source: [TRWG webcast](#)

Technical Readiness Working Group – composition

Chair



Members



Observers



Source: [TRWG webcast](#)

TRWG deliverables – technical preparatory work

Recommendations for consideration by the ISSB	
1	Enhanced prototype climate standard
2	Enhanced prototype presentation standard
3	Digitisation strategy
4	Architecture of standards
5	Due process characteristics
6	Conceptual guidelines for standard-setting
7	Connectivity between IASB & ISSB
8	Other items to inform standard-setting agenda

Source: [TRWG webcast](#)

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