



IFRS<sup>®</sup> Foundation

# IASB Technical Update

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Global Preparers Forum

Agenda Paper 4

November 2021

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# Overview

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Introduction

Redeliberations

Primary Financial Statements – Project status and next steps

Other redeliberations

Current and forthcoming consultations

Other technical projects

Strategy and governance projects

New requirements



# Introduction

# Introduction

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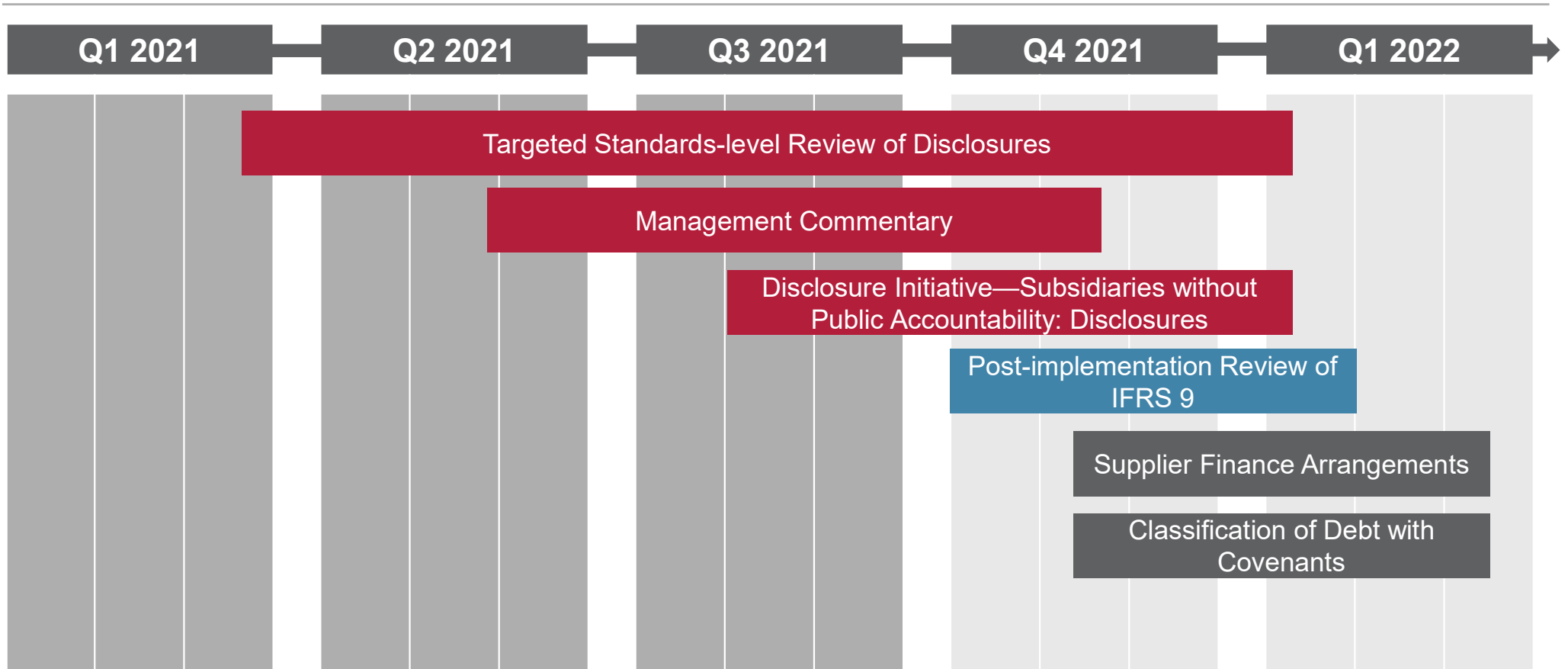
## Content

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

## Recent developments since the last meeting

- IASB published:
  - Request for Information for the *Post-implementation Review of IFRS 9 – Classification and Measurement* in September 2021 with a comment period until 28 January 2022 (slide 22)
  - Exposure Draft *Subsidiaries without Public Accountability: Disclosure* in July 2021 with a comment period until 31 January 2022 (slide 30)
- Extended the comment period for the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* in July from 210 days to 293 days, ending on 12 January 2022 (slide 28)

# Overview of main consultations



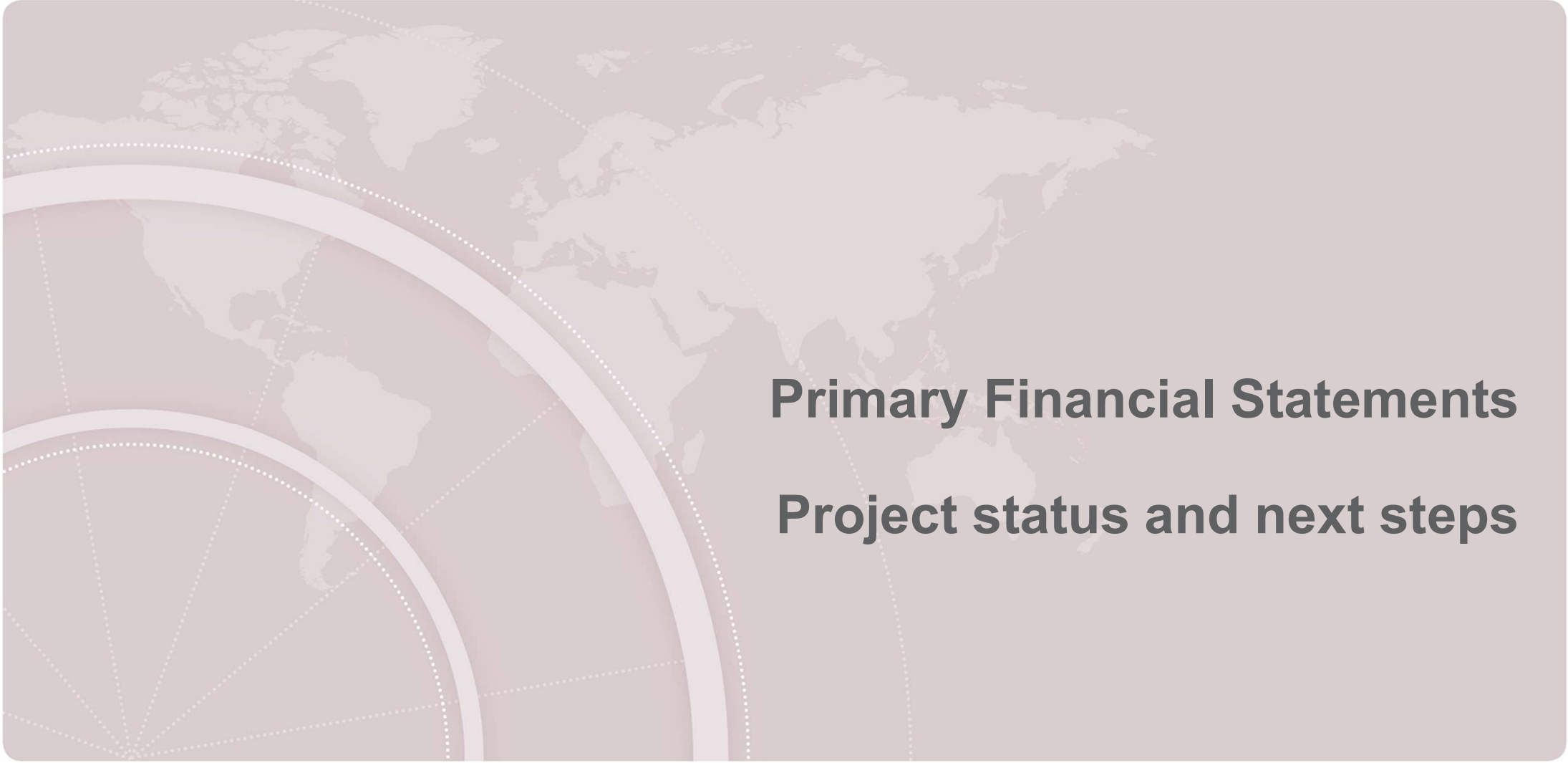
■ Research projects    
 ■ Standard-setting projects    
 ■ Maintenance projects

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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 status and next steps**



# Project overview

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## Objective

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

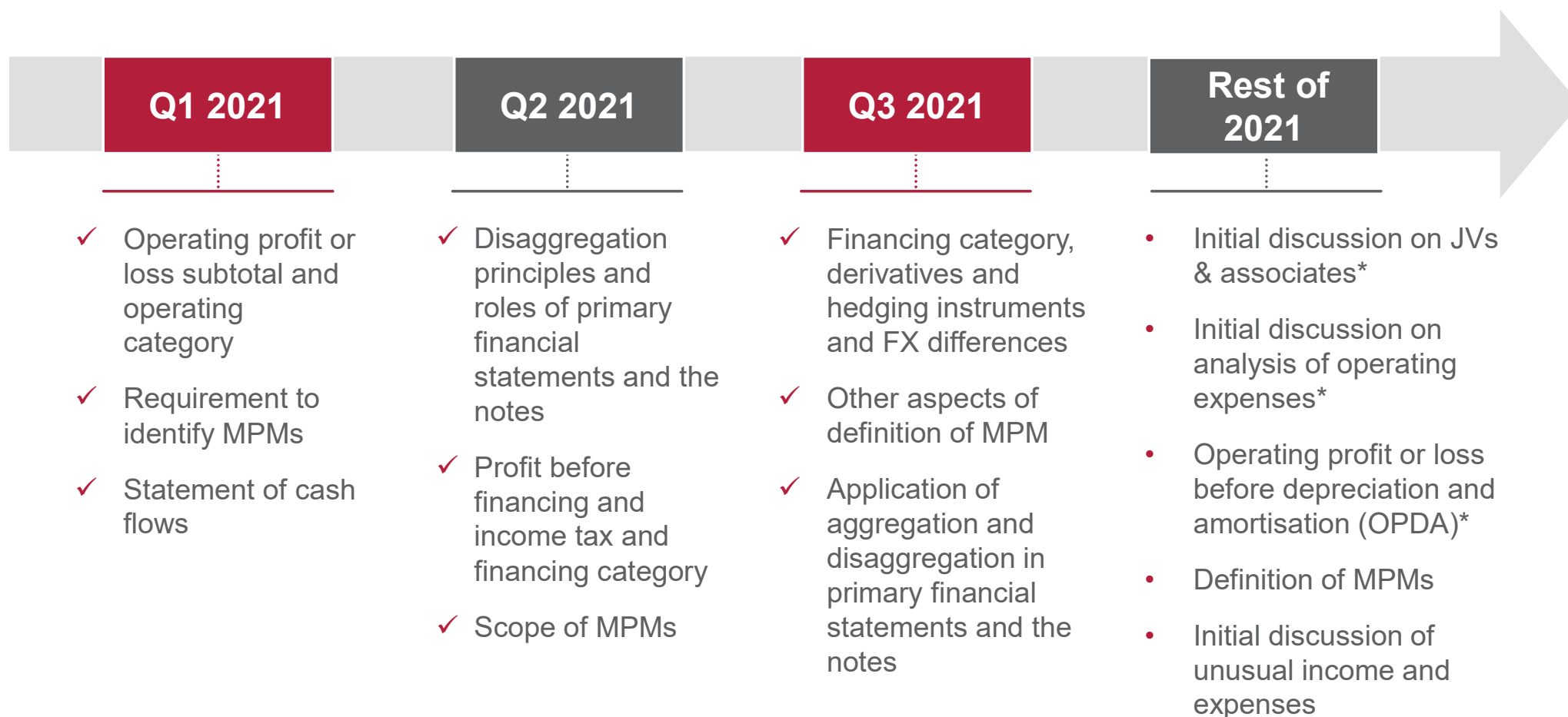
## Main proposals

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



Agenda Paper 4A for this meeting provides the summary of proposals, feedback received and tentative decisions.

# 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 redeliberations planning

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## 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 redeliberations

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## 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 redeliberations to date: Subtotals and categories

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

# Summary of redeliberations to date: Disaggregation

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

# Summary of redeliberations 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"><li>• Requirement for disclosure of MPMs in financial statements</li><li>• Scope of MPMs would not be beyond the income and expense subtotals</li></ul>	<ul style="list-style-type: none"><li>• 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</li><li>• Remove the reference to complementing totals or subtotals specified by IFRS Standards</li><li>• State that totals and subtotals specified by IFRS Standards are not management performance measures</li></ul>	<ul style="list-style-type: none"><li>• OPDA*</li><li>• MPM definition and requirements including public communications and faithful representation</li><li>• Disclosures including reconciliation, tax and non-controlling interests</li><li>• Interaction with other requirements</li><li>• Other proposals including columns</li></ul>

# Summary of redeliberations to date:

## Other topics

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### 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



## Questions for GPF members

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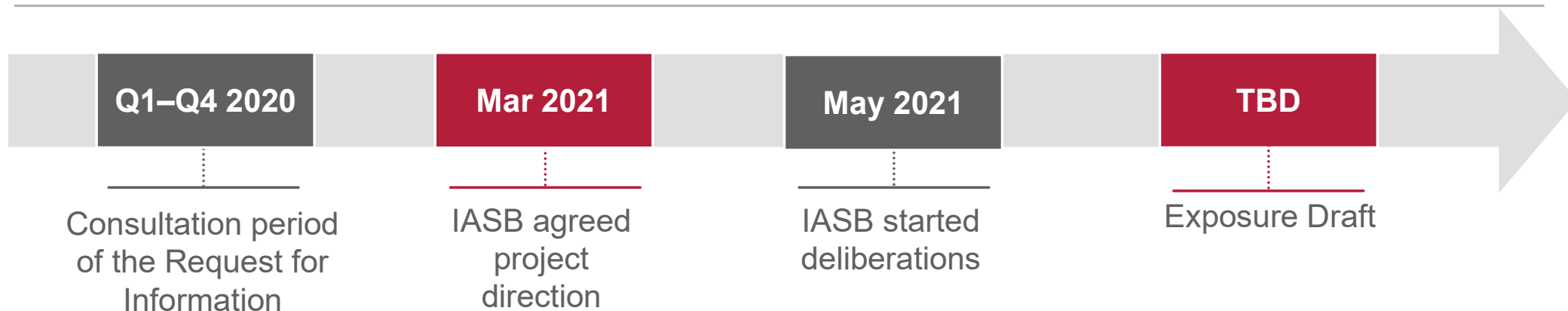


Given the Board's tentative decisions on the proposals to date, are there particular effects on the cost of application that the Board should consider?



## Other redeliberations

# 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



## 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

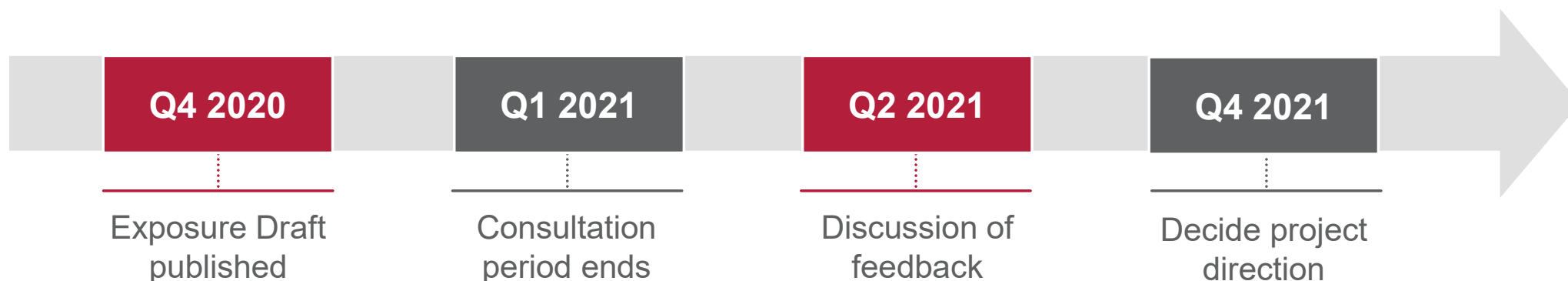
2

- 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

# Lease Liability in a Sale and Leaseback



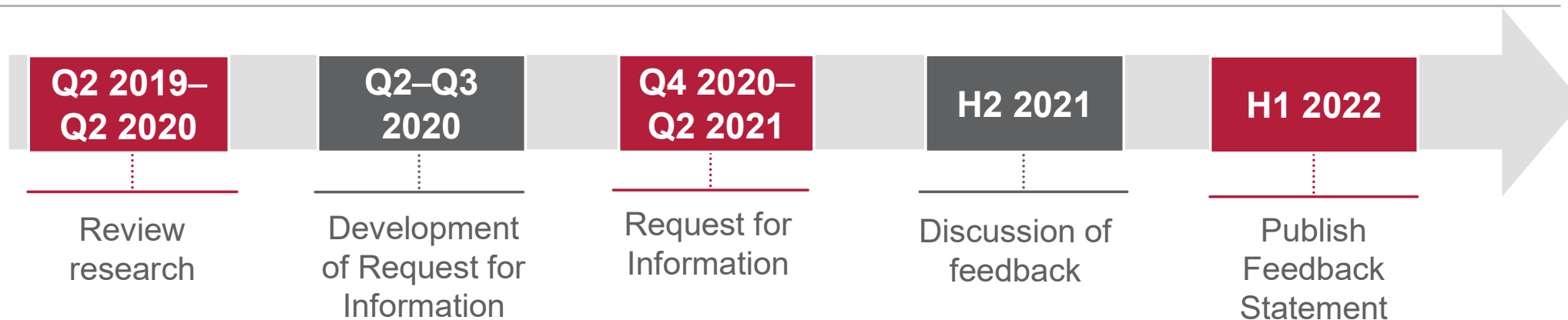
## Objective

- 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



## 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



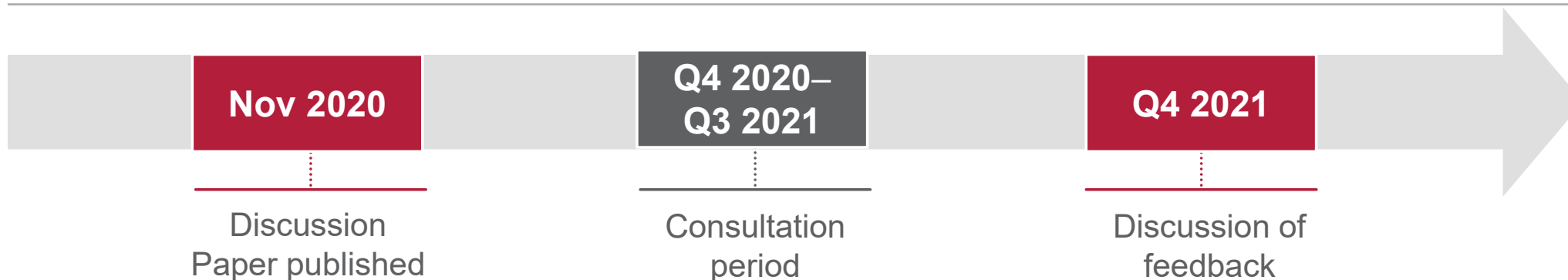
## Objective

- 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

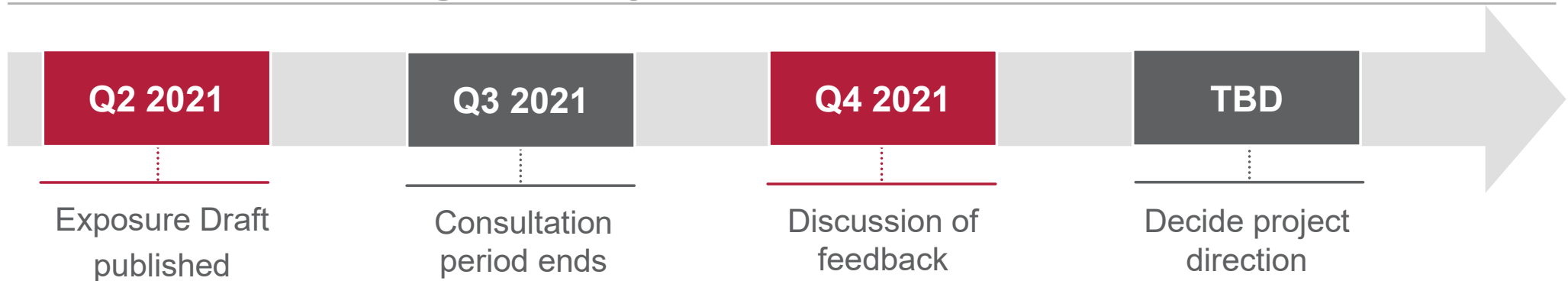
- Fill a 'gap' in IFRS Standards
- Give investors the information they need without imposing unnecessary costs on companies

## 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



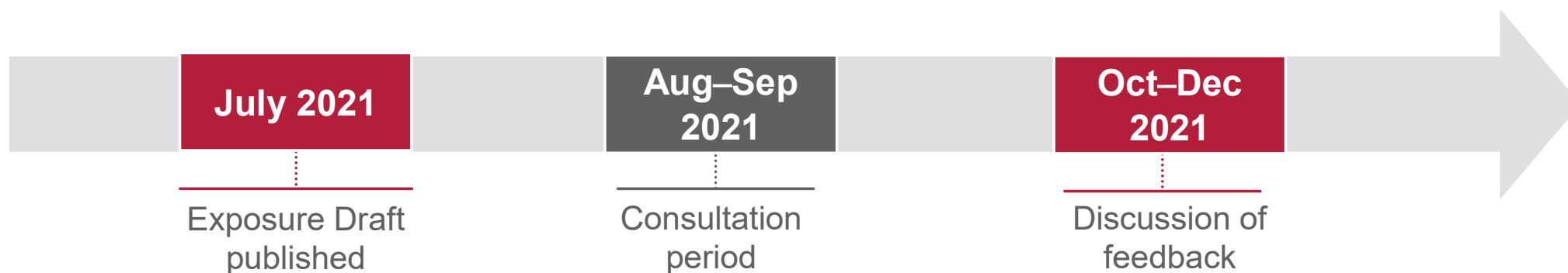
## Objective

- 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)

A dark gray background featuring a faint world map. Overlaid on the map are several curved, concentric lines in a lighter gray shade, creating a sense of depth and movement. The text is centered horizontally across the middle of the image.

# Current and forthcoming consultations

# Disclosure Initiative—Targeted Standards-level Review of Disclosures



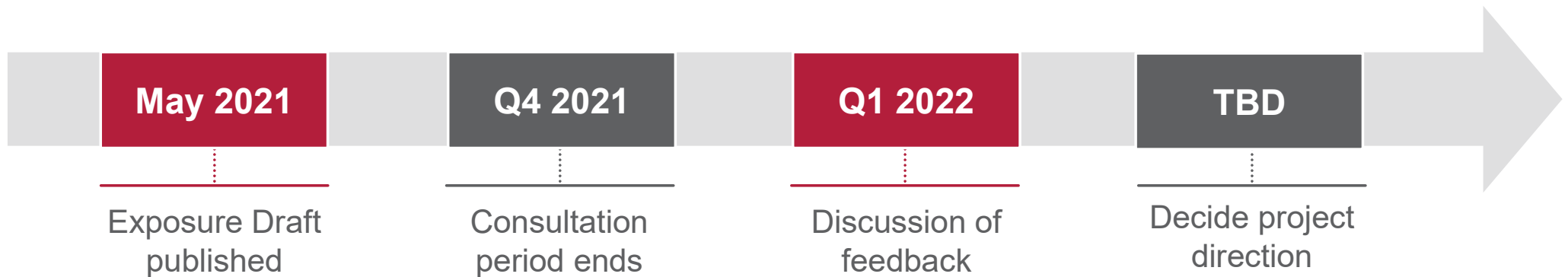
## Objective

- 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

# Management Commentary



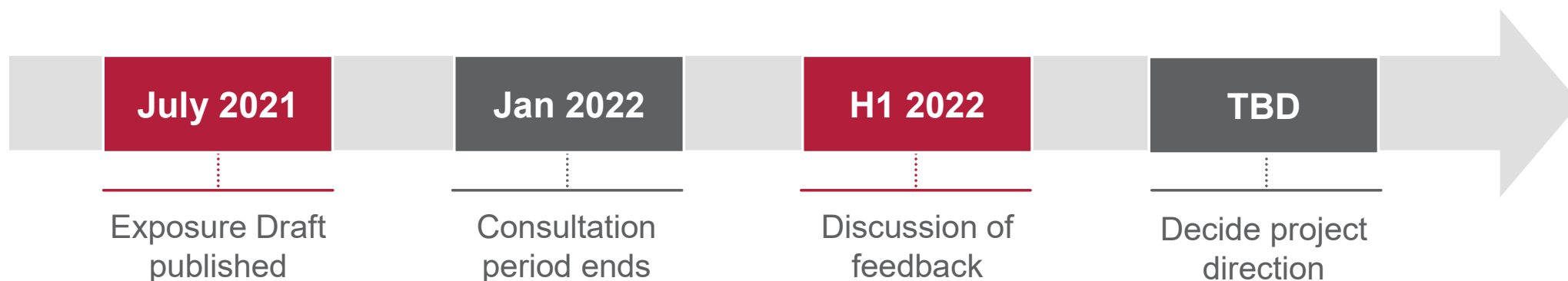
## Objective

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

# Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures



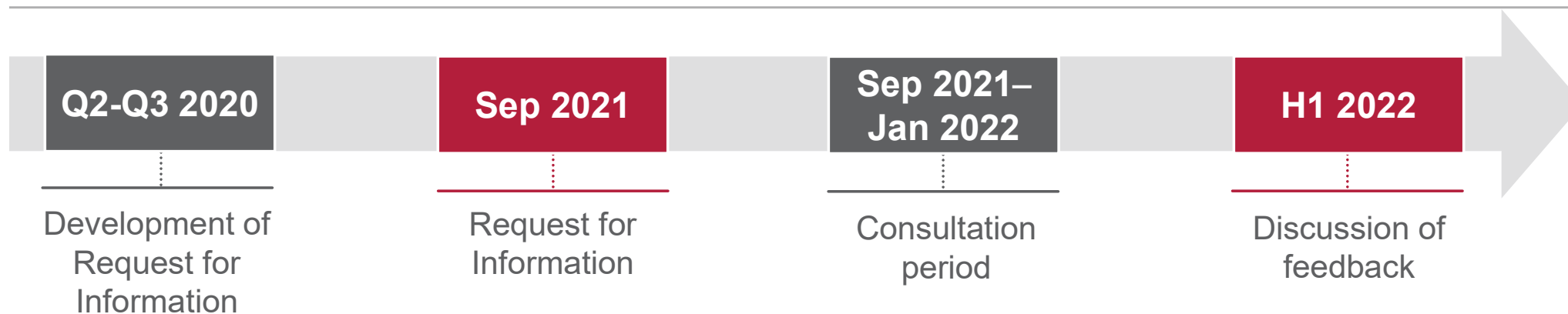
## Objective

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          |

# Supplier Finance Arrangements

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## 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

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## 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

A grayscale world map is centered in the background, overlaid with a grid of dotted lines representing latitude and longitude. In the lower-left quadrant, there are three concentric, semi-transparent curved lines that sweep across the map from the bottom left towards the center. The text 'Other technical projects' is positioned on the right side of the map, centered vertically.

# Other technical projects

# Other technical projects

## Next steps

Financial Instruments with Characteristics of Equity	Exposure Draft
Dynamic Risk Management	Decide project direction
Provisions—Targeted Improvements (IAS 37)	Decide project direction
Equity method	Review list of application questions and decide project direction
Pension Benefits that Depend on Asset Returns	Decide project direction
Extractive activities	Gather evidence and decide project direction

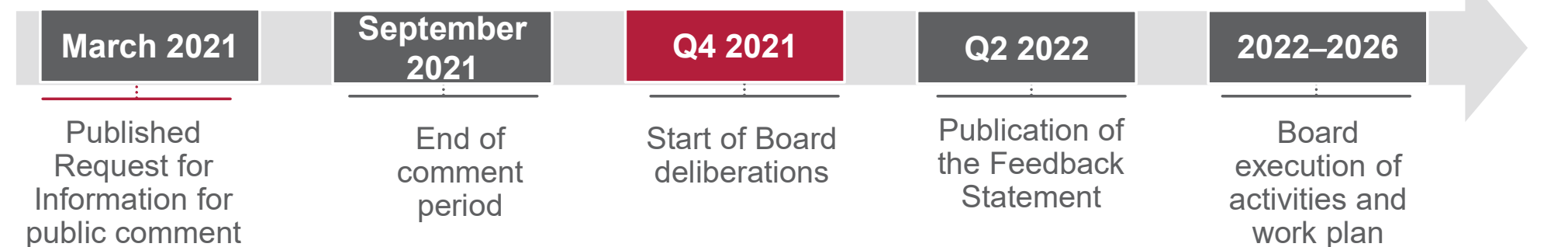
For more information, visit: <https://www.ifrs.org/projects/work-plan/>



# Strategy and Governance projects

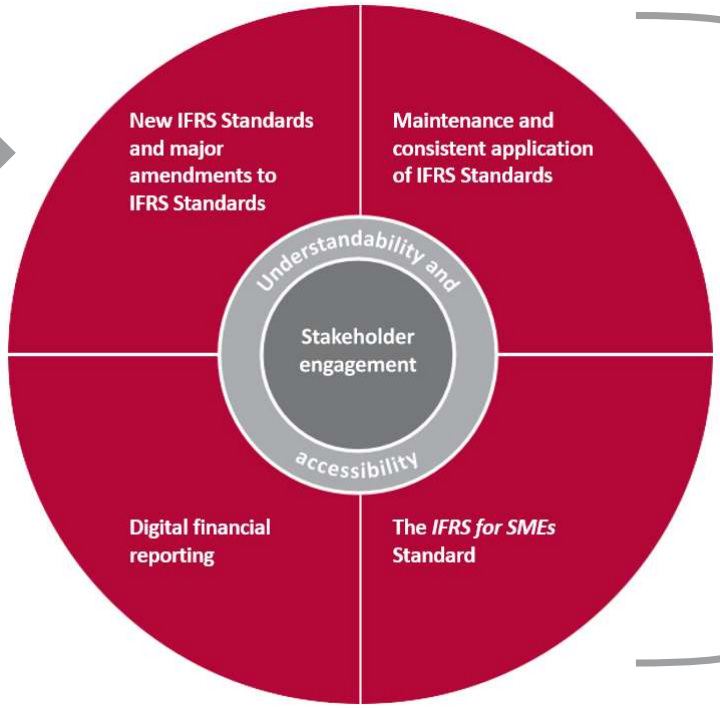
Third agenda consultation and Sustainability Reporting

# Third Agenda Consultation



**2** Criteria for assessing the priority of financial reporting issues

**3** Priority of financial reporting issues that could be added to the work plan



**1** Strategic direction and balance of the Board's activities


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

Chart is not drawn to scale

# 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



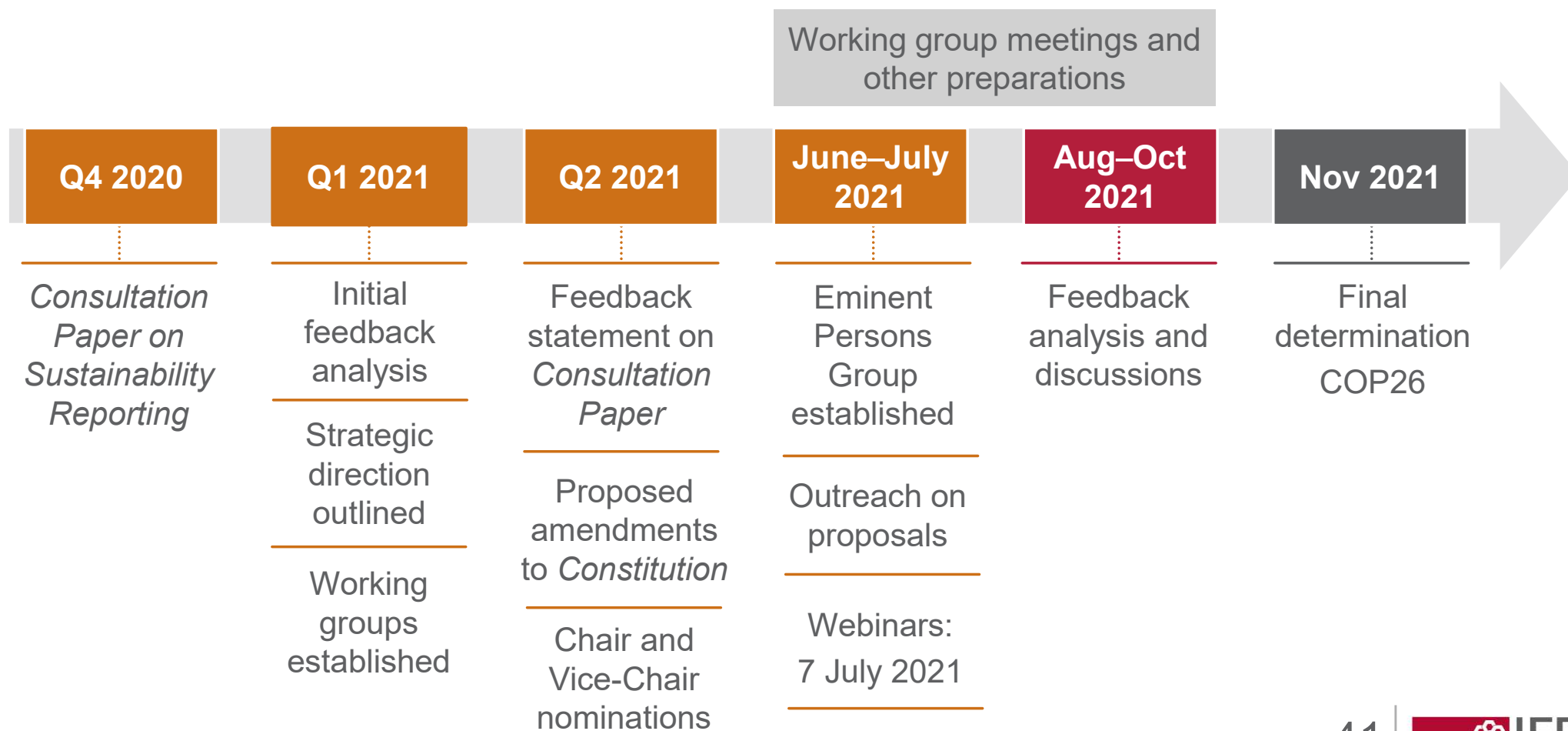
Statement of cash flows and related matters



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



# Sustainability Reporting – Road to COP26



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# New requirements

# What is required when?

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)	<i>Definition of Accounting Estimates</i>
	<i>Annual Improvements to IFRS Standards 2018–2020</i>	<i>Disclosure of Accounting Policies</i>
		Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

\* IASB tentatively decided to defer the effective date of the amendments to 1 January 2024

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