

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 map.

IFRS® Foundation

Agenda paper 2

Update on the Board's activities

IFRS Advisory Council

September 2021

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Update on the Board's work plan—contents

Executive summary

- Significant developments since the last meeting
- Snapshot of what's on the horizon

Detailed descriptions

- Consultations in progress
- Forthcoming consultations
- Current and upcoming redeliberations

Executive summary

A grayscale world map is the background, showing continents and oceans. Overlaid on the map are several curved, concentric lines that sweep across the globe from the bottom left towards the top right. These lines include solid gray bands and dotted white lines. The text is centered on the right side of the map.

Significant developments since the last meeting

Significant developments since the last meeting

Changes to the Board*

Arrivals

- Andreas Barckow, Chair
- Bertrand Perrin, Member

Departures

- Hans Hoogervorst, Chair
- Martin Edelmann, Member
- Francoise Flores, Member

* Currently two of the 14 Board member positions are vacant

Consultation documents published

1. Exposure Draft *Management Commentary*
2. Exposure Draft *Subsidiaries without Public Accountability: Disclosures*
3. Exposure Draft *Initial application of IFRS 17 and IFRS 9—Comparative Information*

Significant developments since the last meeting

Projects added to the work plan

1. Initial application of IFRS 17 and IFRS 9—Comparative Information
2. Classification of Debt with Covenants as Current or Non-current
3. Supplier Finance Arrangements

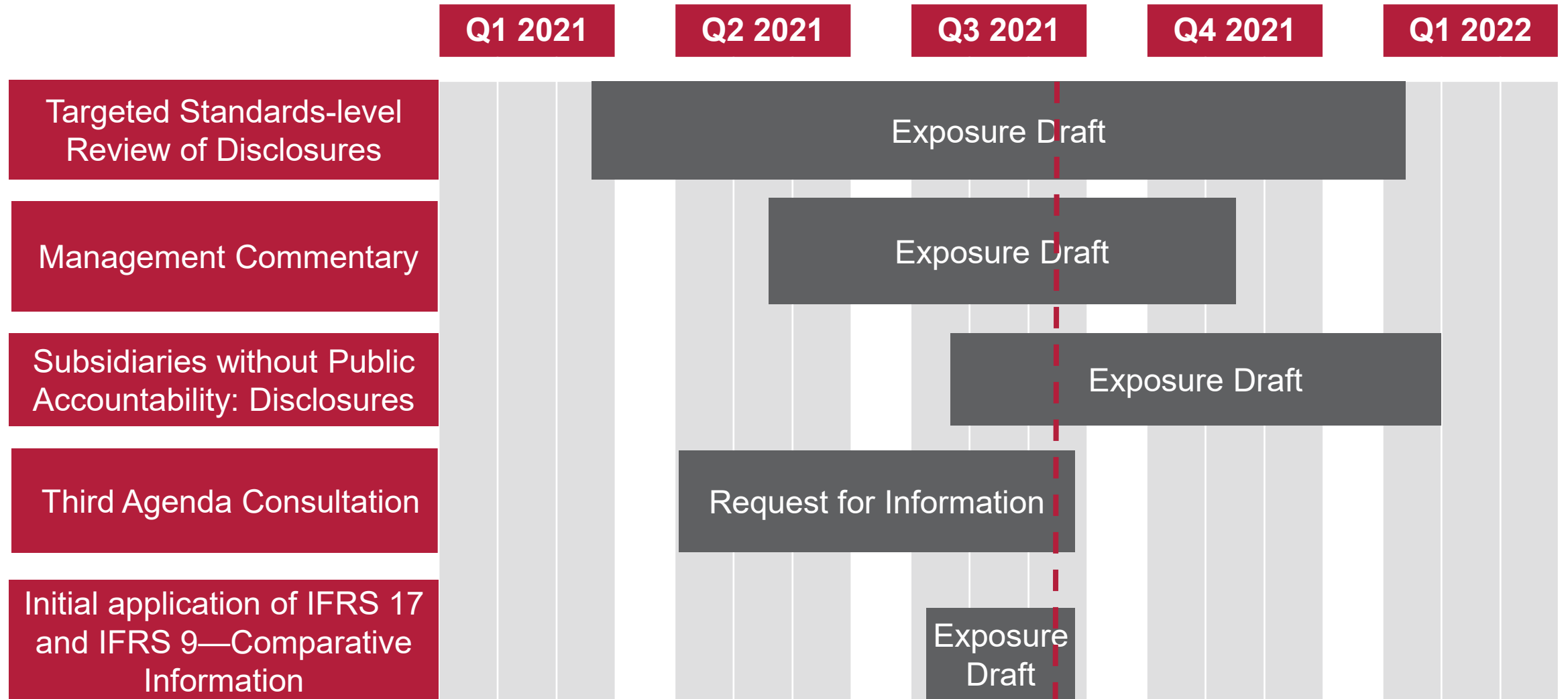
Other updates

1. Held annual IFRS Foundation conference with nearly 300 delegates from over 40 jurisdictions
2. Held joint IASB-FASB education meeting, covering supplier finance, agenda consultation and goodwill and impairment
3. Extended to 12 January 2022 the comment period for the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*
4. Engaged in Trustee sustainability work to facilitate connectivity with the IASB



Snapshot of what's on the horizon

Consultations in progress

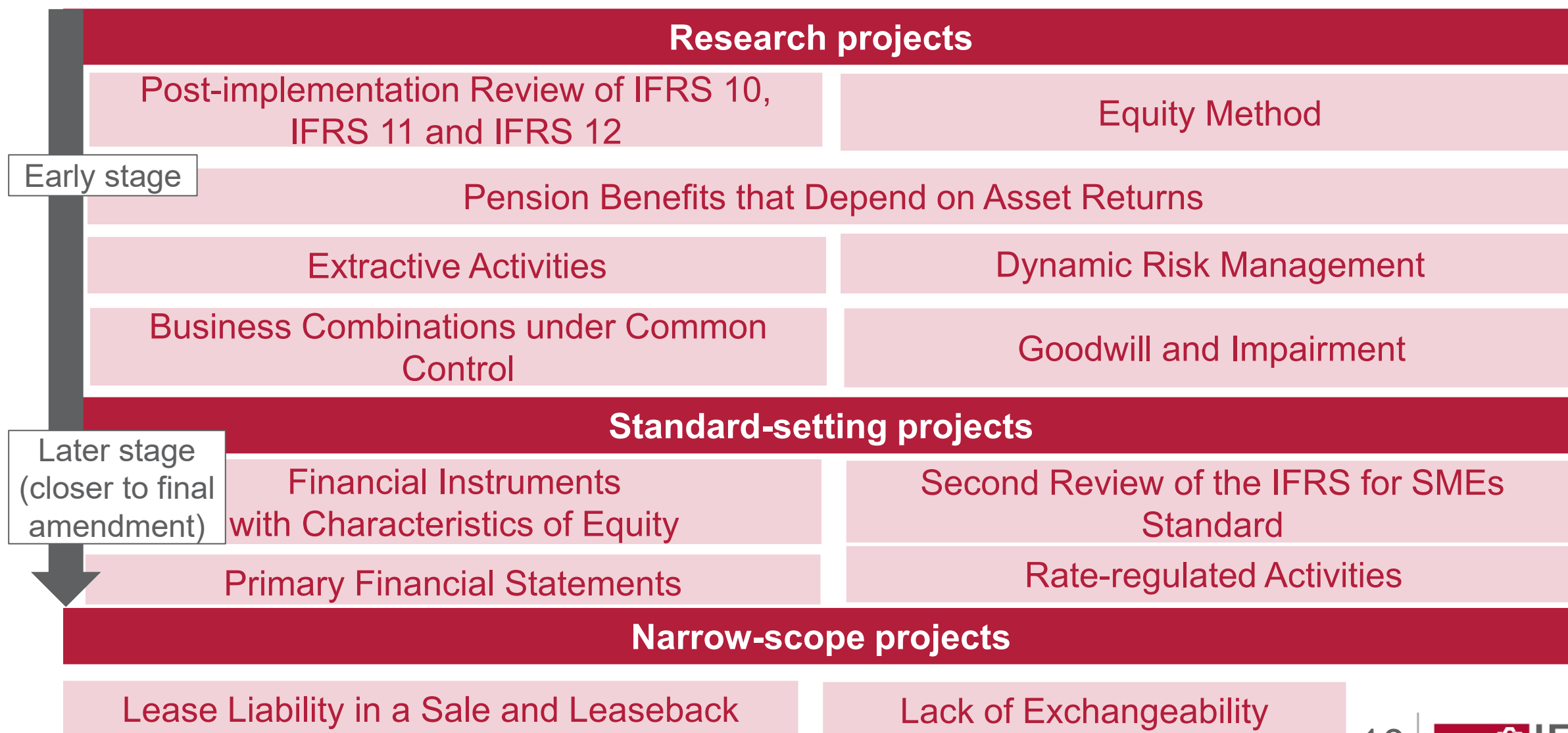


13 Sep - Advisory Council meeting

Forthcoming consultations

Project	Next steps
Post-implementation Review of IFRS 9 – Classification and Measurement	Request for Information expected Q3 2021
Supplier Finance Arrangements	Exposure Draft expected Q4 2021
Classification of Debt with Covenants as Current or Non-current	Exposure Draft expected Q4 2021

Current and upcoming redeliberations



Requirements coming into effect soon

1 January 2022

*Property, Plant and Equipment:
Proceeds before Intended Use
(Amendments to IAS 16)*

*Reference to the
Conceptual Framework
(Amendments to IFRS 3)*

*Onerous Contracts—
Cost of Fulfilling a Contract
(Amendments to IAS 37)*

*Annual Improvements to
IFRS Standards 2018–2020*

1 January 2023

*Classification of Liabilities as
Current or Non-current
(Amendments to IAS 1)**

*IFRS 17 Insurance Contracts
(amended June 2020)*

Definition of Accounting Estimates

Disclosure of Accounting Policies

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

* Deferral to 1 January 2024 proposed

Detailed descriptions

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Consultations in progress

Disclosure Initiative—Targeted Standards-level Review of Disclosures



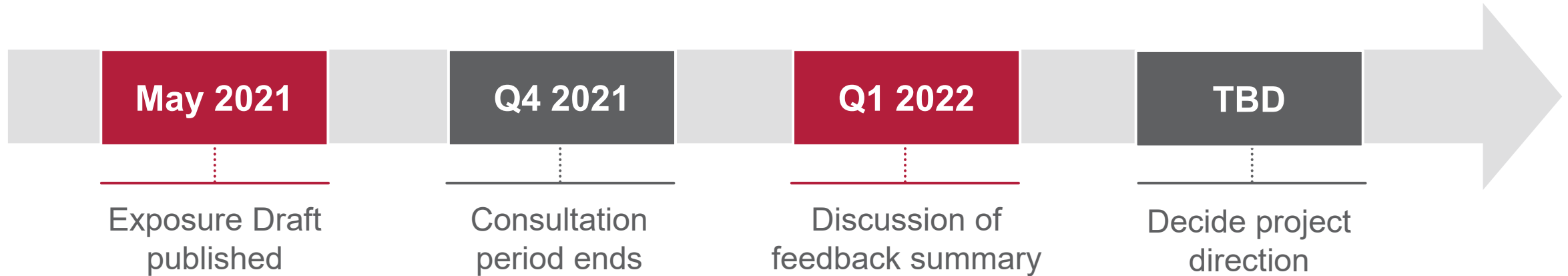
Objective

- 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



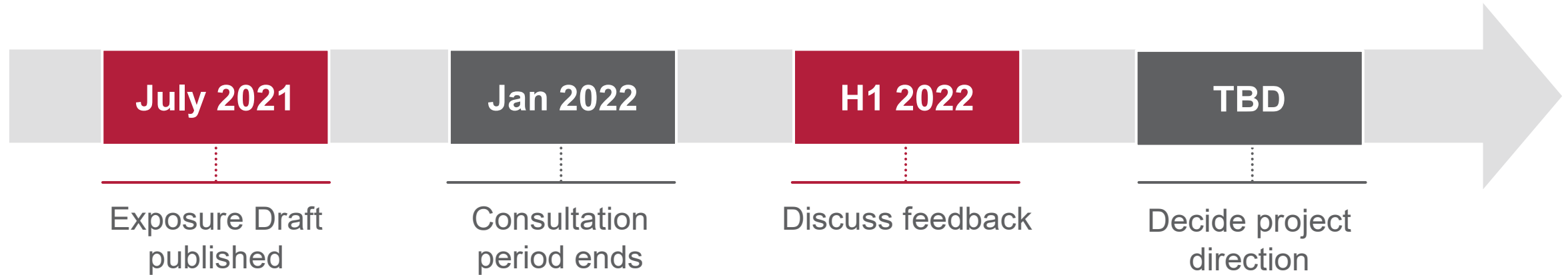
Objective

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

Subsidiaries without Public Accountability: Disclosures



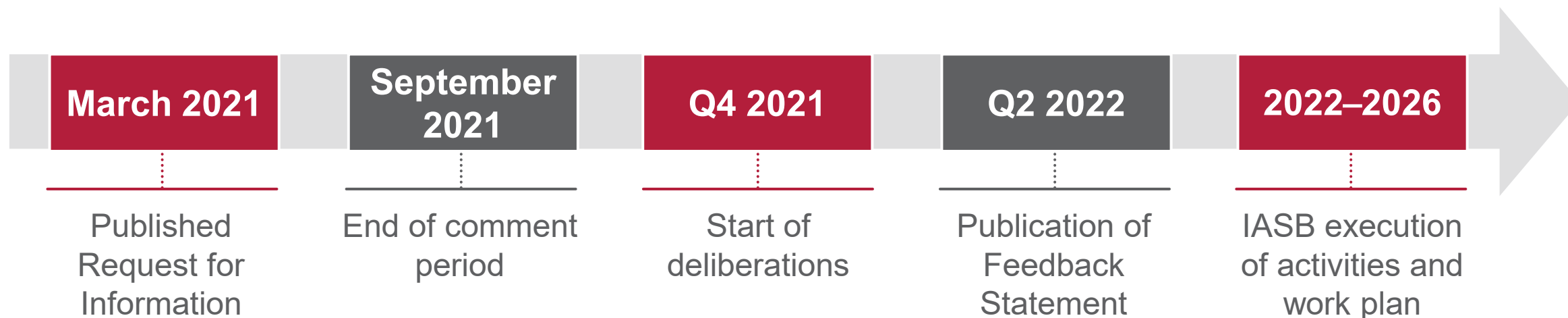
Objective

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 in their stand-alone financial statements
- 2 A **voluntary standard** forming part of the IFRS Standards
- 3 Would **reduce costs** for preparers and **maintain usefulness** of the financial statements

Third Agenda Consultation

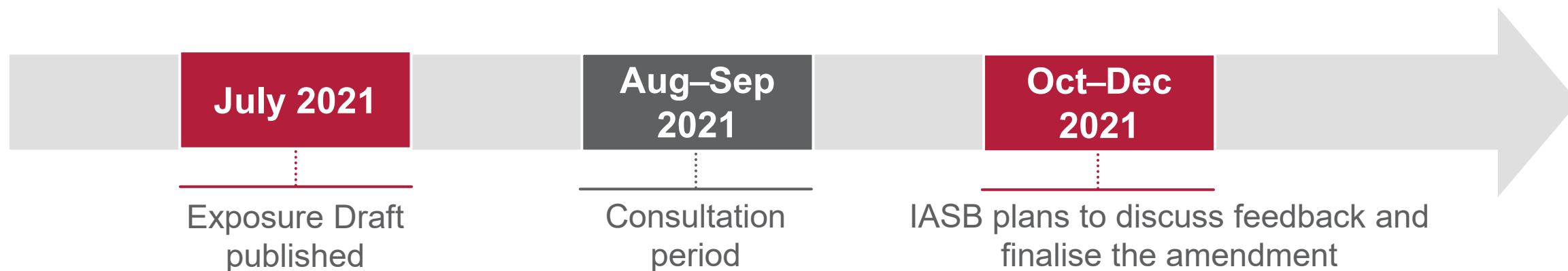


Objective of the agenda consultation

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

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)

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Forthcoming consultations

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

Next milestone

Request for Information

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 as Current or Non-Current (IAS 1)

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, when classifying a liability as current or non-current, an entity considers compliance only with covenants required **on or before** the reporting date. In other words, an entity could still classify a liability as non-current even if, based on its circumstances at the reporting date, it would not comply with covenants that will be required after the reporting date
- 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

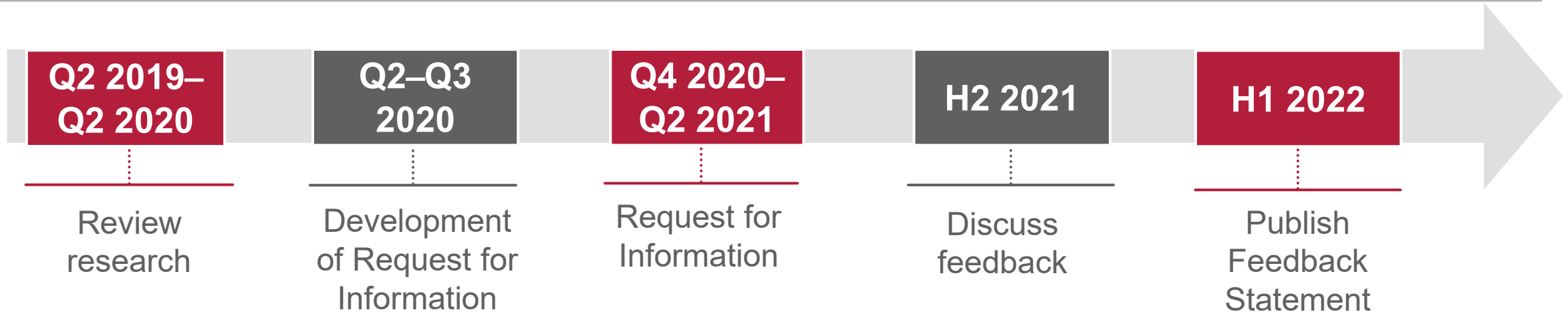
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Current and upcoming redeliberations

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Research projects

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 |

Equity method

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

Review list of application questions and decide project direction

Pension benefits that depend on asset returns

Extractive activities

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*

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

=

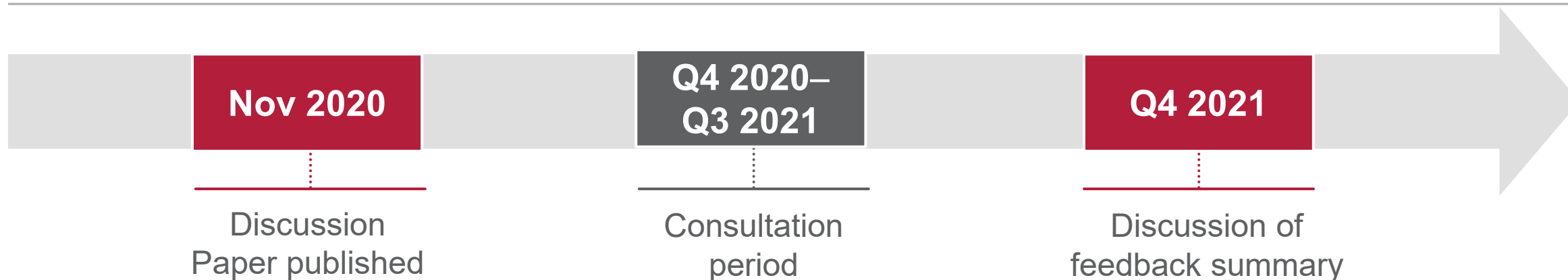
Target profile

- 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

Redeliberation of key issues identified in the outreach

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

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

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Standard-setting projects

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*

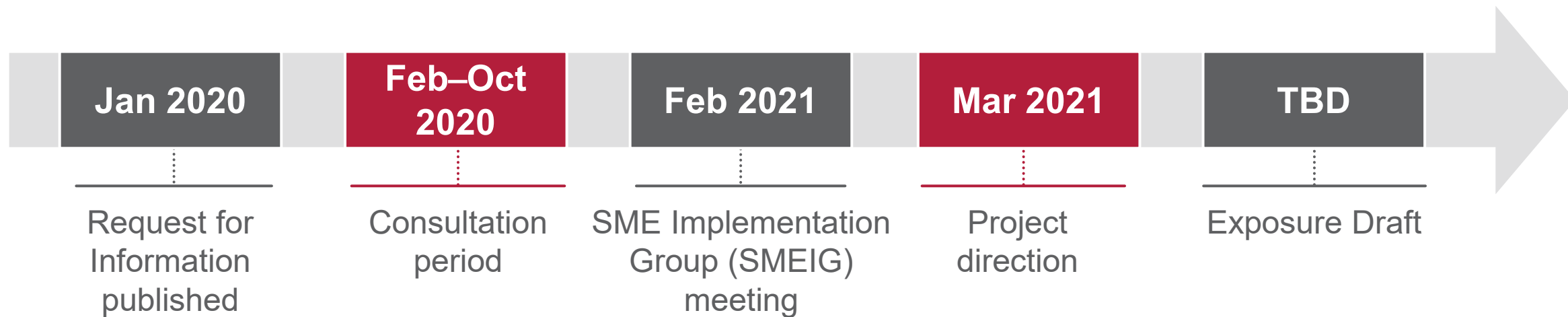
Approach

- 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

Second Review of the *IFRS for SMEs* Standard



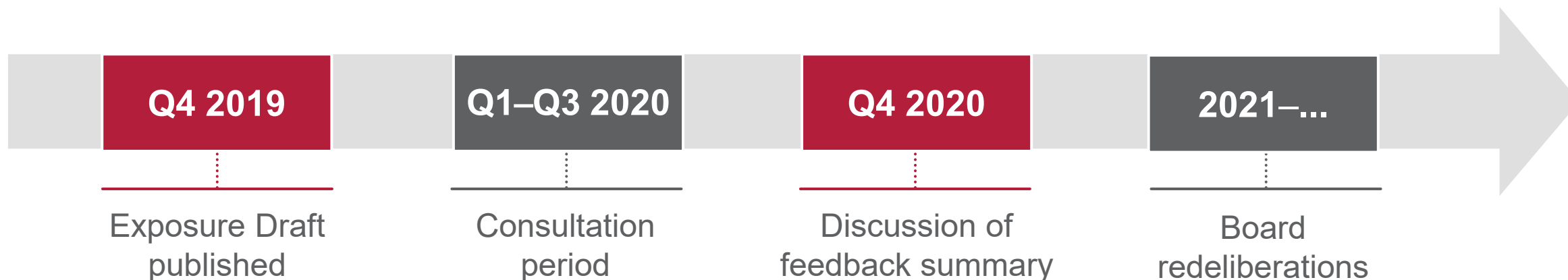
Objective

- 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

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**

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

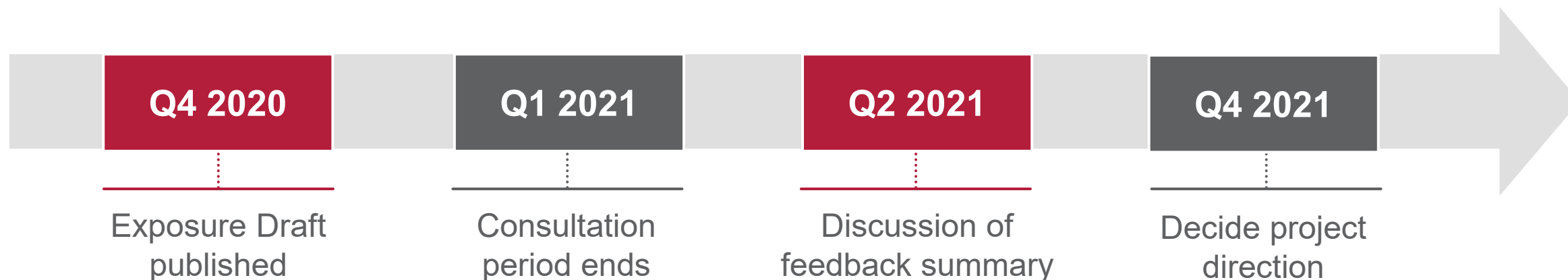
Main proposals

- 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

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Narrow-scope projects

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

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

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