IFRIC *Update* March 2022

IFRIC *Update* is a summary of the decisions reached by the IFRS Interpretations Committee (Committee) in its public meetings. Past *Update*s can be found in the IFRIC *Update* archive.

The Committee met on 15–16 March 2022, and discussed:

Committee's tentative agenda decisions

- Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17 *Insurance Contracts*)—Agenda Paper 2
- Lessor Forgiveness of Lease Payments (IFRS 9 *Financial Instruments* and IFRS 16 *Leases*)—Agenda Paper 4
- Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (IAS 32 *Financial Instruments: Presentation*)—Agenda Paper 5
- Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition—Agenda Paper 6

Agenda decisions for the IASB's consideration

- Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 *Statement of Cash Flows*)—Agenda Paper 3

Other matters

- Forgiveness of Lease Payments—Lessees (IFRS 9 *Financial Instruments* and IFRS 16 *Leases*)—Agenda Paper 4
- Work in Progress—Agenda Paper 7

Related information

The work plan

Supporting consistent application

Committee’s tentative agenda decisions

The Committee discussed the following matters and tentatively decided not to add standard-setting projects to the work plan. The Committee will reconsider these tentative decisions, including the reasons for not adding standard-setting projects, at a future meeting. The Committee invites comments on the tentative agenda decisions. Interested parties may submit comments on the open for comment page. All comments will be on the public record and posted on our website unless a respondent requests confidentiality and we grant that request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. The Committee will consider all comments received in writing up to and including the closing date; comments received after that date will not be analysed in agenda papers considered by the Committee.

Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17 *Insurance Contracts*)—Agenda Paper 2

The Committee received a request about a group of annuity contracts. The request asked how an entity determines the amount of the contractual service margin to recognise in profit or loss in a period because of the transfer of insurance coverage for survival in that period.

Fact pattern

The request described a group of annuity contracts under which the policyholder of each contract:

a. pays the premium upfront and has no right to cancel the contract or seek a refund;
b. receives a periodic payment from the start of the annuity period for as long as the policyholder survives (for example, a fixed amount of CU100 for each year that the policyholder survives); and
c. receives no other services under the contract (for example, no other types of insurance coverage or investment-return service).

The fact pattern referred to groups of contracts for which the annuity period starts immediately after contract inception ('immediate annuity') and also those for which the annuity period starts on a specified date after contract inception ('deferred annuity')—for example, a contract entered into in 2022 for which the annuity period starts in 2042.

Applicable requirements in IFRS 17

Paragraph 44(e) of IFRS 17 requires an entity to adjust the carrying amount of the contractual service margin for the amount recognised as insurance revenue because of the transfer of insurance contract services in the period, determined by allocating the contractual service margin over the current and remaining coverage period applying paragraph B119 of IFRS 17.

Paragraph B119 of IFRS 17 states that an entity recognises in profit or loss in each period an amount of the contractual service margin to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

a. identifying the coverage units in the group. The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period.

b. allocating the contractual service margin at the end of the period equally to each coverage unit provided in the current period and expected to be provided in the future.
c. recognising in profit or loss the amount allocated to coverage units provided in the period.

Methods for applying the requirements to the fact pattern

The request sets out two methods of determining, for each contract in the group, the quantity of the benefits of insurance coverage provided in the current period and expected to be provided in the future.

Method 1

Current period	Expected to be provided in the future
Determined based on the annuity payment the policyholder is able to validly claim in the current period.	Determined based on the present value of the annuity payments the policyholder is expected to be able to validly claim in the future until the end of the coverage period (the balance of the expected future annuity payments as at the end of the current period).

Method 2

Current period	Expected to be provided in the future
Determined based on the total of: i. the annuity payment the policyholder is able to validly claim in the current period, and ii. the present value of the annuity payments the policyholder is expected to be able to validly claim in the future until the end of the coverage period (the balance of the expected future annuity payments as at the end of the current period).	Determined based on the present value of the balances of the expected future annuity payments as at the beginning of each future period, until the end of the coverage period.

Applying paragraph B119 of IFRS 17

Applying paragraph B119(a) of IFRS 17, an entity:

a. identifies the insurance contract services to be provided under the group of contracts. In the fact pattern described in the request, insurance coverage for survival is the only insurance contract service provided under the group of contracts.
b. considers the expected coverage period for each contract in the group. In the fact pattern described in the request, the expected coverage period would reflect the entity's expectations of how long the policyholder will survive.
c. considers the quantity of the benefits provided under each contract in the group.

IFRS 17 does not prescribe a method for determining the quantity of the benefits provided under a contract. Instead, an entity is required to use a method that meets the principle in paragraph B119 of reflecting the insurance contract services provided in each period. Different methods may achieve that principle depending on the facts and circumstances.

The definitions of the liability for incurred claims and the liability for remaining coverage in Appendix A to IFRS 17 describe insurance coverage as 'an entity's obligation to investigate and pay valid claims for insured events'. In addition, paragraphs BC140 and BC141 of the Basis for Conclusions on IFRS 17 explain that an entity can accept insurance risk before it is obliged to perform the insurance coverage service. Therefore, in determining the quantity of the benefits of insurance coverage provided under a contract, an entity considers (a) the periods in which it has an obligation to pay a valid claim if an insured event occurs; and (b) the amount of the claim if a valid claim is made.

The Committee observed that, under the contractual terms of the annuity contracts described in the request, an entity is obliged to pay a periodic amount (CU100 in the example) from the start of the annuity period for each year of the policyholder's survival (the insured event). Survival in one year does not oblige the entity to pay amounts that compensate the policyholder for surviving in future years; that is, claim amounts payable to the policyholder in future years are contingent on the policyholder surviving in those future years.

The Committee's conclusion

The Committee concluded that, in applying IFRS 17 to determine the quantity of the benefits of insurance coverage for survival provided under each annuity contract, a method based on:

a. the amount of the annuity payment the policyholder is able to validly claim (Method 1) meets the principle in paragraph B119 of IFRS 17 of reflecting the insurance coverage provided in each period by:
    i. assigning a quantity of the benefits only to periods for which the entity has an obligation to investigate and pay valid claims for the insured event (survival of the policyholder); and
    ii. aligning the quantity of the benefits provided in a period with the amount the policyholder is able to validly claim in each period.
b. the present value of expected future annuity payments (Method 2) does not meet the principle in paragraph B119 of IFRS 17 of reflecting the insurance coverage provided in each period because it would:
    i. assign a quantity of the benefits to periods for which the entity has no obligation to investigate and pay valid claims for the insured event (for example, to the deferral period of a deferred annuity contract); and
    ii. misrepresent the quantity of the benefits provided in a period by considering amounts the policyholder is able to claim and benefit from only in future periods.

The request asked only about the recognition of the contractual service margin in profit or loss. For the annuity contracts described in the request, the entity accepts insurance risk related to the uncertainty about how long the policyholder will survive. The Committee noted that the entity would apply other requirements in IFRS 17 to recognise in profit or loss—separately from the contractual service margin—the risk adjustment for non-financial risk, representing the entity's compensation for bearing insurance risk and other non-financial risks. The Committee did not discuss these other requirements.

Under a group of annuity contracts, an entity could provide other insurance contract services to policyholders in addition to insurance coverage for survival—for example, insurance coverage for death in a deferral period or an investment-return service. The conclusion in this [draft] agenda decision applies to insurance coverage for survival, regardless of other services provided. If the contracts provide other insurance contract services, the entity would also need to consider the pattern of transfer of those services to the policyholder.

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an issuer of a group of annuity contracts as described in the request to determine the amount of the contractual service margin to recognise in profit or loss in a period because of the transfer of insurance coverage for survival in that period. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

Lessor Forgiveness of Lease Payments (IFRS 9 *Financial Instruments* and IFRS 16 *Leases*)—Agenda Paper 4

The Committee received a request about a lessor's application of IFRS 9 and IFRS 16 in accounting for a particular rent concession. The rent concession is one for which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract.

The fact pattern

The request described a rent concession agreed by a lessor and a lessee on the date the rent concession is granted. For the lessor, the rent concession changes a lease contract classified—applying IFRS 16—as an operating lease. The lessor legally releases the lessee from its obligation to make specifically identified lease payments, some of which are amounts contractually due but not paid (which the lessor had recognised as an operating lease receivable) and some of which are amounts that are not yet contractually due. No other changes are made to the lease contract, nor are there any other negotiations between the lessor and the lessee that might affect the accounting for the rent concession. Before the date the rent concession is granted, the lessor had applied the expected credit loss model in IFRS 9 to the operating lease receivable.

The question

The submitter asked:

a. how the lessor applies the expected credit loss model in IFRS 9 to the operating lease receivable when it expects to forgive payments due from the lessee under the lease contract before the rent concession is granted; and
b. whether the lessor applies the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 in accounting for the rent concession.

Applying the expected credit loss model in IFRS 9 to the operating lease receivable

Paragraph 2.1(b)(i) of IFRS 9 states that 'operating lease receivables recognised by a lessor are subject to the derecognition and impairment requirements' of IFRS 9. Therefore, a lessor is required to apply the impairment requirements in IFRS 9 to an operating lease receivable from the date on which it recognises that receivable.

IFRS 9 defines credit loss as 'the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (ie all cash shortfalls)…'. Paragraph 5.5.17 of IFRS 9 states that 'an entity shall measure expected credit losses…in a way that reflects (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions'.

Consequently, in the fact pattern described in the request, the lessor applies the impairment requirements in IFRS 9 to the operating lease receivable. The lessor estimates expected credit losses on the operating lease receivable by measuring any credit loss to reflect ‘all cash shortfalls’. These shortfalls are the difference between all contractual cash flows due to the lessor in accordance with the lease contract and all the cash flows it expects to receive, determined using ‘reasonable and supportable information’ about ‘past events, current conditions and forecasts of future economic conditions’.

Therefore, the Committee concluded that, in the period before the rent concession is granted, the lessor measures expected credit losses on the operating lease receivable in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes (as required by paragraph 5.5.17 of IFRS 9), including considering its expectations of forgiving lease payments recognised as part of that receivable.

Lessor accounting for the rent concession—IFRS 9 and IFRS 16

Applying the derecognition requirements in IFRS 9 to the operating lease receivable

Paragraph 2.1(b)(i) of IFRS 9 states that operating lease receivables recognised by a lessor are subject to the derecognition requirements in IFRS 9. Consequently, on granting the rent concession, the lessor considers whether the requirements for derecognition in paragraph 3.2.3 of IFRS 9 are met.

In the rent concession described in the request, the lessor legally releases the lessee from its obligation to make specifically identified lease payments, some of which the lessor had recognised as an operating lease receivable. Accordingly, on granting the rent concession, the lessor concludes that the requirements in paragraph 3.2.3(a) of IFRS 9 have been met—that is, its contractual rights to the cash flows from the operating lease receivable expire—because it has agreed to legally release the lessee from its obligation and thus has given up its contractual rights to those specifically identified cash flows. Therefore, on the date the rent concession is granted, the lessor derecognises the operating lease receivable (and associated expected credit loss allowance) and recognises any difference as a loss in profit or loss.

Applying the lease modification requirements in IFRS 16 to future lease payments under the lease

The rent concession described in the request meets the definition of a lease modification in IFRS 16. The rent concession is ‘a change to the consideration for the lease…that was not part of the original terms and conditions of the lease’. Therefore, the lessor applies paragraph 87 of IFRS 16 and accounts for the modified lease as a new lease from the date the rent concession is granted.

Paragraph 87 of IFRS 16 requires a lessor to consider any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. The Committee observed that lease payments due from the lessee that the lessor has recognised as an operating lease receivable (to which the derecognition and impairment requirements in IFRS 9 apply) are not accrued lease payments. Consequently, neither those lease payments nor their forgiveness are considered part of the lease payments for the new lease.

In accounting for the modified lease as a new lease, a lessor applies paragraph 81 of IFRS 16 and recognises as income the lease payments to be made by the lessee over the lease term (including any prepaid or accrued lease payments relating to the original lease) on either a straight-line basis or another systematic basis.

The Committee concluded that the lessor accounts for the rent concession described in the request by applying:

a. the derecognition requirements in IFRS 9 to forgiven lease payments that the lessor had included in an operating lease receivable on the date the rent concession is granted; and
b. the lease modification requirements in IFRS 16 to forgiven lease payments that the lessor had not included in an operating lease receivable.

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for a lessor to determine how to apply the expected credit loss model in IFRS 9 to an operating lease receivable and account for the rent concession described in the request. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (IAS 32 *Financial Instruments: Presentation*)—Agenda Paper 5

The Committee received a request about applying IAS 32 in relation to the classification of shares issued by a special purpose acquisition company (SPAC) as financial liabilities or equity. A SPAC is a listed entity that is established to acquire a yet to be identified target entity.

The request described a SPAC that issues two classes of shares (Class A and Class B). The Class B shareholders:

a. individually have the contractual right to demand a reimbursement of their shares if the SPAC's shareholders approve the acquisition of a target entity.
b. are reimbursed if the SPAC is liquidated. The SPAC is liquidated if no target entity is acquired within a specified period.
c. along with the Class A shareholders, have the contractual right to extend the SPAC's life beyond that specified period if no target entity is acquired. Extension of the SPAC's life is approved by either (i) two-thirds of the shareholders; or (ii) two-thirds of the Class A shareholders and two-thirds of the Class B shareholders independently.

The request asked about the effect of the shareholders' contractual right to extend the SPAC's life on the classification of the Class B shares—in particular, whether the decision of shareholders to extend the SPAC's life is considered to be within the control of the SPAC. This assessment is needed to determine whether the SPAC has the unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation.

The Committee observed that IAS 32 contains no requirements for assessing whether a decision of shareholders is treated as a decision of the entity. The Committee acknowledged that similar questions about shareholder decisions arise in other circumstances. Assessing whether a decision of shareholders is treated as a decision of the entity has been identified as one of the practice issues the International Accounting Standards Board (IASB) will address in its *Financial Instruments with Characteristics of Equity* (FICE) project. The Committee concluded that the matter described in the request is, in isolation, too narrow for the IASB or the Committee to address in a cost-effective manner. Instead, the IASB should consider the matter as part of its broader discussions on the FICE project. For these reasons, the Committee [decided] not to add a standard-setting project to the work plan. The Committee nonetheless noted the importance of the SPAC disclosing information in the notes to its financial statements about the classification of its public shares.

Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition—Agenda Paper 6

The Committee received a request about an entity's acquisition of a special purpose acquisition company (SPAC). The request asked how the entity accounts for warrants on acquiring the SPAC.

In the fact pattern the Committee discussed:

a. the entity acquires a SPAC that has raised cash in an initial public offering (IPO). The purpose of the acquisition is for the entity to obtain the cash and the SPAC's listing in a stock exchange. The SPAC does not meet the definition of a business in IFRS 3 *Business Combinations* and, at the time of the acquisition, has no assets other than cash.
b. before the acquisition, the SPAC's ordinary shares are held by its founder shareholders and public investors. The ordinary shares are determined to be equity instruments as defined in IAS 32 *Financial Instruments: Presentation*. In addition to ordinary shares, the SPAC had also issued warrants to both its founder shareholders and public investors (the SPAC warrants):
    i. *founder warrants* were issued at the SPAC's formation as consideration for services provided by the founders. The founders provide no services to the entity after the acquisition.
    ii. *public warrants* were issued to public investors with ordinary shares at the time of the IPO.
c. the entity acquires the SPAC by issuing new ordinary shares and warrants to the SPAC's founder shareholders and public investors in exchange for the SPAC's ordinary shares and the legal cancellation of the SPAC's warrants. The entity's owners control the group after the transaction. The SPAC becomes a wholly-owned subsidiary of the entity and the entity replaces the SPAC as the entity listed in the stock exchange.
d. the fair value of the instruments the entity issues to acquire the SPAC exceeds the fair value of the identifiable net assets of the SPAC.

Who is the acquirer?

In determining the accounting for a SPAC acquisition, an entity first identifies which party is the acquirer in the transaction—that is, which party obtains control of the other. Identifying the acquirer is necessary to determine which party accounts for the acquisition and whether the acquisition meets the definition of a business combination in the scope of IFRS 3. Paragraphs B13–B18 of IFRS 3 specify how to identify the acquirer in a business combination.

In the fact pattern discussed, the entity is the acquirer. Consequently, the acquisition does not meet the definition of a business combination in IFRS 3 because the acquiree (the SPAC) is not a business.

Which IFRS Accounting Standard applies to the SPAC acquisition?

Paragraph 2(b) of IFRS 3 states that IFRS 3 does not apply to 'the acquisition of an asset or a group of assets that does not constitute a business'. In such cases, that paragraph requires the acquirer to ‘identify and recognise the individual identifiable assets acquired…and liabilities assumed…’.

In the fact pattern discussed, the acquisition of the SPAC is the acquisition of an asset or a group of assets that does not constitute a business. Therefore, the entity identifies and recognises the individual identifiable assets acquired and liabilities assumed as part of the acquisition.

What are the individual identifiable assets acquired and liabilities assumed?

In the fact pattern discussed, the entity acquires the cash held by the SPAC. The entity also considers whether it assumes any liability related to the SPAC warrants.

Does the entity assume the SPAC warrants as part of the acquisition?

In assessing whether it assumes the SPAC warrants as part of the acquisition, the entity considers the specific facts and circumstances of the transaction, including the terms and conditions of all agreements associated with the acquisition. For example, the entity considers the legal structure of the transaction and the terms and conditions of the SPAC warrants and the warrants it issues in the transaction.

The entity might conclude that the facts and circumstances are such that it:

a. *assumes the SPAC warrants as part of the acquisition*—in this case, the entity issues ordinary shares to acquire the SPAC and assumes the SPAC warrants as part of the acquisition. The entity then issues new warrants to replace the SPAC warrants assumed.
b. *does not assume the SPAC warrants as part of the acquisition*—in this case, the entity issues both ordinary shares and warrants to acquire the SPAC and does not assume the SPAC warrants.

How does the entity account for SPAC warrants assumed as part of the acquisition?

In the fact pattern discussed, the SPAC’s founder shareholders and public investors are not SPAC employees nor will they provide services to the entity after the acquisition. Instead, the SPAC's founder shareholders and public investors hold the warrants solely in their capacity as owners of the SPAC. Therefore, if the facts and circumstances are such that the entity assumes the SPAC warrants as part of the acquisition, the entity applies IAS 32 to determine whether the warrants are financial liabilities or equity instruments.

How does the entity account for the replacement of the SPAC warrants?

In the fact pattern discussed, the entity negotiated the replacement of the SPAC warrants as part of the SPAC acquisition. Therefore, the entity considers the extent to which it accounts for the replacement of the SPAC warrants as part of that acquisition.

No IFRS Accounting Standard specifically applies to this consideration. In applying paragraphs 10–11 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to develop an accounting policy, the entity refers to, and considers the applicability of, the requirements in paragraph B50 of IFRS 3. If an entity concludes that it accounts for the replacement transaction separately from the SPAC acquisition, the entity does so applying the applicable requirements in IAS 32 and IFRS 9 *Financial Instruments*.

Does the entity also acquire a stock exchange listing service?

In the fact pattern discussed, the SPAC's stock exchange listing does not meet the definition of an intangible asset because it is not 'identifiable' as described in paragraph 12 of IAS 38 *Intangible Assets*. Accordingly, it is not an identifiable asset acquired. Nonetheless, the Committee observed that:

a. paragraph 2 of IFRS 2 states that 'an entity shall apply this IFRS in accounting for all share-based payment transactions, whether or not the entity can identify specifically some or all of the goods or services received… In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this IFRS applies.'
b. paragraph 13A of IFRS 2 states that '…if the identifiable consideration received (if any) by the entity appears to be less than the fair value of the equity instruments granted or liability incurred, typically this situation indicates that other consideration (ie unidentifiable goods or services) has been (or will be) received by the entity. The entity shall measure the identifiable goods or services received in accordance with this IFRS. The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received).'

The fair value of the instruments the entity issues to acquire the SPAC exceeds the fair value of the identifiable net assets acquired. Therefore, the Committee concluded that, applying paragraphs 2 and 13A of IFRS 2, the entity:

a. receives a stock exchange listing service for which it has issued equity instruments as part of a share-based payment transaction; and
b. measures the stock exchange listing service received as the difference between the fair value of the instruments issued to acquire the SPAC and the fair value of the identifiable net assets acquired.

Which IFRS Accounting Standard applies to the instruments issued?

Depending on the specific facts and circumstances of the transaction, the entity issues ordinary shares—or ordinary shares and warrants—in exchange for acquiring cash, for acquiring the stock exchange listing service and for assuming any liabilities related to the SPAC warrants. The Committee observed that:

a. IAS 32 applies to all financial instruments, with some exceptions. Those exceptions include 'financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2 *Share-based Payment* applies…' (paragraph 4 of IAS 32).
b. IFRS 2 applies to 'share-based payment transactions in which an entity acquires or receives goods or services. Goods includes inventories, consumables, property, plant and equipment, intangible assets and other non-financial assets…' (paragraph 5 of IFRS 2).

Therefore, the Committee concluded that the entity applies:

a. IFRS 2 in accounting for instruments issued to acquire the stock exchange listing service; and
b. IAS 32 in accounting for instruments issued to acquire cash and assume any liabilities related to the SPAC warrants—these instruments were not issued to acquire goods or services and are not in the scope of IFRS 2.

Which instruments were issued for the SPAC's net assets and which were issued for the service?

If the entity concludes that the facts and circumstances are such that it does not assume the SPAC warrants as part of the acquisition, the entity issues both ordinary shares and warrants to acquire cash and a stock exchange listing service. In this case, the entity determines which instruments it issued to acquire the cash and which it issued to acquire the stock exchange listing service. No IFRS Accounting Standard specifically applies to this determination. Therefore, the entity applies paragraphs 10–11 of IAS 8 in developing and applying an accounting policy. The Committee noted that:

a. an entity's accounting policy must result in information that is relevant and reliable (as described in paragraph 10 of IAS 8). An accounting policy that results in allocating all the warrants issued to the acquisition of the stock exchange listing service solely to avoid the warrants being classified as financial liabilities applying IAS 32 would not meet this requirement.
b. an entity could allocate the shares and warrants to the acquisition of cash and the stock exchange listing service on the basis of the relative fair values of the instruments issued (that is, in the same proportion as the fair value of each type of instrument to the total fair value of all issued instruments). For example, if 80% of the total fair value of the instruments issued comprises ordinary shares, the entity could conclude that 80% of the fair value of instruments issued to acquire cash also comprises ordinary shares.
c. other allocation methods could be acceptable if they meet the requirements in paragraphs 10–11 of IAS 8.

Conclusion

The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine how to account for warrants on acquiring a SPAC in the fact pattern the Committee discussed. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

Agenda decisions for the IASB's consideration

Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 *Statement of Cash Flows*)—Agenda Paper 3

The Committee considered feedback on the tentative agenda decision published in the September 2021 IFRIC *Update* about whether an entity includes a demand deposit as a component of cash and cash equivalents in the statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party.

The Committee reached its conclusions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the International Accounting Standards Board (IASB) will consider this agenda decision at its April 2022 meeting. If the IASB does not object to the agenda decision, it will be published in April 2022 in an addendum to this IFRIC *Update*.

Other matters

Forgiveness of Lease Payments—Lessees (IFRS 9 *Financial Instruments* and IFRS 16 *Leases*)—Agenda Paper 4

The Committee discussed a request about a lessee's application of IFRS 9 and IFRS 16 in accounting for a rent concession in which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract.

The Committee recommended that the IASB consider undertaking a narrow-scope standard-setting project—potentially as an annual improvement—to address a lessee's accounting for such a rent concession.

Next step

The IASB will discuss the Committee's recommendation at a future IASB meeting.

Work in Progress—Agenda Paper 7

The Committee received an update on the status of open matters not discussed at its meeting in March 2022.