



IFRS® Foundation

Update on IASB and IFRS Interpretations Committee activities

Emerging Economies Group Meeting

EEG Agenda Paper 4
May 2022

Introduction

Third Agenda Consultation

Business Combinations under Common Control

Other research projects

Standard-setting projects

Maintenance projects

Work of the IFRS Interpretations Committee

A grayscale world map is the background for the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. Additionally, there are several dotted lines that form a grid-like pattern across the map, intersecting the curved lines.

Introduction

Third Agenda Consultation

- This document provides an update on the IASB work plan for 2022–2026

IASB work plan

- This document sets IASB's technical projects, highlighting the next milestone
- Such projects include research, standard-setting and maintenance
- This document includes an update on the IASB's tentative decisions on the objective and scope of its Business Combinations under Common Control project, as topic of interest for EEG members

IFRS Interpretations Committee activities

- This document provides an overview of the work of the Interpretations Committee, including recent agenda decisions

Recent developments (since December 2021 EEG meeting)

- IASB issued a **narrow-scope amendment** to the transition requirements in **IFRS 17**
- Comment periods of three main consultations ended in January 2022
 - Exposure Draft ***Disclosure Requirements in IFRS Standards—A Pilot Approach***
 - Exposure Draft ***Subsidiaries without Public Accountability: Disclosures***
 - Request for Information ***Post-implementation Review of IFRS 9—Classification and Measurement***
- Comment periods of two narrow-scope consultations ended in March 2022
 - Exposure Draft ***Supplier Finance Arrangements***
 - Exposure Draft ***Non-current Liabilities with Covenants***
- IASB published a Project Summary on its research project Pension Benefits that Depend on Asset Returns

Overall, the IASB is shifting from a period of multiple consultation documents out for comment to a period of significant deliberation of feedback

Forthcoming documents

Agenda ref 4

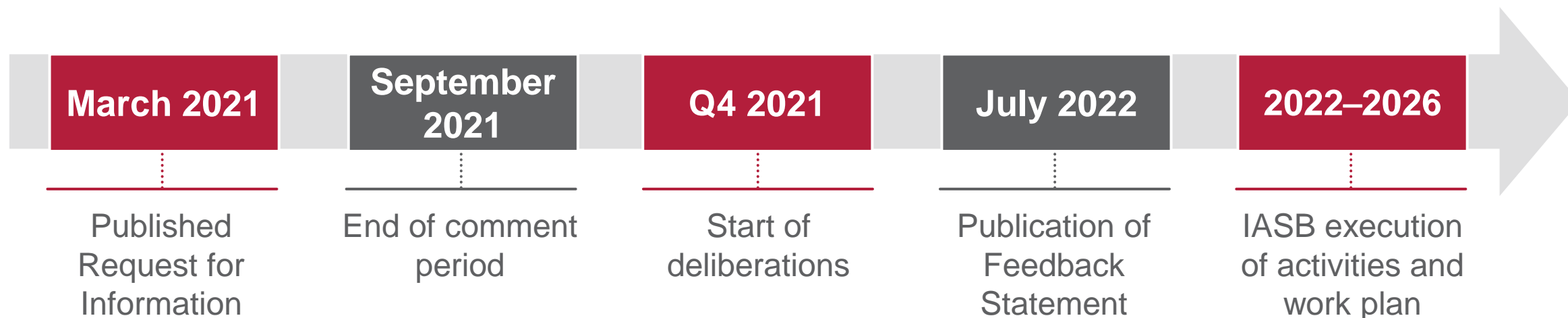
| Project | Next steps |
|---|---|
| Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12 | Feedback Statement expected in June 2022 |
| Third Agenda Consultation | Feedback Statement expected in July 2022 |
| Lease Liability in a Sale and Leaseback | Narrow-scope amendment to IFRS 16 expected in Q3 2022 |
| Second Review of the <i>IFRS for SMEs</i> Accounting Standard | Exposure Draft expected in Q3 2022 |

A grayscale world map is the background, showing continents and a grid of dotted lines. Overlaid on the left side are several thick, curved, light-gray lines that sweep across the map from the bottom left towards the top right.

Third Agenda Consultation

Third Agenda Consultation

Agenda ref 4



Feedback will help the IASB 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 IASB’s activities
- 2 the criteria for assessing the priority of financial reporting issues that could be added to the IASB’s work plan
- 3 new financial reporting issues that could be given priority in the IASB’s work plan

1 Strategic direction and balance of the IASB's activities

Agenda ref 4



After considering cross-cutting themes, such as implications of connectivity with the International Sustainability Standards Board (ISSB), and consistent with stakeholders' feedback, the IASB decided:

- to begin no new activities within the current scope of its work; and
- to leave its current level of focus on its main activities largely unchanged.

| Activity | Current level of focus | IASB's decision |
|---|------------------------|---|
| New Accounting Standards and major amendments | 40%–45% | Slightly decrease |
| Maintenance and consistent application | 15%–20% | Leave unchanged |
| The <i>IFRS for SMEs</i> Standard | 5% | Leave unchanged |
| Digital financial reporting | 5% | Slightly increase |
| Understandability and accessibility of Accounting Standards | 5% | Slightly increase (indirect support of maintenance and consistent application) |
| Stakeholder engagement | 20%–25% | Leave unchanged |

Criteria for assessing priority of financial reporting issues that could be added to the IASB's work plan



The IASB decided:

- not to reprioritise projects on its current work plan, but to continue working on those projects.
- not to make any changes to the list of criteria but to proceed with the list as proposed in the Request for Information.

Overarching consideration

whether a potential project will meet investors' needs, while taking into account the costs of producing the information

- ① the importance of the matter to **investors**
- ② whether there is a **deficiency** in current reporting
- ③ the **type of companies** affected and jurisdictions where the matter is more prevalent
- ④ how **pervasive or acute** the matter is likely to be for companies
- ⑤ the potential project's **interaction with other projects**
- ⑥ the **complexity and feasibility** of the potential project and its solutions
- ⑦ the **capacity** of the IASB and its stakeholders to progress the potential project

3 Financial reporting issues to add to the IASB's work plan

Agenda ref 4



The IASB decided:

- to add two projects to the research project pipeline;
- to add a project to the maintenance project pipeline to investigate whether narrow-scope standard-setting is needed in relation to climate-related risks; and
- to create a reserve list of two projects that could be added to the work plan only if additional capacity becomes available.

Research pipeline projects

Intangible assets



Statement of cash flows and related matters



Maintenance and consistent application project

Climate-related risks



Reserve list

Operating segments



Pollutant pricing mechanisms





Business Combinations under Common Control

Objective

- Develop reporting requirements to reduce diversity in practice and improve transparency

Preliminary views in Discussion Paper (Nov 2020)

- Specify which measurement method should be applied in which circumstances
 - Neither the acquisition method (set out in IFRS 3) nor a book-value method should be applied to all BCUCCs
 - In principle use the acquisition method for combinations that affect non-controlling shareholders (NCS principle)
 - Use a book-value method in all other cases
- Specify how a book-value method should be applied

1 BCUCC—Feedback overview

Agenda ref 4

Objective

- Almost all respondents agreed to not remove any transactions from the project's scope
- Most respondents suggested expanding the project scope (see next slide)

Selecting the measurement method

- Many respondents agreed with the NCS principle and some others agreed with a modified NCS principle if the affected NCS are insignificant. Many others disagreed and said:
 - A book-value method should apply to all BCUCCs
 - The method to apply to BCUCCs that affect NCS should depend on the substance of the BCUCC
 - The receiving entity should have a choice which method to apply to BCUCCs that affect NCS
- Many respondents agreed a book-value method should be applied to BCUCCs that do not affect NCS. Many others disagreed, most of which said the acquisition method should apply in specific circumstances (for example, if the receiving entity has publicly traded debt) but otherwise agreed

Project objective—tentative decision

- Update the project objective to emphasise that the IASB is considering the needs of users of the receiving entity's (that is, the reporting entity's) financial statements

Scope—tentative decisions

Not to expand the project scope to address:

- reporting by any entity in a BCUCC other than the receiving entity;
- the reporting, in separate financial statements, by a receiving entity obtaining control of an investment in a subsidiary from a party under common control; or
- the reporting of common control transactions other than BCUCCs.

Scope—not yet discussed

The IASB has not yet discussed other aspects of project scope including:

- transitory control;
- group restructurings; and
- specific clarification requests.

3 BCUCC—Project plan

Agenda ref 4

| Workstream | Status |
|--|---|
| I—Project scope | See previous slide |
| II—Selecting the measurement method | Commence deliberations in the first half of 2022 |
| III—Applying the measurement methods (including the acquisition method, book-value method and related disclosures) | Commence deliberations after completing the first two workstreams |
| IV—Applying the measurement methods (including transition) | Commence deliberations after completing the first two workstreams |

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Other research projects

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

Overview of the DRM model

- Companies dynamically manage the **current net open risk position**—that is, the net of eligible assets and liabilities, including core demand deposits
- The **risk mitigation intention** is the extent of current net open position that the company dynamically manages using derivatives
- When designated derivatives are successful in mitigating the repricing risk due to changes in interest rates and achieving the entity's **target profile**, changes in the fair value of such derivatives are recognised in OCI and reclassified to the statement of profit or loss over time

Next steps

Continue the redeliberation of key issues identified in the meetings with preparers

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 milestone

Decide project direction

Objective

- Provide more useful information about exploration and evaluation expenditure and activities accounted for applying IFRS 6 *Exploration for and Evaluation of Mineral Resources* by improving the transparency and comparability of this information

Project scope

- Explore developing requirements or guidance to improve a company's disclosures about its exploration and evaluation expenditure and activities
- Explore removing the temporary status of IFRS 6

Next steps

Decide project direction

Goodwill and Impairment

Agenda ref 4

Objective

- Improve information companies provide about their acquisitions at a reasonable cost

Preliminary views (2020 Discussion Paper)

- Disclose management's objectives for acquisitions and subsequently disclose the performance against those objectives
- Targeted improvements to existing standards
- Retain impairment-only model for goodwill
- Simplify impairment test
- Do not change recognition of intangibles separately from goodwill

Project update

- This information conceptually can be required in financial statements (IASB's tentative decision)
- Investigation of practical concerns with stakeholders using staff examples (in progress)
- Analysis of specific aspects of the feedback on the subsequent accounting for goodwill (in progress)
- Feedback discussed in May 2021

Next milestone

Decide project direction

Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12

Agenda ref 4

Objective

- Assess whether IFRS 10, IFRS 11 and IFRS 12 are working as intended

Topics in the Request for Information

Consolidation

Joint arrangements

Disclosures

IASB conclusions

- IFRS 10, IFRS 11 and IFRS 12 are working as intended
- No topics identified as part of the Review require immediate action or need to be added to the research pipeline

Next milestone

Publish Project Report and Feedback Statement

Post-implementation Review of IFRS 9— Classification and Measurement

Agenda ref 4

Objective

- Assess whether the classification and measurement requirements in IFRS 9 are working as intended

Discussion plan for the Feedback on the Request for Information

| April/May 2022 | Q2/Q3 2022 | | | | |
|---|---------------------------|----------------------------|---|--|---------------|
| Contractual cash flow characteristics (including ESG, contractually linked instruments) | Business model assessment | Equity instruments and OCI | Modifications to contractual cash flows | Amortised cost and effective interest method | Other matters |

Next milestone

Discuss Request for Information Feedback



Standard-setting projects

Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

Agenda ref 4

Objective

- To permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Accounting Standards

Features of proposals in Exposure Draft (July 2021)

- Sets out **reduced disclosure requirements** for eligible subsidiaries
- A **voluntary standard** forming part of the IFRS Accounting Standards
- Would **reduce costs** for preparers and **maintain usefulness** of the financial statements

Next milestone

Discuss Exposure Draft Feedback

Disclosure Initiative—Targeted Standards-level Review of Disclosures

Agenda ref 4

Objective

- Improve the IASB'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 in Exposure Draft (Mar 2021)

- New approach for the IASB to use when developing and drafting disclosure requirements in IFRS Accounting Standards (proposed Guidance)
- 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
- Focus compliance on detailed disclosure objectives rather than prescriptive requirements, thus requiring companies to apply judgement

Next milestone

Discuss comment letter feedback

Financial Instruments with Characteristics of Equity

Agenda ref 4

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

Publish Exposure Draft

Objective

- Overhaul IFRS Practice Statement 1 to provide a **comprehensive framework** on management commentary—building on innovations in narrative reporting and focusing on capital market needs

Feedback on Exposure Draft

- Strong **investor support** for the project, as it addresses common shortcomings in reporting practice
- Support for **focus on investors' information needs**, but some calls for a broader focus
- Support for proposed **objectives-based approach**, disclosure objectives and areas of content
- Calls to **work together with the ISSB** with suggestions to pause the project to enable that connectivity
- Some suggestions for further integration with **other reporting frameworks** (eg <IR> Framework¹)

Next milestone

Consider path forward for the project in Q2 2022

¹ International Integrated Reporting Council (IIRC, now Value Reporting Foundation)'s International Integrated Reporting Framework

Objective

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

Main proposals in Exposure Draft (Dec 2019)

- Require additional **defined subtotals** in statement of profit or loss
- Strengthen requirements for **disaggregating information**
- Require disclosures about **management performance measures**

Next milestone

Issue IFRS Accounting Standard

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 in Exposure Draft (Jan 2021)

- Require recognition of **regulatory assets**, **regulatory liabilities**, **regulatory income** and **regulatory expense**
- 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
- Measure regulatory assets and regulatory liabilities using a **cash-flow-based** measurement technique

Next milestone

Issue IFRS Accounting Standard

Second Review of the *IFRS for SMEs Accounting Standard*

Agenda ref 4

Objective

- Update the *IFRS for SMEs Accounting Standard* for requirements in IFRS Accounting Standards that are in the scope of this comprehensive review

Approach

- Apply alignment approach to decide how to update the *IFRS for SMEs Accounting 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

Next milestone

Publish Exposure Draft

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Maintenance projects

Lack of Exchangeability

Agenda ref 4

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

- Specify when exchangeability between two currencies is lacking and **how to make** that assessment
- **Estimate the spot exchange rate** when exchangeability is lacking
- **Disclose** how the lack of exchangeability affects, or is expected to affect, the company's financial performance, financial position, and cash flows

Next milestone

Decide project direction

Lease Liability in a Sale and Leaseback

Agenda ref 4

Objective

- Improve the measurement requirements for sale and leaseback transactions—particularly those with variable payments

Forthcoming amendments to IFRS 16

- Specify **subsequent measurement requirements** for the lease liability in a sale and leaseback transaction
- Require retrospective application of the amendments applying IAS 8
- Effective on 1 January 2024, with earlier application permitted

Next milestone

Issue amendments to IFRS 16

Non-current Liabilities with Covenants

Agenda ref 4

Objective

- Improve the information about liabilities with covenants provided through classification (as current or non-current), presentation and disclosure in financial statements

Proposed amendments to IAS 1

- Specify that covenants with which a company 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 a company **does not have a right to defer settlement**

Next milestone

Discuss Exposure Draft Feedback

Provisions—Targeted Improvements to IAS 37

Agenda ref 4

Objective

- Develop proposals for three targeted amendments to *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*

Targeted amendments

- **Align requirements** for identifying liabilities with *Conceptual Framework*
- Clarify which **costs** to include in measure of a provision
- Specify whether **discount rates** used should reflect company's own credit risk

Next steps

Staff will prepare a project plan for consideration by the IASB

Supplier Finance Arrangements

Agenda ref 4

Objective

- Provide information that enable investors to assess the effects of supplier finance arrangements on a company's liabilities and cash flows

Proposed amendments to IAS 7 and IFRS 7

- **Describe** the characteristics of an arrangement for which a company would be required to provide the proposed disclosure
- Add **qualitative and quantitative disclosure** requirements for supplier finance arrangements to meet the disclosure objective
- **Highlight** the required disclosure of liquidity risk and risk management and of non-cash changes in financing liabilities arising from supplier finance arrangements

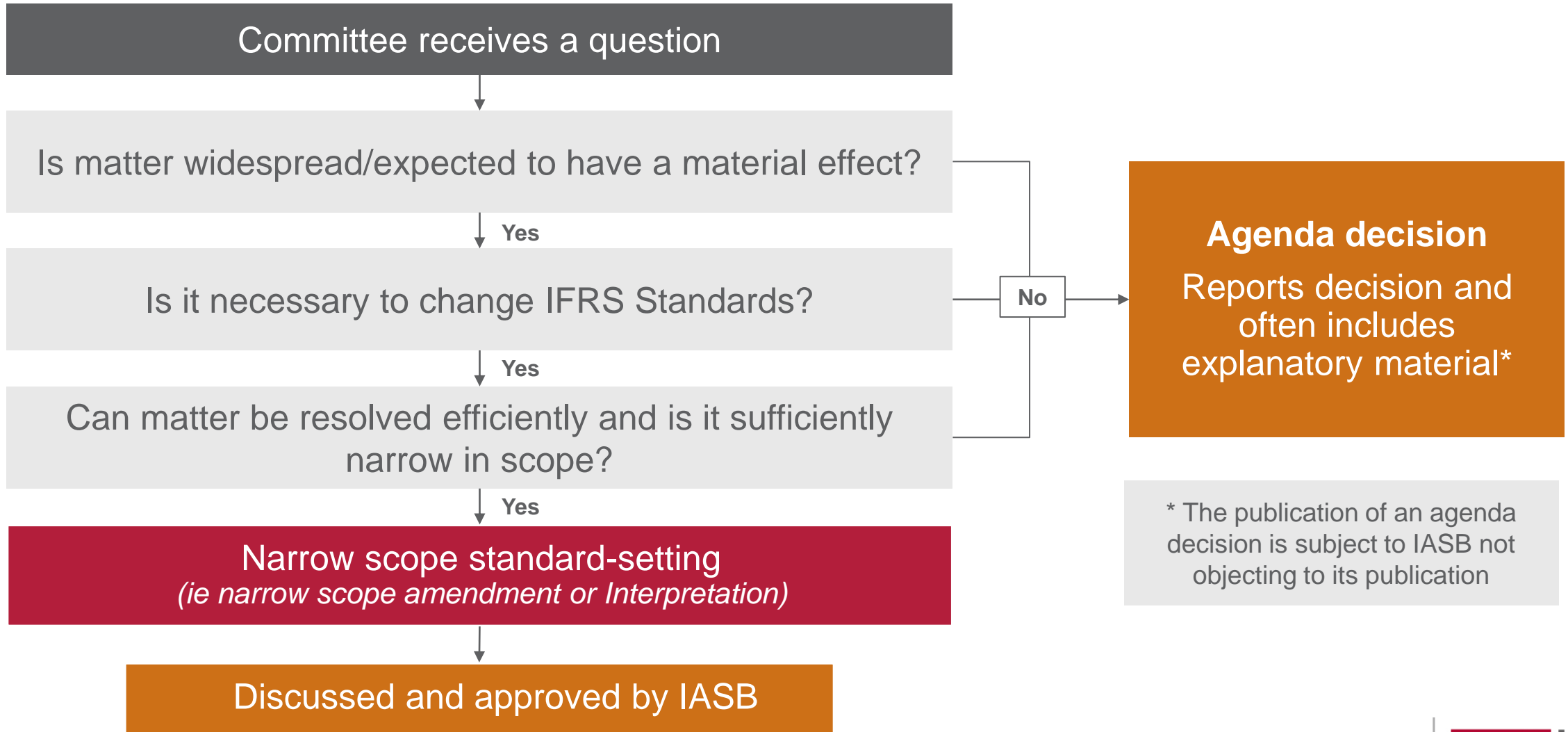
Next milestone

Discuss Exposure Draft Feedback



Work of the IFRS Interpretations Committee

The Interpretations Committee's process



Committee's work: Overview of 2022 activities

Agenda ref 4



8 addressed by Committee through agenda decisions (most including explanatory material)

Three Committee meetings held in 2022 to date

Committee's work: Overview of 2021 activities

Agenda ref 4



12 addressed by Committee through agenda decisions (most including explanatory material)

2 work in progress

2 addressed through a narrow-scope amendment

Six Committee meetings held in 2021

Sample of recent agenda decisions

Agenda ref 4

Supply Chain Financing Arrangements—Reverse Factoring

Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38)

Hedging Variability in Cash Flows due to Real Interest Rates (IFRS 9)

TLTRO III Transactions (IFRS 9 and IAS 20)

Economic Benefits from Use of a Windfarm (IFRS 16)

Attributing Benefit to Periods of Service (IAS 19)

Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7)

Costs Necessary to Sell Inventories (IAS 2)

Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10)

Interpretations Committee's meetings

June 2022

Comment letters on tentative agenda decisions

Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)

Negative Low Emission Vehicle Credits (IAS 37)

Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17)*

New submissions

Consolidation of a non-hyperinflationary subsidiary by a hyperinflationary parent (IAS 21 and IAS 29)

Group of insurance contracts that generate cash flows in a foreign country (IFRS 17 and IAS 21)

Future meetings

Comment letters on tentative agenda decisions

SPAC: Accounting for Warrants at Acquisition*

SPAC: Classification of Public Shares as Financial Liabilities or Equity (IAS 32)*

Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)*

* Tentative agenda decisions open for comment until 23/05/22.

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