
Agenda paper 3

Update on the IASB's activities

October 2022 – March 2023

IFRS Advisory Council
April 2023

Update on the IASB's activities—contents

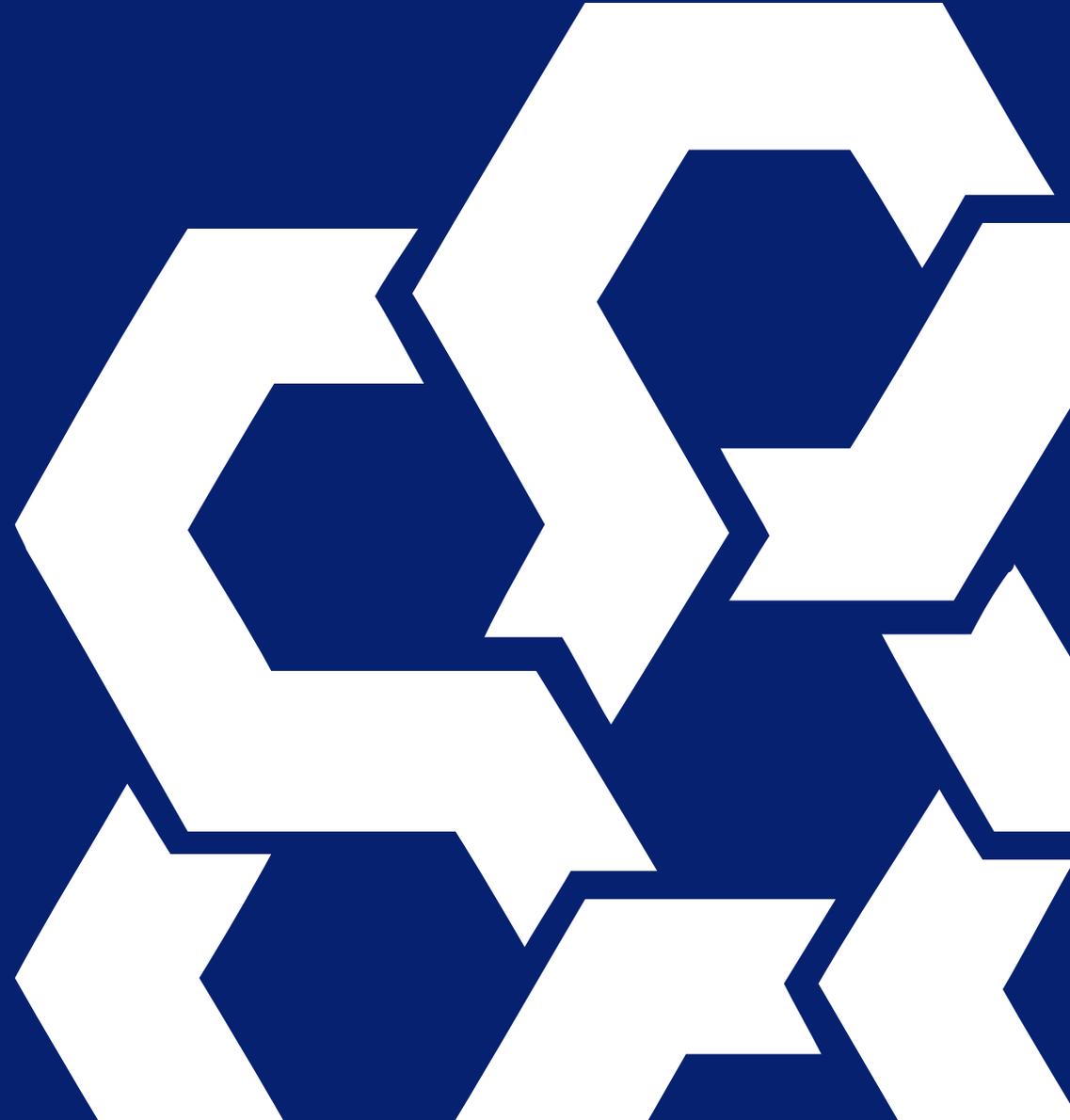
Executive summary

- Significant developments
- Snapshot of what's on the horizon

Detailed descriptions

- Standard-setting projects
- Research projects
- Maintenance and consistent application

Executive summary



Significant developments



Significant developments (1/3)

Final amendments issued

- Non-current Liabilities with Covenants (Amendments to IAS 1)

Other documents published

- Feedback Statement *Post-implementation Review of IFRS 9—Classification and Measurement*
- Project Summary on *Disclosure Initiative—Targeted Standards-level Review of Disclosures*

Consultation documents published

- Exposure Draft *International Tax Reform—Pillar Two Model Rules* (comment period ended 10 March 2023)
- Exposure Draft Amendments to the Classification and Measurement of Financial Instruments (comment period ending 19 July)

Significant developments (2/3)

Forthcoming publications

1. Request for information on PIR of IFRS 9—*Impairment* (May 2023)
2. Request for information on PIR of IFRS 15 *Revenue from Contracts with Customers* (June 2023)
3. Exposure draft proposing amendments to IAS 32 (*Financial Instruments with Characteristics of Equity*) (Q4 2023)
4. Amendments for *International Tax Reform—Pillar Two Model Rules* (expected May 2023)
5. Amendments for *Supplier Finance Arrangements* (expected May 2023)
6. Amendments for *Lack of Exchangeability* (expected August 2023)

Changes to the work plan

1. Moved project on *Goodwill and Impairment* from research to standard-setting and changed the project title to *Business Combinations —Disclosures, Goodwill and Impairment*
2. Moved project on *Climate-related Risks in the Financial Statements* from maintenance pipeline to maintenance workplan

Digital financial reporting – *thank you for your advice in October 2022!*

IASB's Third Agenda Consultation

Decided to slightly increase focus on digital financial reporting

December 2022 IASB meeting

Discussed how to 'invest' the increased focus

- Defined strategic framework to provide direction and boundaries to work
- Prioritised activities within the strategic framework
- Observed that Standards and digital consumption are interlinked – considering one will enable improvement of the other
- Observed some opportunities for connectivity between the IASB and ISSB's digital work, recognising that the boards are in different places

What's next?

Execute

- IFRS Accounting Standards – greater consideration of digital implications in standard-setting
- IFRS Accounting Taxonomy – improvements and updates
- Digital ecosystem – greater engagement and awareness raising

Significant developments (3/3)

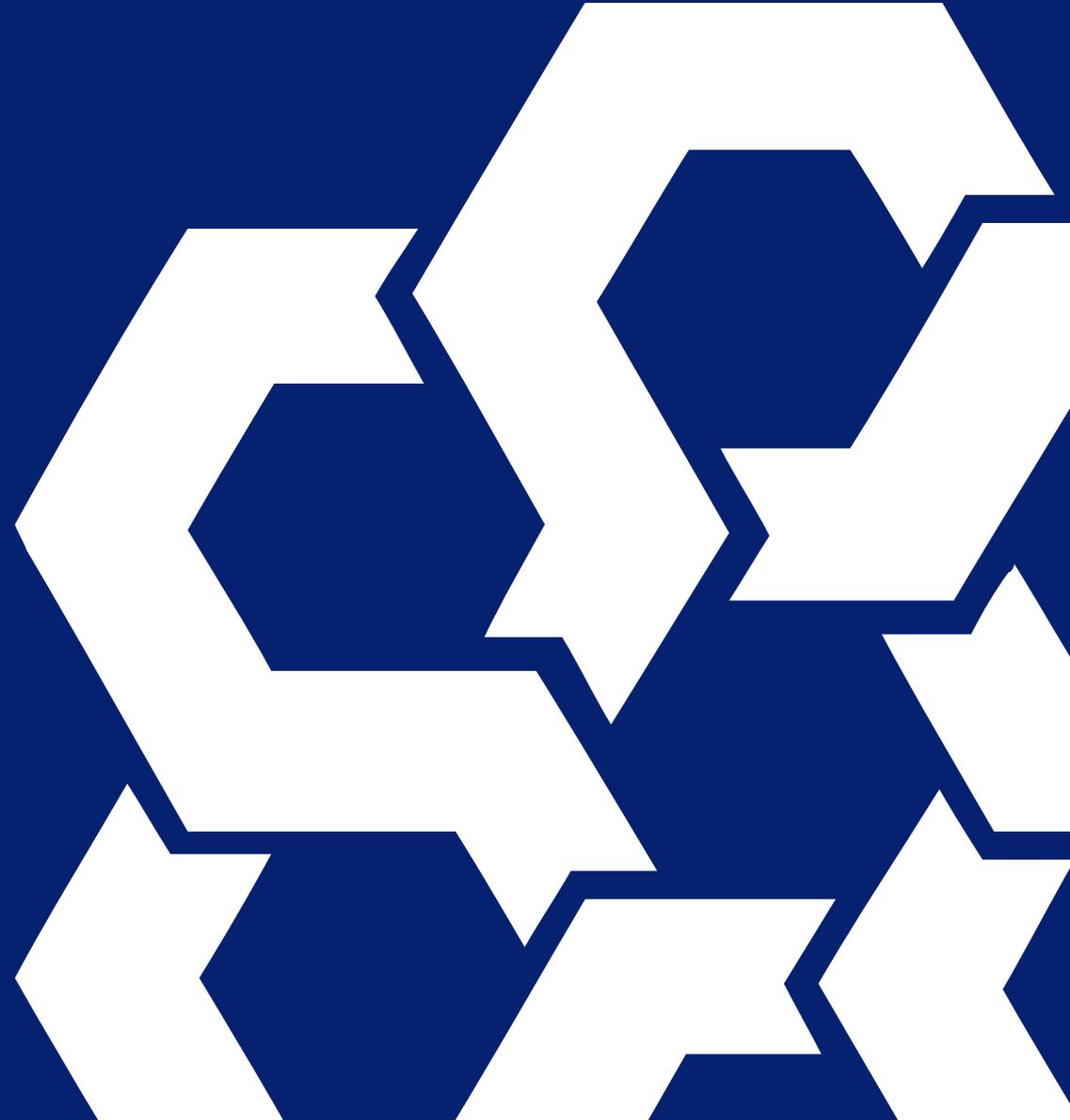
Changes to the IASB

1. Linda Mezon-Hutter – appointed Vice chair (effective 1 January 2023)
2. Patrina Buchanan (term started on 1 December 2022)
3. Hagit Keren (term started on 1 March 2023)
4. Florian Esterer (term starting on 3 April 2023)

Other matters

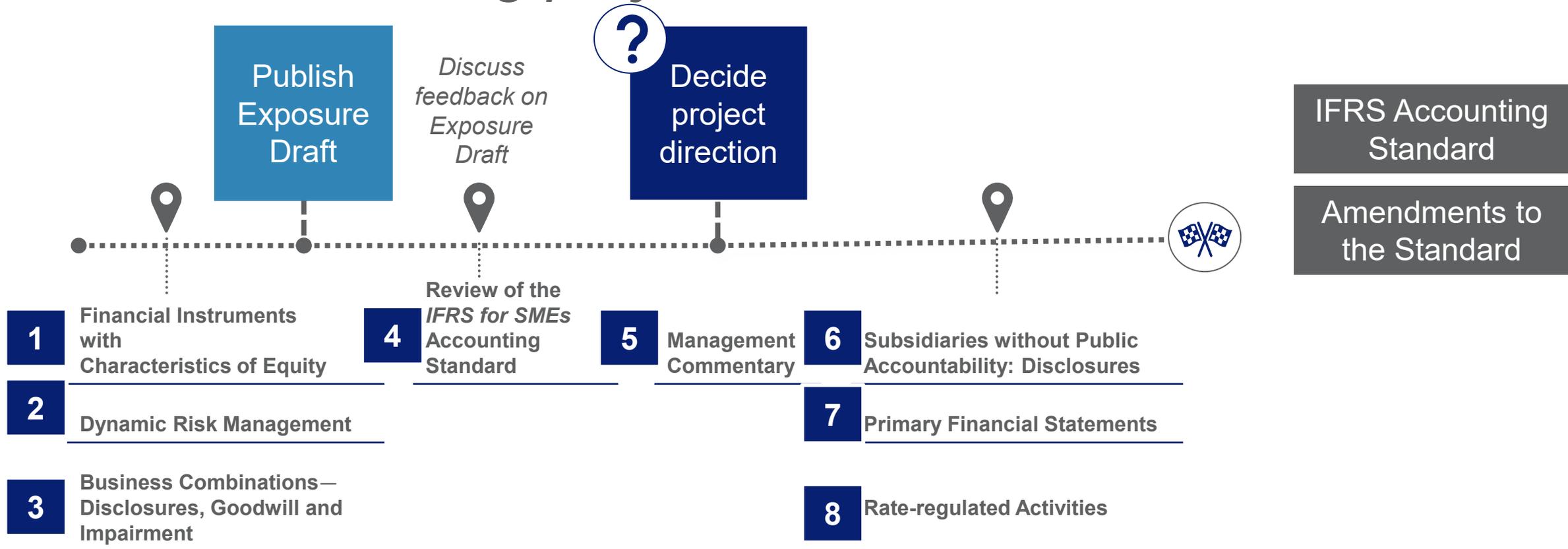
1. Horizon scanning

Snapshot of what's on the horizon



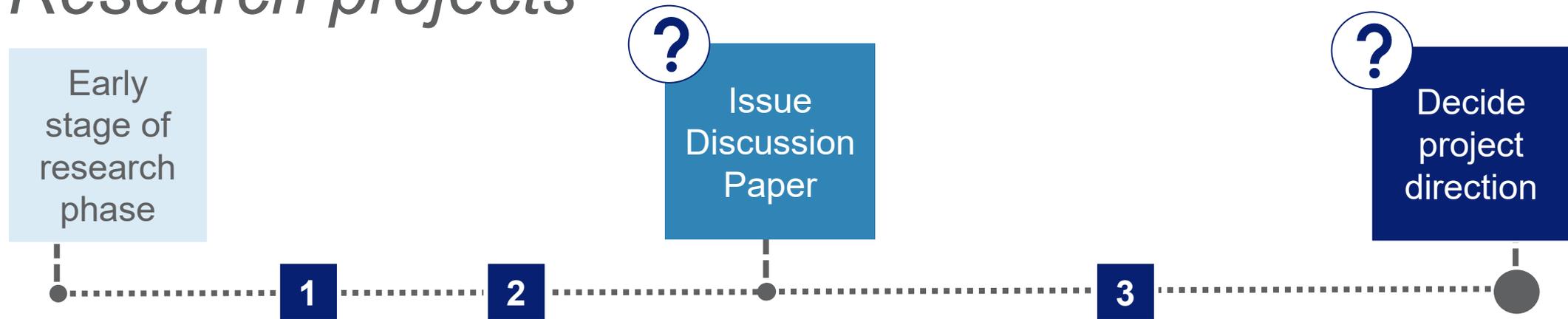
Snapshot of what's on the horizon

Standard-setting projects



Snapshot of what's on the horizon

Research projects



- 1** Equity Method
- 2** Extractive Activities
- 3** Business Combinations under Common Control

Post-implementation reviews

Recently completed

PIR of IFRS 9—Classification and Measurement

PIR of IFRS 9—Impairment

Ongoing

PIR of IFRS 15 *Revenue from Contracts with Customers*

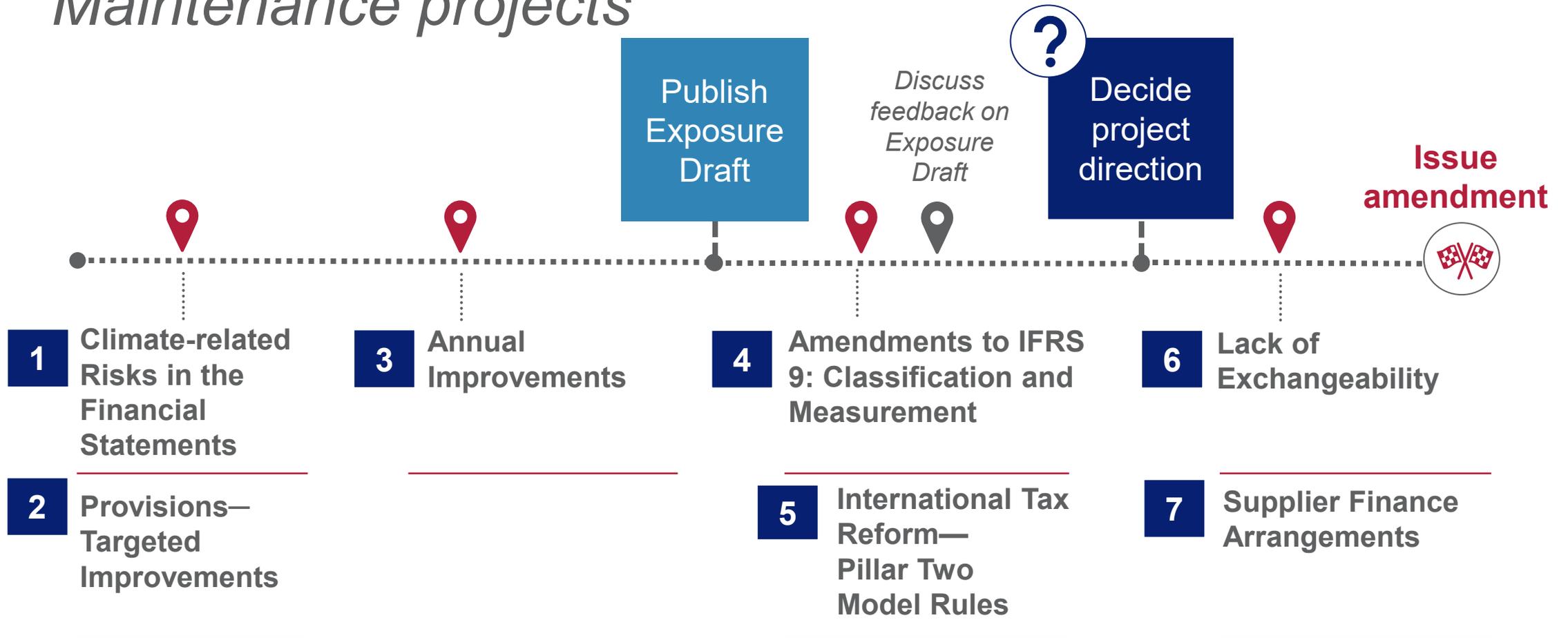
PIR of IFRS 16 *Leases*

Forthcoming

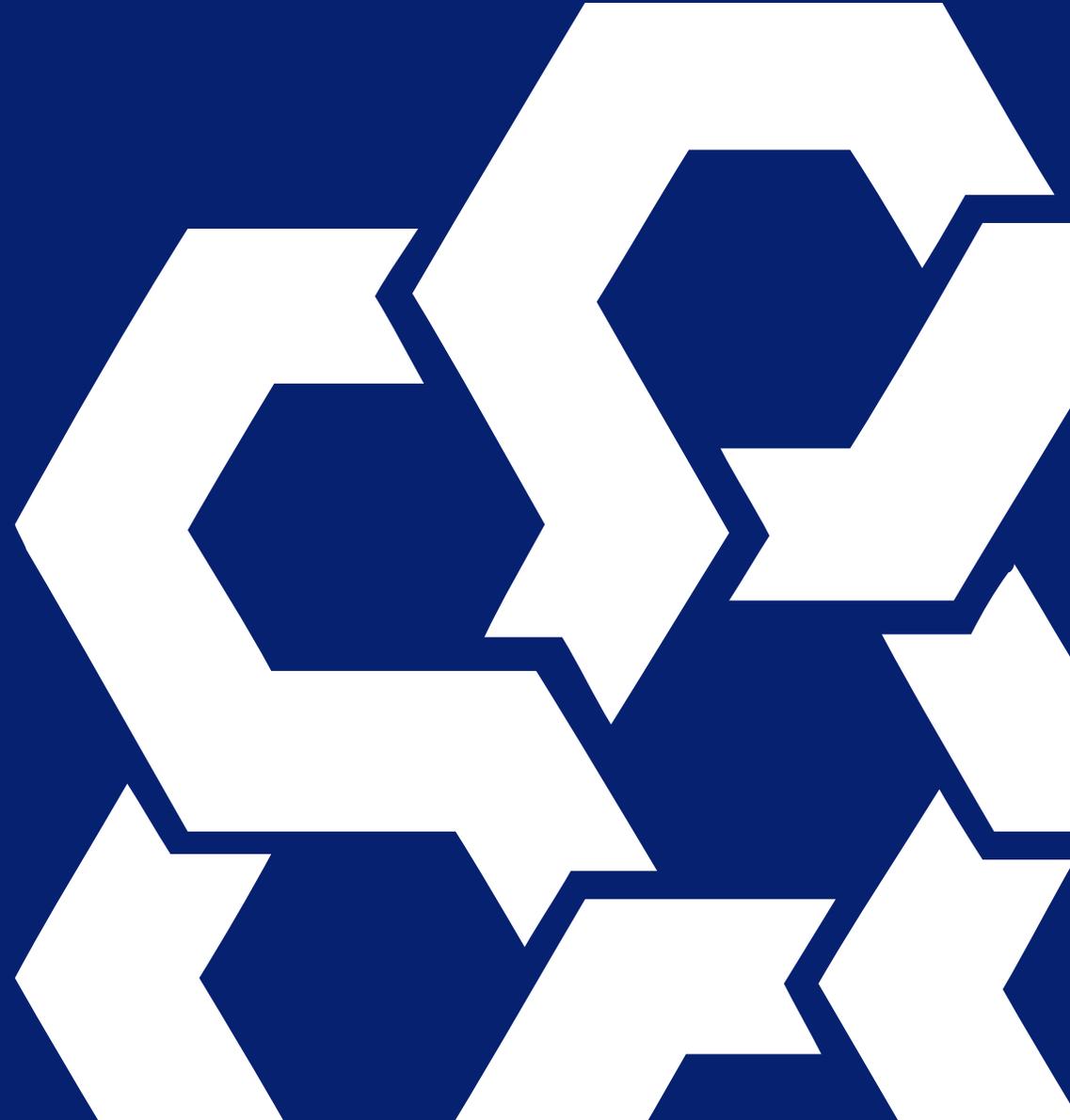
PIR of IFRS 9—Hedge Accounting

Snapshot of what's on the horizon

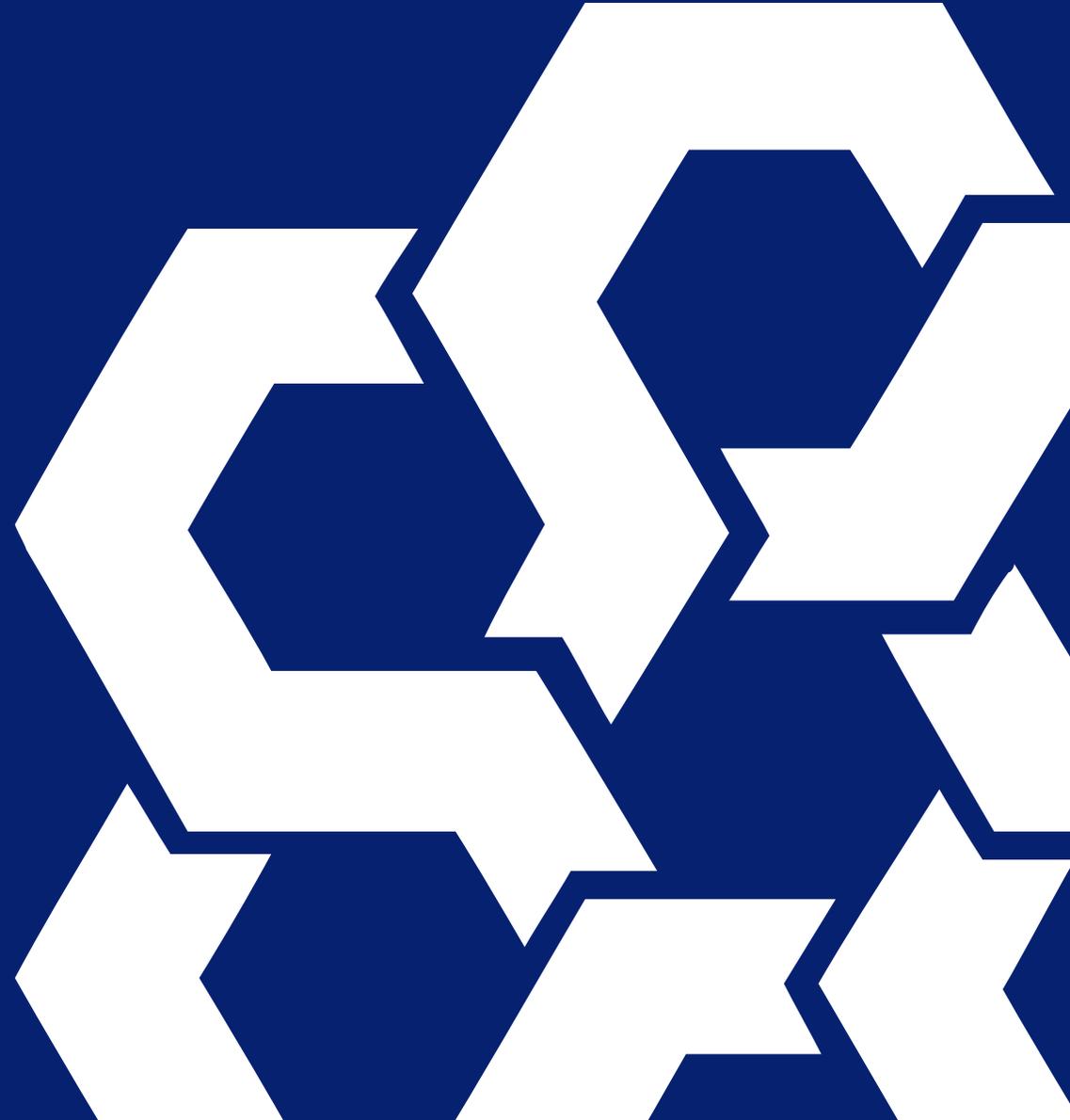
Maintenance projects



Detailed descriptions



Standard-setting projects



1 Financial Instruments with Characteristics of Equity

Objective

- ✓ Improve information companies provide in their financial statements about issued financial instruments
- ✓ Address challenges with applying IAS 32

Project update

Between October 2022 and March 2023, the IASB made tentative decisions on:

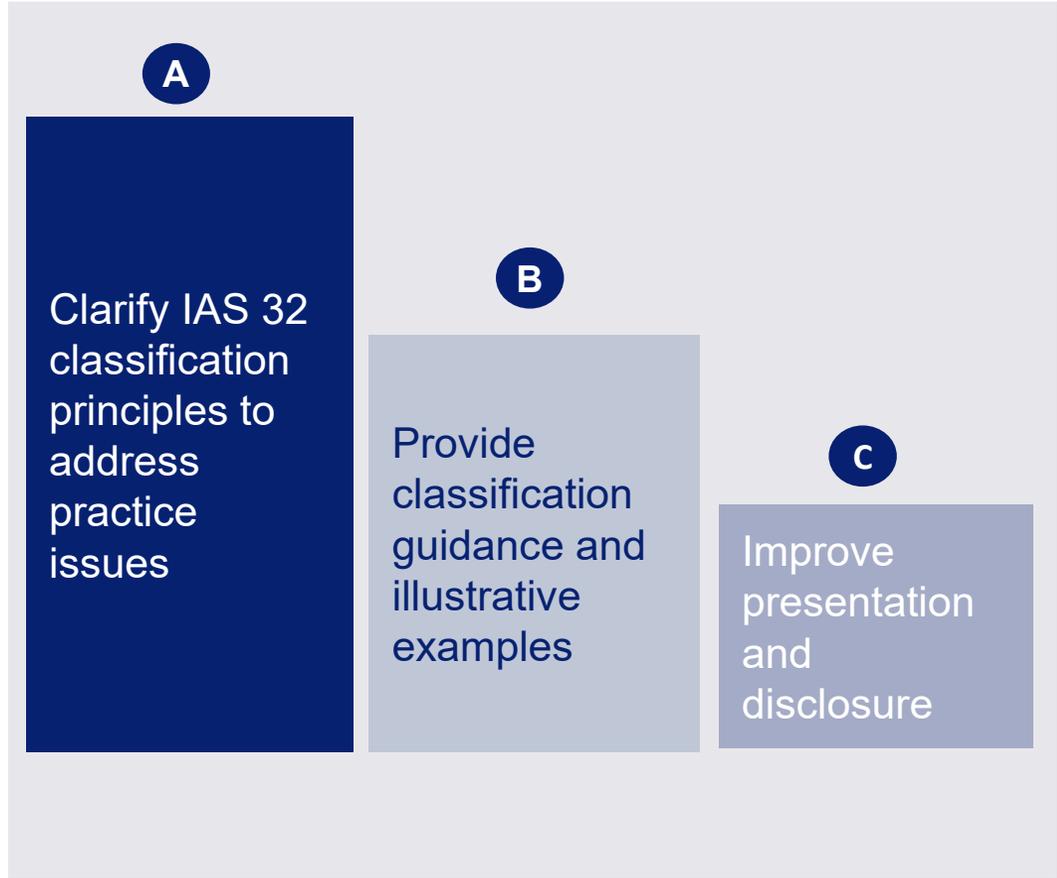
- ✓ presentation of financial liabilities and equity instruments
- ✓ classification and presentation–sweep issues:
 - ✓ fixed-for-fixed condition
 - ✓ reclassification
 - ✓ the effects of laws on the contractual terms
 - ✓ obligations to redeem own equity instruments
 - ✓ presentation of financial liabilities containing contractual obligations to pay amounts based on an entity’s performance or changes in its net assets

Next steps

Publish Exposure Draft of amendments to IAS 32, IAS 1 and IFRS 7



What is it about?



2 Dynamic Risk Management (DRM)

Objective

Develop an accounting model to better reflect the effect of dynamic risk management in a company's financial statements

Project update

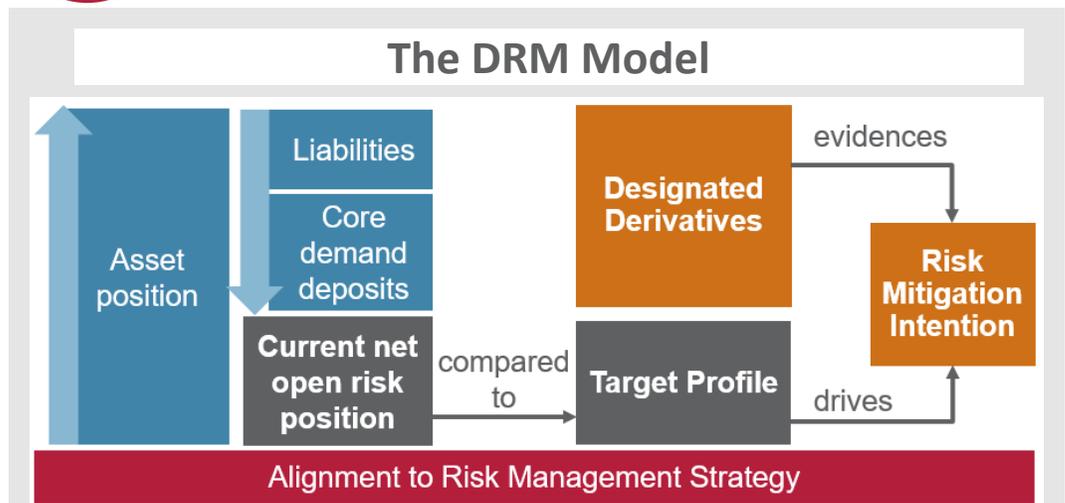
✓ From October 2022 to March 2023 tentative decisions were made on items eligible for designation in the DRM model and refinements to the performance assessment

Next steps

The IASB will continue its deliberation on the topics identified in the July 2022 project plan



What is it about?

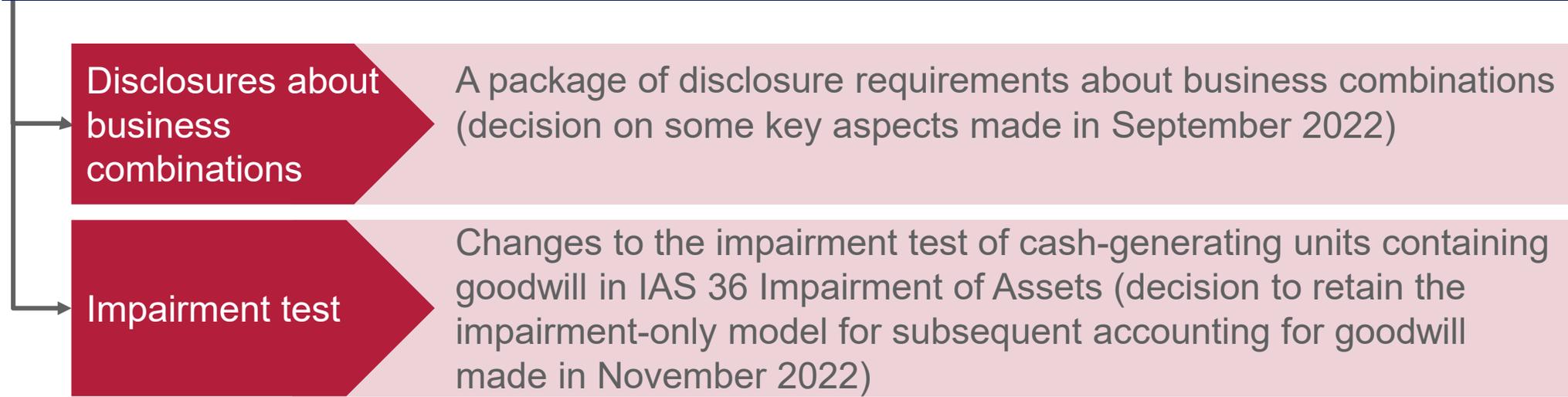


A DRM adjustment is recognised in the statement of financial position to represent the extent to which the **designated derivatives** successfully mitigated the variability from the **risk mitigation intention**, and achieved the entity's **target profile**

3 Business Combinations—Disclosures, Goodwill and Impairment

Objective	Improve information companies provide about their acquisitions at a reasonable cost	Next steps	Complete redeliberations and publish Exposure Draft
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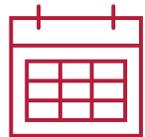
Current focus



4 Review of the *IFRS for SMEs* Accounting Standard

The IASB:

- is proposing to **update** the *IFRS for SMEs* Accounting Standard **to reflect some improvements that have been made in full IFRS Accounting Standards**
- will consider whether to amend the *IFRS for SMEs* Accounting Standard for new IFRS requirements for regulatory assets and regulatory liabilities and IFRS 16 in a future review



Comment period ended on
7 March 2023

Next steps

Discuss feedback



5 Management Commentary

Features of the proposals in the Exposure Draft	A	Focus on information needs of investors and creditors
	B	Disclosure objectives + supporting guidance
	C	Would bring together in one report information about financial, sustainability and other matters fundamental to entity's long-term prospects

Evolving landscape

- Feedback on ED indicated support for the project, in particular from investors
- Calls to work together with the ISSB—possible joint project to be considered in ISSB Agenda Consultation
- Explored similarities and differences with *Integrated Reporting Framework (separate Advisory Council session)*
- ISSB to consult on agenda priorities, including possible project on integration in reporting

Next steps Consider project direction

6 Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures

Main features in the Exposure Draft	A Sets out reduced disclosure requirements for eligible subsidiaries
	B A voluntary standard forming part of the IFRS Accounting Standards
	C Would reduce costs for preparers and maintain usefulness of the financial statements
Current focus	Consider feedback and discuss proposals in the Exposure Draft to develop a new IFRS Accounting Standard
Next steps	The IASB has discussed feedback to the Exposure Draft and will progress towards developing a final standard.

7 Primary Financial Statements

Main proposals

 Require additional defined **subtotals** in the statement of profit or loss

 Require disclosures about **management performance measures**

 Strengthen requirements for **disaggregating** information

Next steps The IASB will complete redeliberations based on the feedback received in targeted outreach (see next slide) on key changes made to the proposals in the Exposure Draft.

Proposals redeliberated...

Categories and required subtotals	Proposals for entities with specified main business activities*
Associates and Joint Ventures*	

Scope and definition*	Aspects of disclosure including tax and NCI*	Disclosure in a single location
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Presentation & disclosure of operating expenses*	Roles of primary financial statements and notes	Principles of aggregation and disaggregation
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Statement of Cash Flows

* Aspects of these proposals to be discussed in future meeting

7 Targeted outreach on Primary Financial Statements

<p>Overall comments</p>	<ul style="list-style-type: none"> • Most supported the direction of the redeliberations and would like to see the project completed as soon as possible
<p>Subtotals and categories</p>	<ul style="list-style-type: none"> • Most agreed with the revised approach for classifying income and expenses in the financing category but requested additional guidance • Some disagreed with classifying income and expenses from associates and joint ventures accounted for using the equity method in the investing category
<p>Management performance measures</p>	<ul style="list-style-type: none"> • Many supported the rebuttable presumption but requested additional guidance • Many supported the simplified tax calculation for reconciling items but some challenged the usefulness or expressed concerns about the cost of the information
<p>Disaggregation</p>	<ul style="list-style-type: none"> • Most agreed with the revised proposal to disclose the amounts of depreciation, amortisation and employee benefits included in each line item • Some supported including impairments and write-downs of inventory

8 Rate-regulated Activities

Main proposals



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

Project update

During Q4 2022 the IASB made further progress on its redeliberations on total allowed compensation:

- accounting for regulatory assets and regulatory liabilities arising from differences between regulatory recovery period and assets' useful lives; and
- inflation adjustments to an entity's regulatory capital base.

In Q1 2023 the IASB started redeliberating the proposed recognition requirements of the model.

Next steps

During 2023 the IASB will continue redeliberating the proposals of the model

Research projects



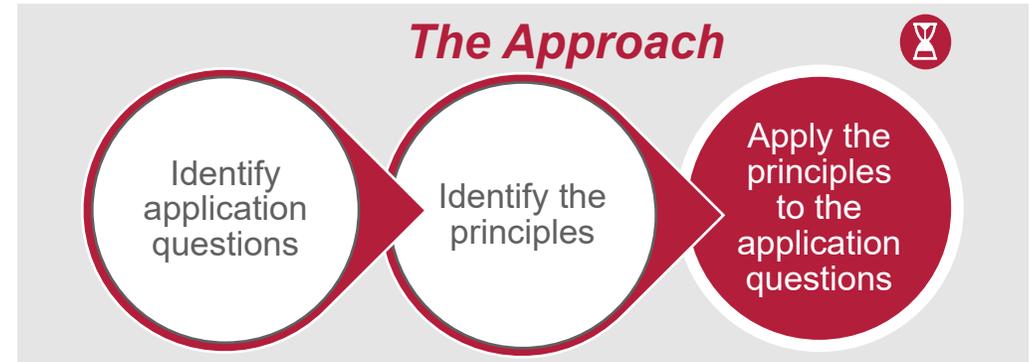
1 Equity Method

Objective Assess whether application questions with the equity method as set out in IAS 28 can be addressed by identifying and explaining principles of IAS 28

Project update The IASB concluded discussions on **three significant categories** of the application questions

Next steps

- Begin discussion on remaining application questions
- Decide whether to publish Exposure Draft or Discussion paper



Ownership changes 

Impairment

Recognition of losses 

Deferred taxes

Transactions with (and between) equity accounted investments 

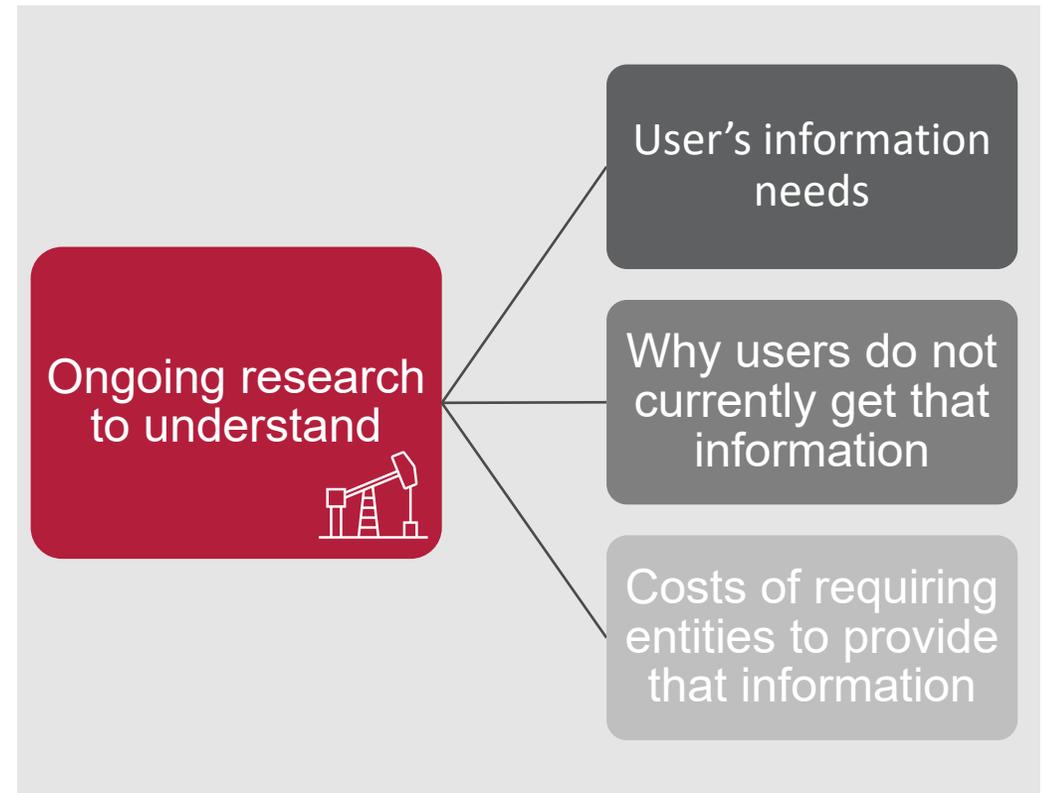
Contingent consideration

2 Extractive Activities

<p>Objective</p>	<p>Provide more useful information about exploration and evaluation expenditure and activities accounted for applying IFRS 6</p>
<p>Project update</p>	<p>The IASB is exploring:</p> <ul style="list-style-type: none"> • developing requirements or guidance to improve a company’s disclosures about its exploration and evaluation expenditure and activities • removing the temporary status of IFRS 6
<p>Next steps</p>	<p>Undertaking outreach Decide project direction</p>



What is it about?



3 Business Combinations under Common Control

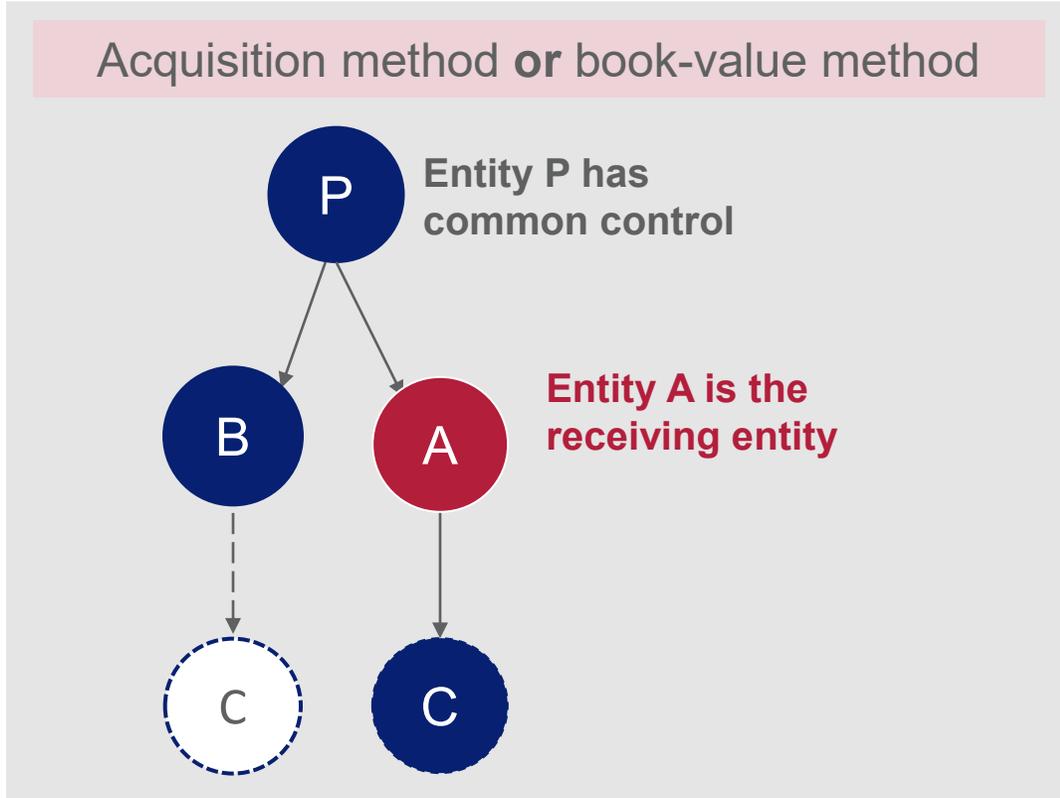
Objective
Develop reporting requirements to reduce diversity in practice and improve transparency

Project update
The IASB decided not to expand the project scope in March 2022.
The IASB started deliberating the selection of the measurement method(s) in June and November 2022.

Next steps
Deliberate the selection of the measurement method(s)



What is it about?



PIR of IFRS 9—*Financial Instruments*: Impairment

Objective

- Assess the effects on stakeholders of applying the expected credit losses (ECL) requirements to financial instruments

Request for Information

Will examine:

- general approach to recognition of ECL
- significant increases in credit risk
- measurement of ECL
- credit-impaired financial assets
- simplified approach
- loan commitments and financial guarantee contracts
- credit risk disclosures
- interaction with other requirements

Next milestone

- Publish Request for Information by end of May 2023

PIR of IFRS 15—*Revenue from Contracts with Customers*

Objective

- Assess whether the effects of applying IFRS 15 on users of financial statements, preparers, auditors and regulators are as intended when the Standard was issued

Request for Information

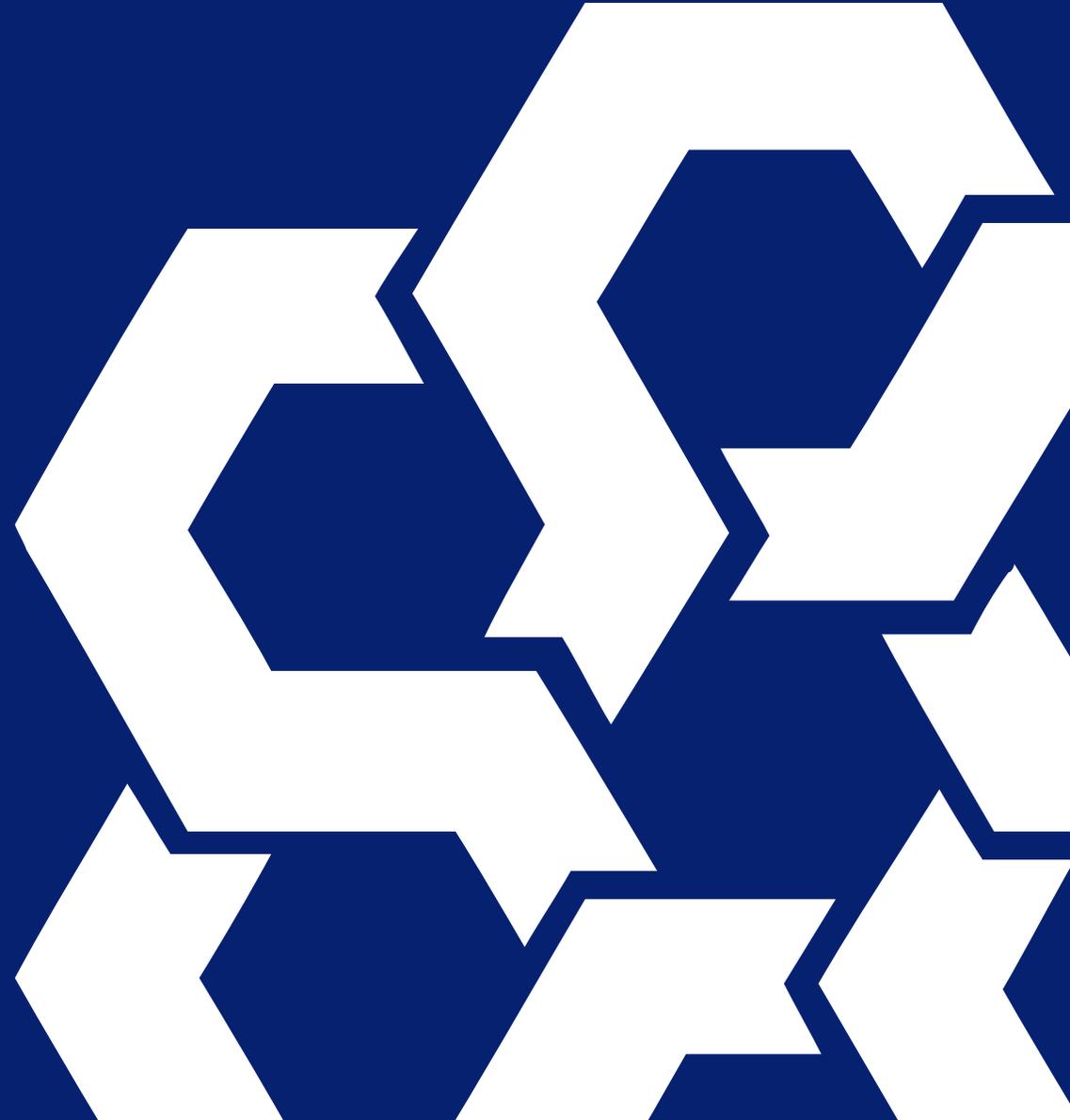
Will examine:

- identifying the performance obligations in a contract
- determining the transaction price
- determining the timing of revenue recognition
- principal versus agent considerations
- licensing
- disclosure requirements
- transition requirements
- interaction with other IFRS Accounting Standards
- views on IFRS 15 as a whole and convergence with US GAAP Topic 606

Next milestone

- Publish Request for Information by end of June 2023

Maintenance and consistent application



1 Climate-related risks in the financial statements

Objective

- Explore whether and, if so, how financial statements can better communicate information about climate-related risks.

Areas of focus

- Research the causes of stakeholders' concerns about inconsistent application and insufficient information
- Consider whether and, if so, what might be needed
- Consider the work of the ISSB to the extent that it applies to the financial statements.

Next milestone

- Decide project direction

2 Provisions—Targeted Improvements

Objective

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

Areas of focus

- 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 non-performance risk

Next milestone

- Decide project direction

3 Annual Improvements to IFRS Accounting Standards

Objective

Propose amendments to IFRS Accounting Standards that either:

- clarify wording; or
- correct relatively minor unintended consequences, oversights or conflicts between existing requirements

In scope

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- IFRS 7 *Financial Instruments: Disclosures*
- IFRS 9 *Financial Instruments*
- IFRS 10 *Consolidated Financial Statements*
- IAS 7 *Statement of Cash Flows*

Next milestone

- Discuss other potential amendments

4 Amendments to IFRS 9: Classification and Measurement

Objective

- Narrow-scope amendments in response to the Post-implementation Review of IFRS 9 Classification and Measurement

Areas of focus

- Contractual cash flow characteristics of financial assets
- Derecognition of financial liabilities settled through electronic cash transfers
- Disclosure requirements for equity instruments for which fair value changes are presented in OCI

Next milestone

- Exposure Draft published March 2023
- Comment period ends 19 July 2023

5 International Tax Reform—Pillar Two Model Rules

Objective

- Respond to stakeholders' concerns about the potential implications of the imminent implementation of the OECD's Pillar Two model rules for income tax accounting

Proposals

- Introduce a temporary exception to the accounting for deferred taxes arising from the implementation of the rules
- Require targeted disclosures for affected companies

Next milestone

- Exposure Draft Feedback

6 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

Proposals

- Specify when exchangeability is lacking and how to make that assessment
- Estimate the spot exchange rate when exchangeability is lacking
- Disclose how the lack of exchangeability affects financial performance, financial position and cash flows

Next milestone

- Issue IFRS Accounting Standard amendments

7 Supplier Finance Arrangements

Objective

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

Proposals

- Describe the arrangements for which the proposed disclosure would be required
- Add qualitative and quantitative disclosure requirements
- Highlight the required disclosure of liquidity risk and risk management

Next milestone

- Issue IFRS Accounting Standard amendments

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