
IASB[®] meeting

Date	May 2023
Project	Annual Improvements to IFRS Accounting Standards
Topic	Early application and due process
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Introduction

1. At its [February 2023](#) meeting, the International Accounting Standards Board (IASB) tentatively decided to include proposed amendments on the following topics in the next *Annual Improvements to IFRS Accounting Standards Cycle* (annual improvements):
 - (a) Hedge accounting by a first-time adopter (IFRS 1 *First-time Adoption of International Financial Reporting Standards*);
 - (b) Gain or loss on derecognition (IFRS 7 *Financial Instruments: Disclosures*);
 - (c) Credit risk disclosures (Illustrative examples accompanying IFRS 7¹);
 - (d) Transaction price (IFRS 9 *Financial Instruments*);
 - (e) Determination of a 'de facto' agent (IFRS 10 *Consolidated Financial Statements*); and
 - (f) Cost method (IAS 7 *Statement of Cash Flows*).

¹ For brevity, in this paper, we refer to paragraphs in the Guidance on implementing IFRS 7 as paragraphs of IFRS 7 IG.

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2. At this meeting the IASB will be asked whether to include two additional proposed amendments in the next annual improvements cycle:
- (a) Lessee derecognition of lease liabilities (IFRS 9)—see Agenda Paper 12A; and
 - (b) Disclosure of deferred difference between fair value and transaction price (IFRS 7 IG)—see Agenda Paper 12B.

We will ask the IASB the questions set out in this paper while taking into account the IASB's decisions on these two proposed amendments.

3. The objective of this paper is:
- (a) to ask the IASB whether it agrees with our recommendation to permit early application of the proposed amendments;
 - (b) to set out the steps in the IFRS Foundation *Due Process Handbook* that the IASB has taken in developing the proposed amendments;
 - (c) to ask the IASB to confirm it is satisfied that it has complied with the applicable due process requirements; and
 - (d) to ask whether any IASB member intends to dissent from the publication of the Exposure Draft.

Structure of this paper

4. This paper includes:
- (a) [Background information](#);
 - (b) [Effective date and early application](#);
 - (c) [Due process steps and permission for balloting](#);
 - (d) [Appendix A—due process steps taken in developing the proposed amendments](#); and
 - (e) [Appendix B—summary of the proposed amendments](#).

Background information

5. At its February 2023 meeting the IASB made tentative decisions—considering input from the IFRS Interpretations Committee (Committee)—on the following proposed amendments:

Accounting Standard	Proposed amendment	Committee meeting (agenda paper reference)	IASB meeting (agenda paper reference)	Transition ²
IFRS 1	Hedge accounting by a first-time adopter	November 2022 (AP3A)	February 2023 (AP12C)	N/A—first-time adopters apply IFRS 1 transition
IFRS 7	Gain or loss on derecognition	November 2022 (AP3E)	February 2023 (AP12G)	No specific transition
IFRS 7 IG	Credit risk disclosures	November 2022 (AP3F)	February 2023 (AP12H)	N/A—non-authoritative material
IFRS 9	Transaction price	November 2022 (AP3C)	February 2023 (AP12E)	No specific transition
IFRS 10	Determination of a 'de facto' agent	November 2022 (AP3B)	February 2023 (AP12D)	No specific transition

² In the absence of any specific transition requirements, an entity would apply the proposed amendment retrospectively in accordance with paragraph 19(b) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Accounting Standard	Proposed amendment	Committee meeting (agenda paper reference)	IASB meeting (agenda paper reference)	Transition ²
IAS 7	Cost method	November 2022 (AP3D)	February 2023 (AP12E)	No specific transition

6. At this meeting, the IASB will be asked to make decisions on two additional proposed amendments:

Accounting Standard	Proposed amendment	Committee meeting (agenda paper reference)	IASB meeting (agenda paper reference)	Transition
IFRS 9	Lessee derecognition of lease liabilities	March 2023 (AP6A)	May 2023 (AP12A)	Prospective application
IFRS 7 IG	Disclosure of deferred difference between fair value and transaction price	March 2023 (AP6B)	May 2023 (AP12B)	N/A—non-authoritative material

7. Appendix B summarises these proposed amendments.

Effective date and early application

8. We will discuss the effective date at the time of finalising the amendments, should the IASB decide to proceed with them.
9. We recommend that early application of the proposed amendments be permitted.

Due process steps and permission for balloting

Comment period

10. Paragraph 6.15 of the *Due Process Handbook* states that ‘[t]he Board normally allows a minimum period of 90 days for comment on annual improvements.’
11. We have not identified any reason to deviate from this requirement and, therefore, recommend a comment period of no less than 90 days for the Exposure Draft.

Intention to dissent

12. In accordance with paragraph 6.9 of the *Due Process Handbook*, we are asking whether any IASB member intends to dissent from the publication of the Exposure Draft.

Proposed timetable for balloting and publication

13. We plan to begin the balloting process in the near future and expect the Exposure Draft to be published in the second half of 2023.

Confirmation of due process steps

14. Appendix A sets out the required due process steps in developing and publishing an Exposure Draft together with the status of, and any planned action for, these steps. We note that the applicable due process steps to date for balloting of the Exposure Draft have been completed.

Questions for the IASB

1. **Early application**—does the IASB agree with our recommendation to permit early application of the proposed amendments?

Questions for the IASB

2. **Comment period**—does the IASB agree with our recommendation to allow a comment period of no less than 90 days for the Exposure Draft?
3. **Dissent**—does any IASB member intend to dissent from publication of the Exposure Draft?
4. **Permission to ballot**—is the IASB satisfied that it has complied with the applicable due process steps and that it should begin the balloting process for the Exposure Draft?

Appendix A—due process steps taken in developing the proposed amendments

A1. The following table summarises the required due process steps taken in developing the proposed amendments. The table does not list all the optional steps.

Step	Actions
Board meetings are held in public, with papers available for observers. All decisions are made in public sessions	<ul style="list-style-type: none"> At its February 2023 meeting, the IASB discussed and made tentative decisions on six proposed amendments to be included in the next annual improvements cycle (see paragraph 5 of this paper). At this meeting, the IASB will discuss two additional proposed amendments (see Agenda Papers 12A and 12B) and due process (this paper).
Consultation with the Trustees and the Advisory Council	<ul style="list-style-type: none"> The Trustees and the Advisory Council will be updated on the project as part of their discussions of the IASB's technical activities.
A check is performed to ensure that each amendment included in the package meets the annual improvements criteria.	<ul style="list-style-type: none"> We assessed each proposed amendment against the annual improvements criteria set out in paragraphs 6.10–6.13 of the <i>Due Process Handbook</i>. The IASB discussed and agreed with our assessments.
Outreach meetings with stakeholders	<ul style="list-style-type: none"> We received input from the Committee at its November 2022 and March 2023 meetings (see paragraphs 5–6 of this paper).
Finalisation	
Due process steps reviewed by the IASB	<ul style="list-style-type: none"> This paper asks the IASB to review the due process steps for the project.
The Exposure Draft has an appropriate comment period	<ul style="list-style-type: none"> This paper seeks the IASB's approval for a comment period of no less than 90 days. The proposed comment period is in line with the

	<p>minimum period specified in paragraph 6.15 of the <i>Due Process Handbook</i> and, therefore, no special approval is required from the Due Process Oversight Committee.</p>
Drafting	
Drafting quality assurance steps are adequate	<ul style="list-style-type: none"> • The translations, editorial and taxonomy teams will review drafts during the balloting process.
Publication	
Exposure Draft published	<ul style="list-style-type: none"> • The Exposure Draft will be made available on the project website when published.
Press release to announce publication of the Exposure Draft	<ul style="list-style-type: none"> • A press release will be published on our website with the Exposure Draft.

Appendix B—summary of the proposed amendments

B1. The following table summarises the proposed amendments to be included in the next annual improvements cycle (items shaded in grey are planned to be discussed by the IASB at this meeting):

Accounting Standard	Proposed amendment	Summary of the proposals
IFRS 1	Hedge accounting by a first-time adopter	The proposals would address an inconsistency between paragraph B6 of IFRS 1 and the requirements for hedge accounting in IFRS 9 by amending: <ul style="list-style-type: none"> a. paragraphs B5–B6 of IFRS 1 to add cross-references to paragraph 6.4.1 of IFRS 9; and b. paragraph B6 of IFRS 1 to replace the word ‘conditions’ with ‘qualifying criteria.’
IFRS 7	Gain or loss on derecognition	The proposals would amend paragraph B38 of IFRS 7: <ul style="list-style-type: none"> a. to replace the reference to paragraph 27A of IFRS 7 (which no longer exists) with a reference to paragraphs 72–73 of IFRS 13; and b. to replace the phrase ‘inputs that were not based on observable market data’ with ‘unobservable inputs’.
IFRS 7 IG	Credit risk disclosures	The proposals would amend: <ul style="list-style-type: none"> a. paragraph IG1 of IFRS 7 to add a statement that the implementation guidance accompanying IFRS 7 does not illustrate all the requirements in IFRS 7; and b. paragraph IG20B of IFRS 7 to simplify the wording.

Accounting Standard	Proposed amendment	Summary of the proposals
IFRS 7 IG	Disclosure of deferred difference between fair value and transaction price	The proposals would amend paragraph IG14 of IFRS 7 to improve its consistency with paragraph 28 of IFRS 7 which it illustrates.
IFRS 9	Transaction price	The proposals would revise the wording in paragraph 5.1.3 of IFRS 9 and delete the reference to 'transaction price' (and the associated references to IFRS 15) from Appendix A of IFRS 9.
IFRS 9	Lessee derecognition of lease liabilities	The proposals would clarify a lessee's accounting for derecognition of a lease liability by amending paragraph 2.1(b)(ii) of IFRS 9 to add a cross-reference to paragraph 3.3.3 of IFRS 9.
IFRS 10	Determination of a 'de facto' agent	The proposals would address an inconsistency between paragraphs B73 and B74 of IFRS 10 by clarifying the requirements in paragraph B74 of IFRS 10.
IAS 7	Cost method	The proposals would amend paragraph 37 of IAS 7 to replace the term 'cost method' (which is no longer defined in IFRS Accounting Standards) with 'at cost'.