
Islamic Finance Consultative Group meeting

Date **November 2023**

Topic **IASB Update on other topics**

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This paper has been prepared for discussion at a public meeting of the Islamic Finance Consultative Group (IFCG). This paper does not represent the views of the International Accounting Standards Board (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*.

This update is prepared as of the end of October 2023.

Overview

- Update on current IASB work plan
- Research projects
- Post-implementation reviews
- Standard-setting projects
- Maintenance projects
- New requirements
- IFRS Accounting Taxonomy
- Helpful materials

Highlights from October 2023

Exposure Draft *Amendments to the Classification and Measurement of Financial Instruments*:

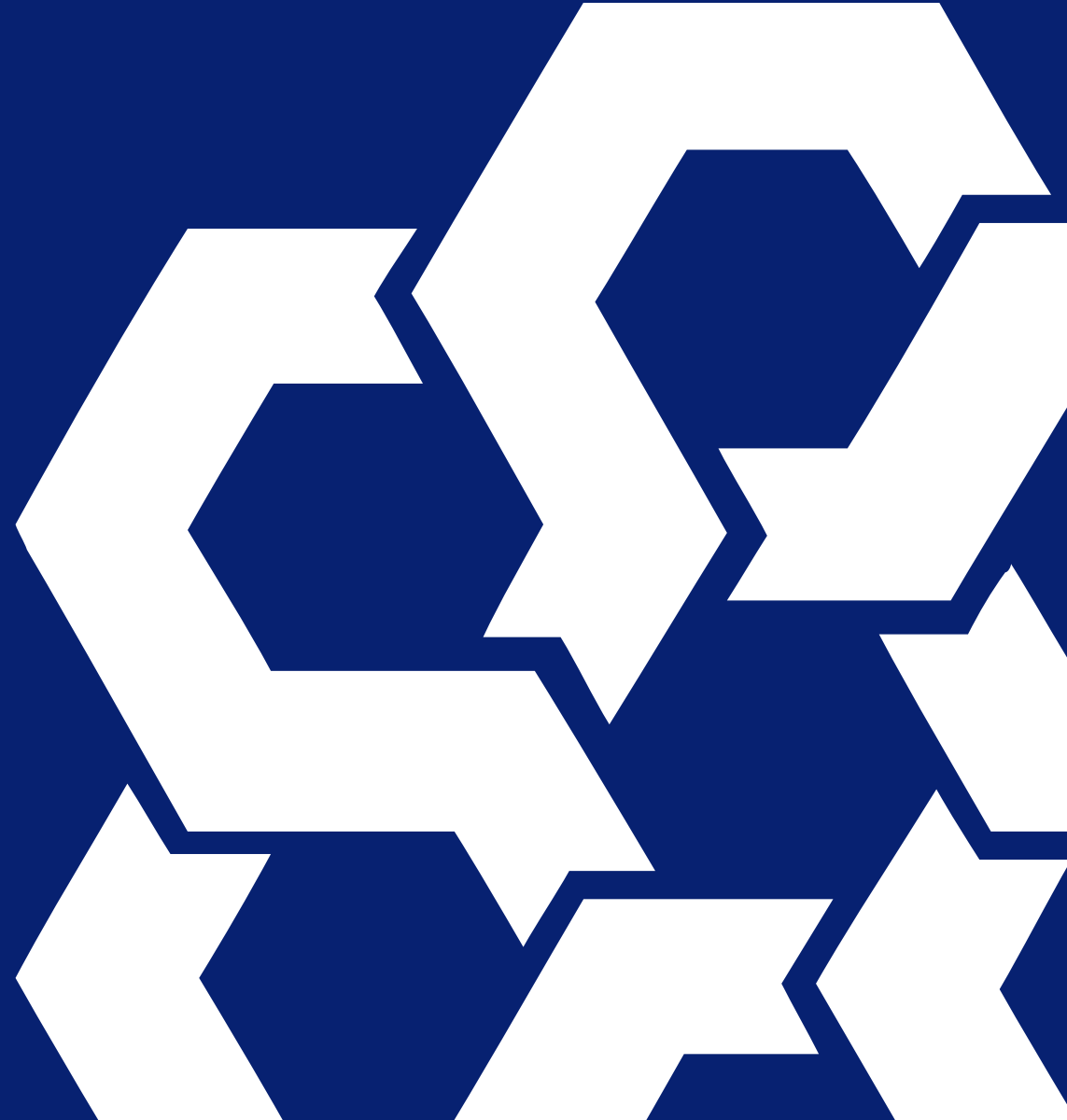
- the IASB discussed the feedback received on the Exposure Draft about contractual cash flow characteristics of financial assets

Amendments to IFRS 9 —
Classification and Measurement

- The IASB decided that the decisions made to date for associates can be applied to other investments, such as those in joint ventures and subsidiaries, in the investor's separate financial statements

Equity Method

Update on current IASB work plan



Consultations

Open for comments

Exposure Draft *Annual Improvements to IFRS Accounting Standards—Volume 11*

Comments due
11 Dec 2023

Proposed Taxonomy update IFRS 2023-International Tax Reform —*Pillar Two Model Rules, Supplier Finance Arrangements and Lack of Exchangeability*

Comments due
04 Dec 2023

Forthcoming

- **H2 2023:** Exposure draft proposing amendments to IAS 32 (*Financial Instruments with Characteristics of Equity* project)
- **H1 2024:** Exposure draft proposing amendments to IFRS 3 and IAS 36 (*Business Combinations—Disclosures, Goodwill and Impairment* project)
- **H2 2024:** Exposure draft proposing amendments to IAS 28 (*Equity Method* project)

New Standards and amendments

Recently issued



Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

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

International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

Lack of Exchangeability (Amendments to IAS 21)

International Tax Reform—Pillar Two Model Rules (Amendments to IFRS for SMEs Accounting Standard)

New IFRS Standards

Expected in 1H 2024:

- ✓ Primary Financial Statements
- ✓ Subsidiaries without Public Accountability: Disclosures






Effective date - for annual reporting periods beginning on or after **1 January 2027**

Amendments to IFRS Standards

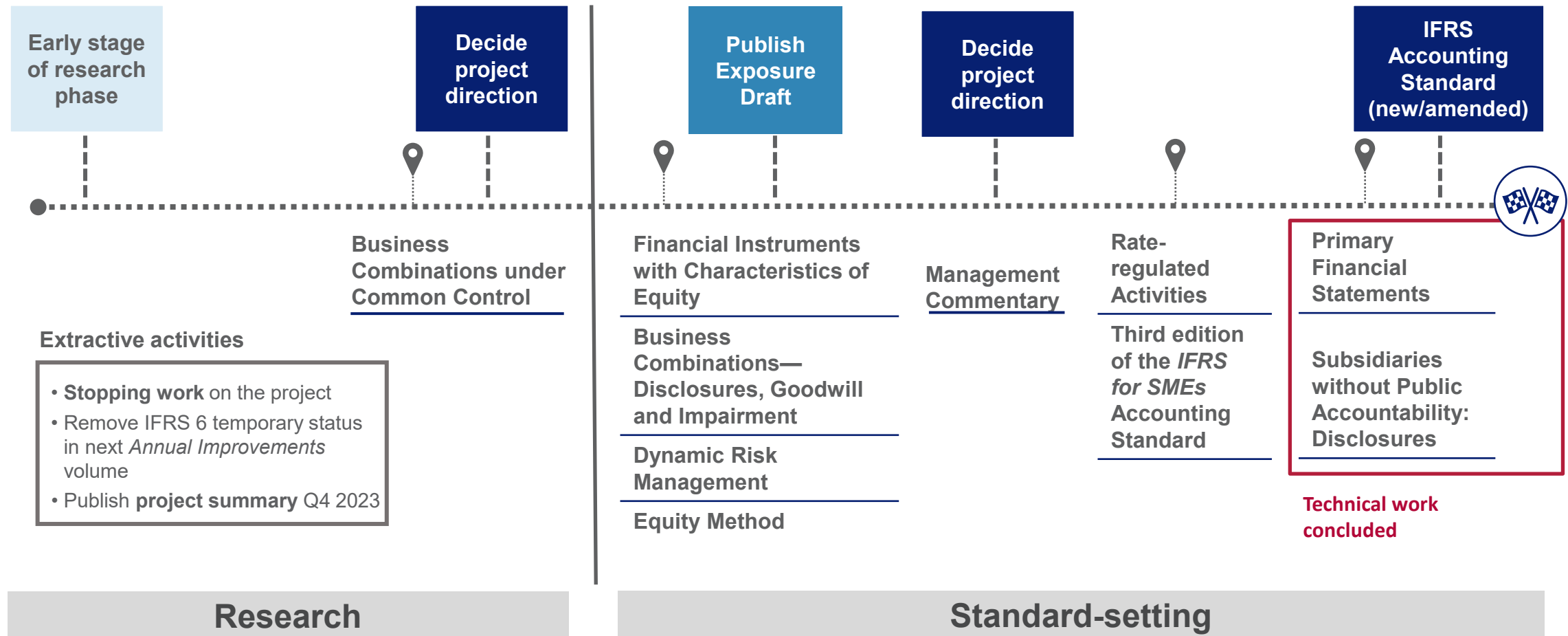
Expected in 1H 2024:

- ✓ Amendments to the classification and measurement of financial instruments (IFRS 9)

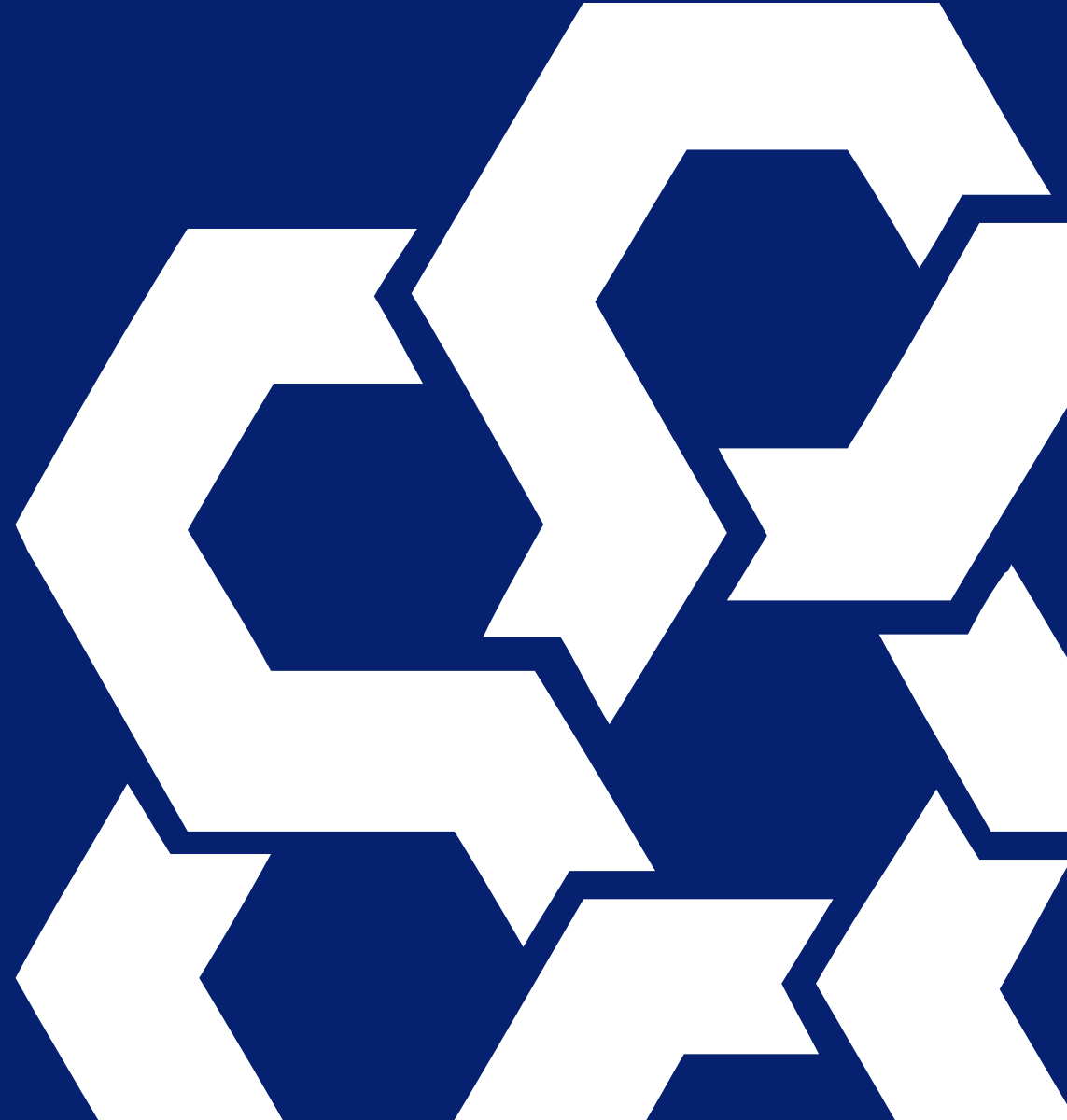
IASB work plan: overview

Type of project	As of 31 October 2023
Research projects 	1
Post-implementation reviews 	2
Standard-setting projects 	9
Maintenance projects 	5
Application questions (IFRS IC) 	5
Total	22

Current projects are in different stages



Research projects



Overview: research projects



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Business Combinations under Common Control

Business Combinations under Common Control

Objective

- Develop reporting requirements to reduce diversity and improve transparency

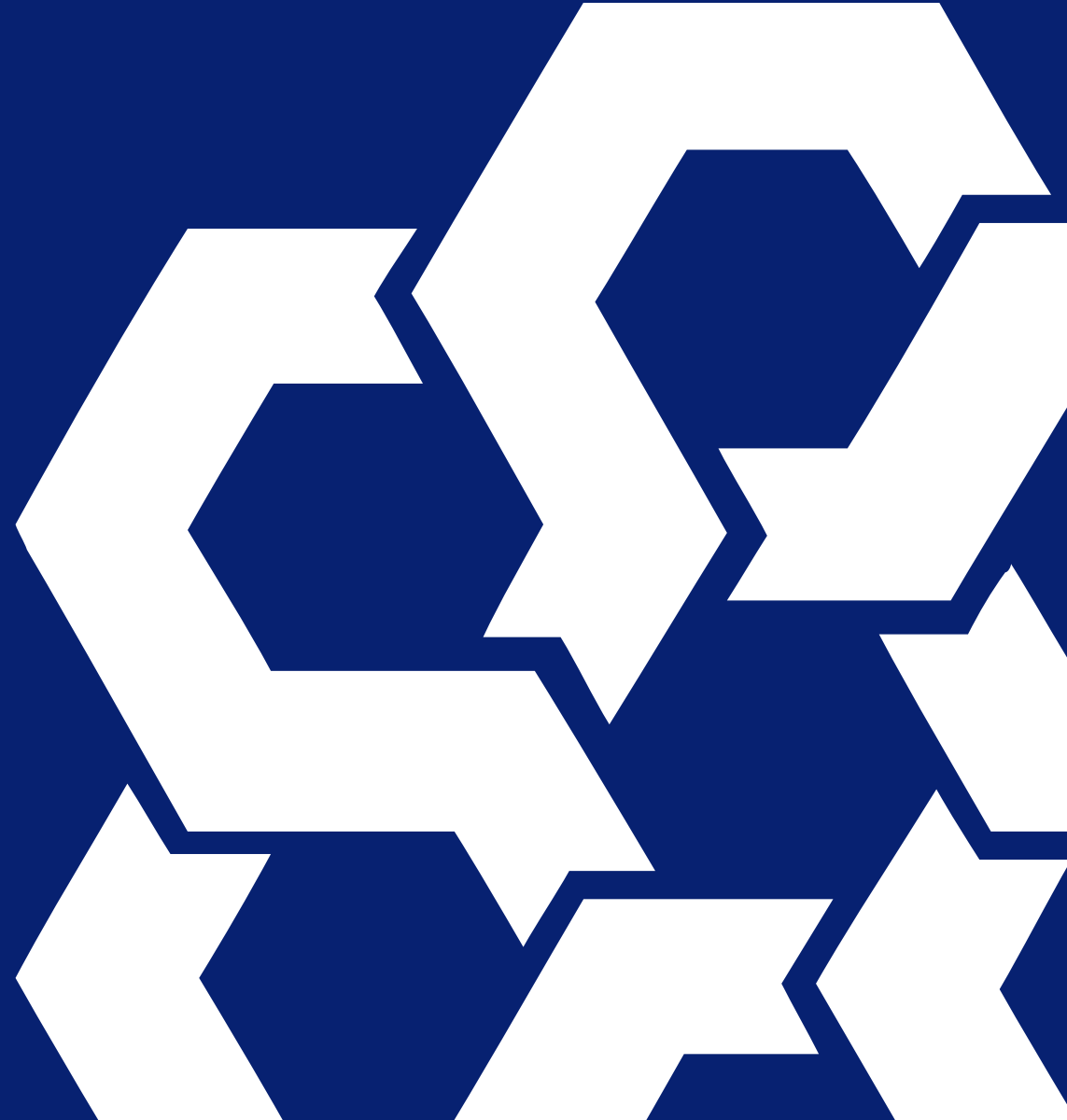
Project update

- In September 2023 the IASB discussed feedback, staff's analysis of that feedback and staff's initial views on:
 - whether to change project direction; and
 - if so, whether to develop disclosure-only requirements or discontinue the project

Next steps

- Decide project direction—expected November 2023

Post-implementation reviews



Post-implementation reviews

Recently completed

PIR of IFRS 9—Classification and Measurement

Feedback analysis

PIR of IFRS 9—Impairment

PIR of IFRS 15 *Revenue from Contracts with Customers*

Out for comment

PIR of IFRS 16 *Leases*

Forthcoming

PIR of IFRS 9—Hedge Accounting

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

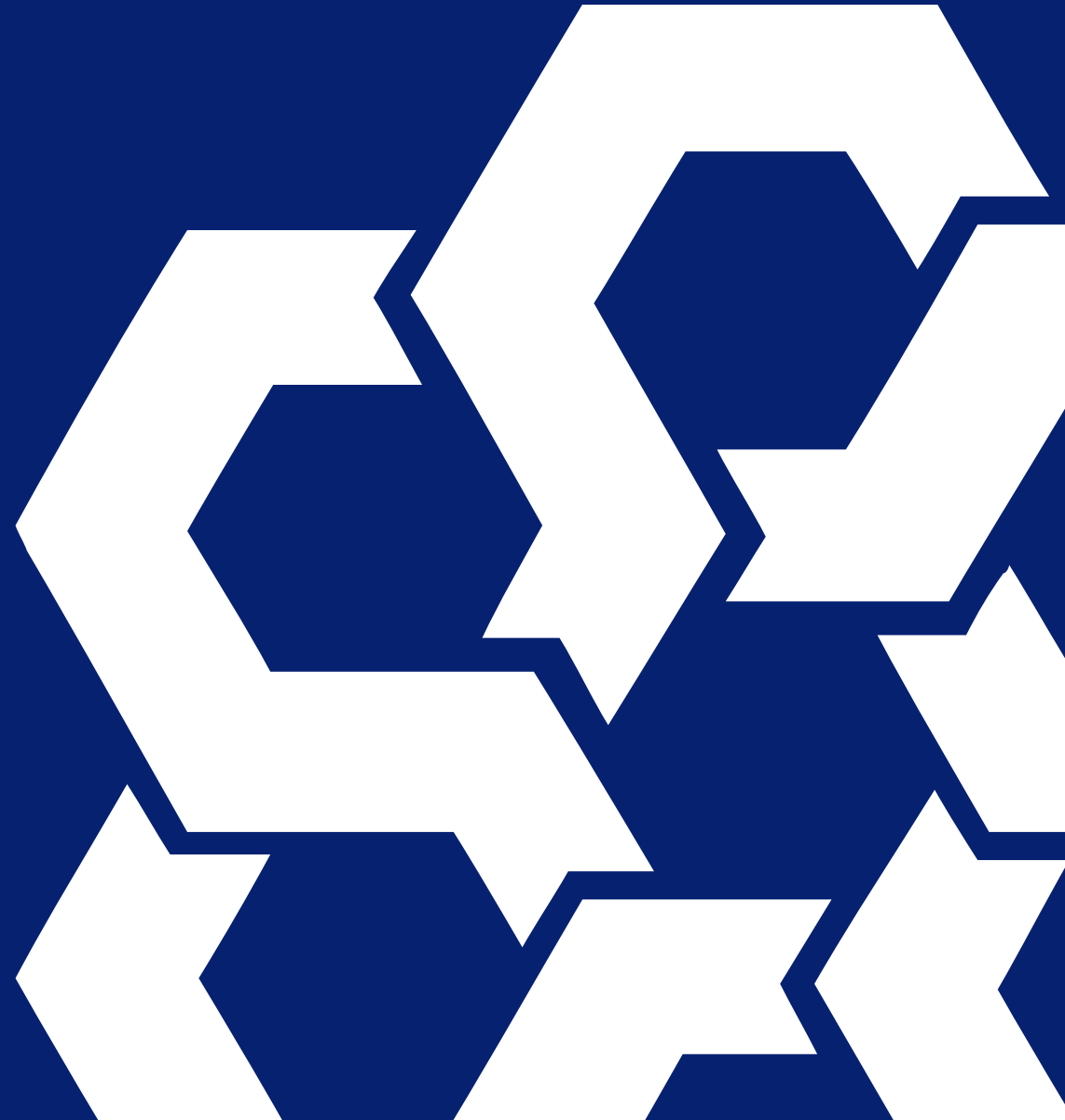
Will examine:

- identifying the performance obligations
- 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
- convergence with US GAAP Topic 606

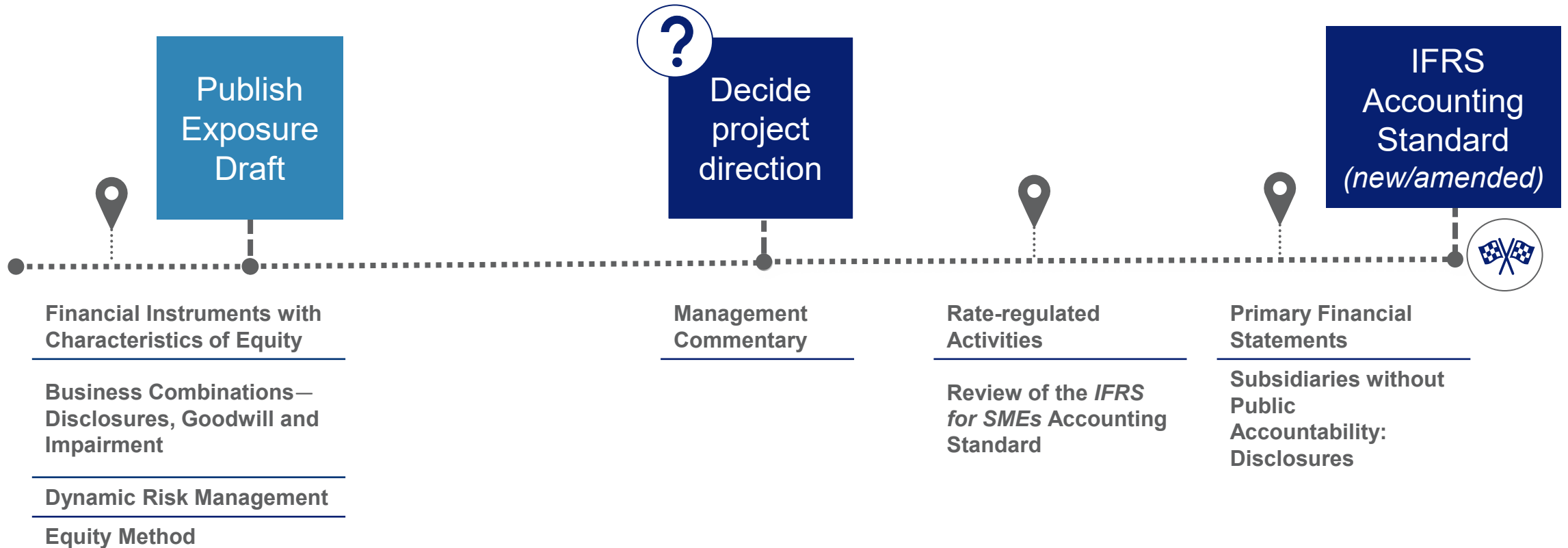
Next milestone

- Request for Information feedback

Standard-setting projects



Overview: standard-setting projects



Business Combinations—Disclosures, Goodwill and Impairment

Objective

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

Current focus

- A package of disclosure requirements about business combinations
- Changes to the impairment test of cash-generating units containing goodwill in IAS 36 *Impairment of Assets*

Next milestone

- Publish Exposure Draft — expected in Q1 2024

Equity Method

Objective

- To develop answers to application questions about the equity method, as set out in *IAS 28 Investments in Associates and Joint Ventures*, using the principles derived from IAS 28.

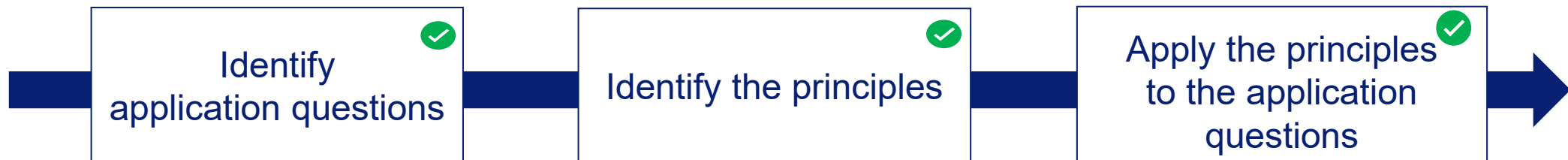
Project update

- IASB has made tentative decisions on:
 - the application questions; and
 - improvements to disclosure requirements for associates.

Next steps

- Discuss improvements to disclosure requirements for joint ventures and subsidiaries in separate financial statements.
- Discuss transitional provisions.

Project approach



Management Commentary

Objective

- Overhaul IFRS Practice Statement 1—building on innovations in narrative reporting and focusing on capital market needs

Evolving landscape

- Feedback on ED indicated support for the project, in particular from investors
- Calls to work together with the ISSB—the consultation on ISSB’s agenda priorities closed in September 2023
- IASB discussed staff’s comparison with *Integrated Reporting Framework* and feedback on comparison

Next milestone

- Decide project direction in H1 2024

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

Proposals

- In some cases, rate regulation creates differences in timing that arise when compensation for goods or services supplied in one period is included in the regulated rate charged in a different period
- Reflect compensation for goods or services in the period goods or services are supplied
- Require recognition of regulatory assets, regulatory liabilities, regulatory income and regulatory expense

Next milestone

- Issue IFRS Accounting Standard – expected in 2025

Review of the *IFRS for SMEs* Accounting Standard

Objective

- Update the *IFRS for SMEs* Accounting Standard to reflect improvements made in full IFRS Accounting Standards (in the scope of the second comprehensive review) while keeping the simplicity of the Standard

Approach

- Apply ‘alignment approach’ 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

- Continue redeliberating the proposals in the [Exposure Draft](#)
- The third edition of the *IFRS for SMEs* Accounting Standard is expected in 2024

Primary Financial Statements

Objective

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

Proposals

- Require two additional defined subtotals in statement of profit or loss—operating profit and profit before financing and income tax
- Require disclosures about management-defined performance measures
- Strengthen requirements for disaggregating information

Next milestone

- Issue IFRS Accounting Standard in H1 2024

Subsidiaries without Public Accountability: Disclosures

Objective

- Simplify and reduce the cost of financial reporting for subsidiaries while maintaining the usefulness of their financial statements

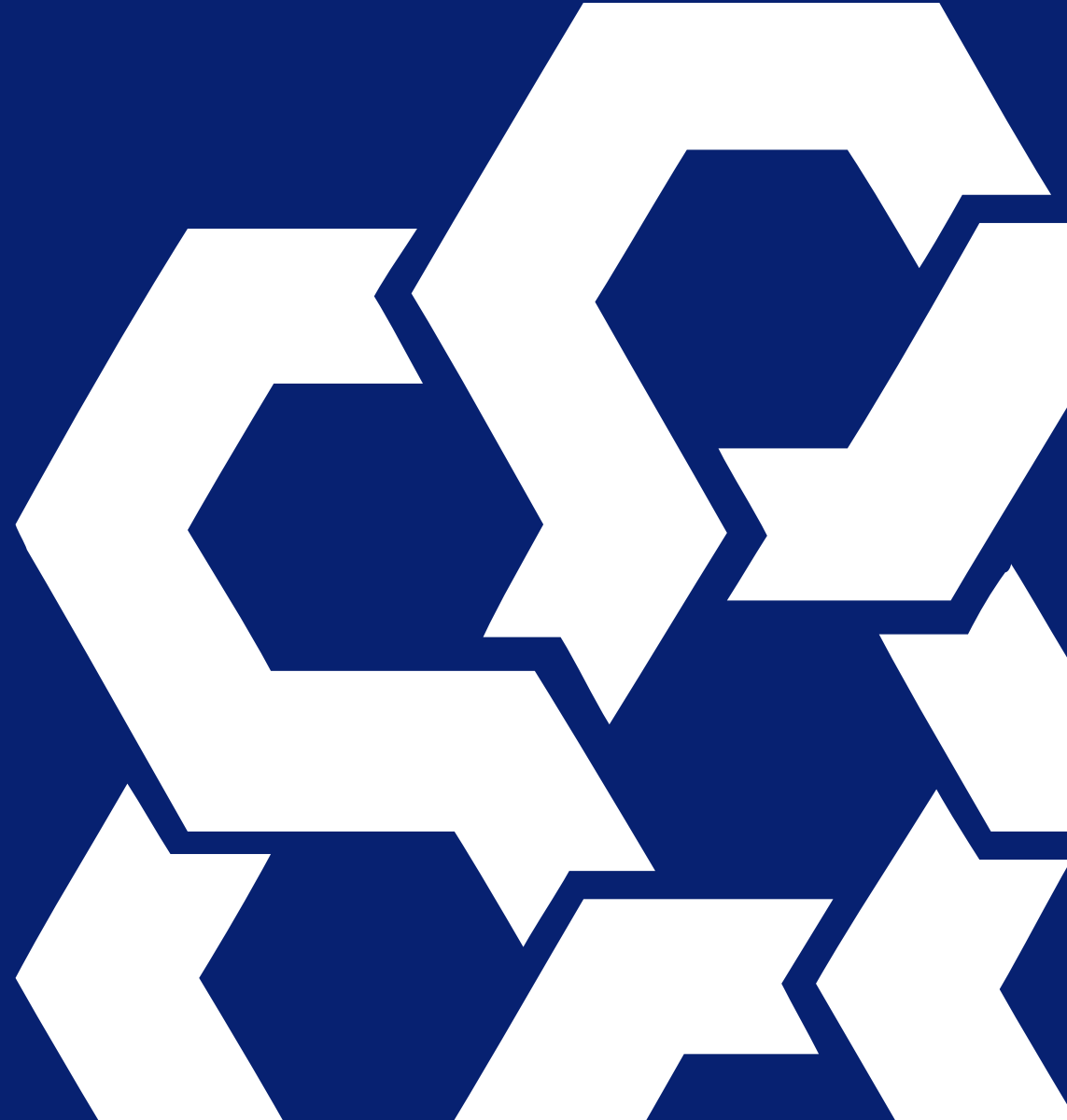
Proposal

- Eligible subsidiaries apply IFRS Accounting Standards with reduced disclosure requirements

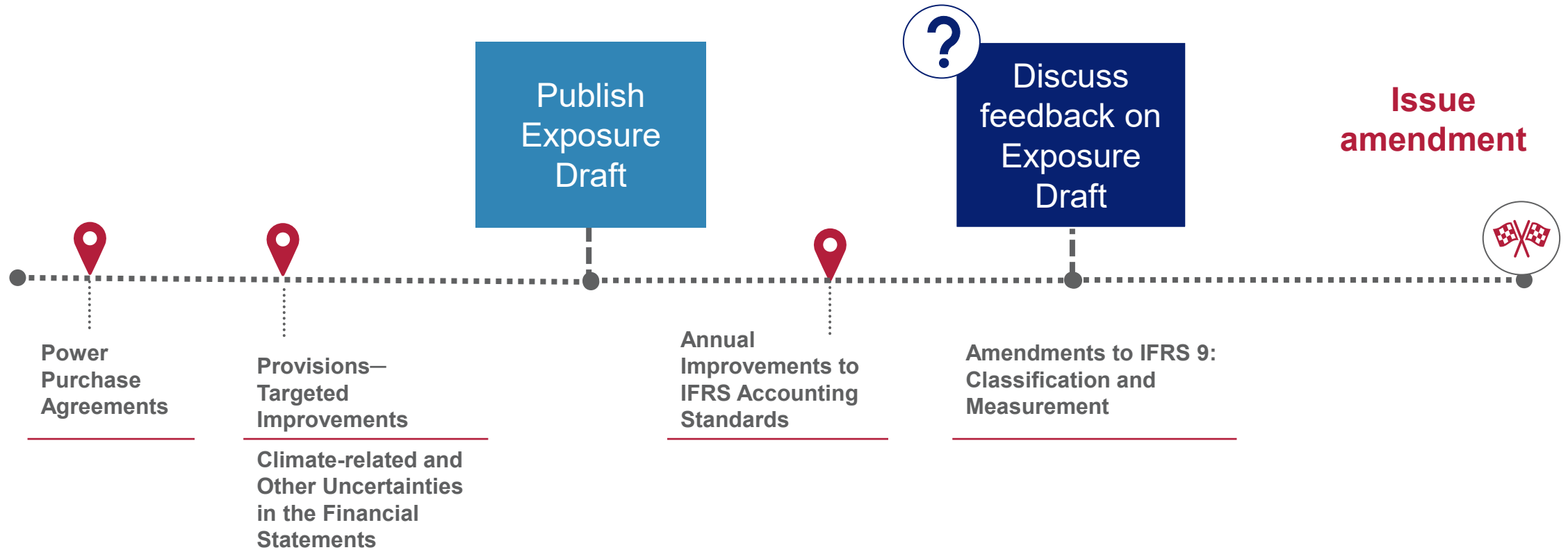
Next milestone

- Issue IFRS Accounting Standard in H1 2024

Maintenance projects



Overview: maintenance projects



Provisions—Targeted Improvements

Objective

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

Areas of focus

- Clarify whether and when an entity recognises provisions for obligations it could avoid through its future actions—using concepts from the *Conceptual Framework*
- Clarify which costs to include in measure of a provision
- Specify more precisely the rate to use to discount future cash flows to their present value.

Next milestone

- Decide project direction in Q4 2023

Climate-related and Other Uncertainties in the Financial Statements

Objective

- To explore whether and how targeted actions could improve the reporting of financial information about climate-related and other uncertainties in the financial statements

Areas of focus

- Explore development of examples to help improve application of IFRS Accounting Standards
- Explore targeted amendments to improve disclosures about estimates in the financial statements
- Work with the ISSB technical staff to ensure both boards' work is connected

Next milestone

- Decide project direction in Q1 2024

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

- Comment period for [Exposure Draft](#) closes 11 December 2023

New requirements



What is required when?

1 January 2023

- *IFRS 17 Insurance Contracts*
- *Definition of Accounting Estimates* (Amendments to IAS 1)
- *Disclosure of Accounting Policies* (Amendments to IAS 8)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12)
- *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12 and to IFRS for SMEs)*

*Selected paragraphs are immediately effective upon issuance

1 January 2024

- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Non-current Liabilities with Covenants* (Amendments to IAS 1)
- *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)

1 January 2025

- *Lack of Exchangeability* (Amendments to IAS 21)

IFRS 17 *Insurance Contracts*



More useful and transparent
information



Better information about
profitability

- Requires **consistent accounting** for all insurance contracts
- Based on a **current measurement** model
- Provides useful information about the **profitability** of insurance contracts
- Presents **comparable** data across companies
- Assists investors to fulfil **stewardship** responsibilities



Effective date

Annual reporting periods beginning on or after 1 January 2023

Definition of Accounting Estimates

Identified problem

- Companies can find it difficult to distinguish between a change in accounting policy and a change in accounting estimate, especially when it relates to a change in a measurement method

The amendments to IAS 8

- Introduce a definition of ‘accounting estimates’
- Provide clarifications, such as
 - estimation techniques and valuation techniques are examples of measurement techniques used to develop accounting estimates
 - a change in accounting estimate that results from new information or new developments is not the correction of an error



Effective date Annual reporting periods beginning on or after 1 January 2023

Disclosure of Accounting Policies

Identified problem

- Users say that accounting policy disclosures today are often not useful
- Stakeholders' views differ about 'significant' accounting policies required by IAS 1 *Presentation of Financial Statements*

The amendments to IAS 1

- Amend IAS 1 to require companies to disclose their material accounting policy information rather than their significant accounting policies
- Clarify that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements
- Add guidance and examples to the materiality practice statement, which will explain how to apply the materiality process to identify material accounting policy information



Effective date Annual reporting periods beginning on or after 1 January 2023

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Objective

- Clarify the deferred tax accounting for transactions for which an entity recognises, on initial recognition, both an asset and a liability, such as leases and decommissioning obligations

The amendments to IAS 12

- Narrow the scope of the recognition exemption in IAS 12 so that it does not apply to transactions that give rise to equal amounts of taxable and deductible temporary differences
- Will result in all entities recognising deferred tax for leases and other transactions in the scope of the amendments, reducing diversity in reporting



Effective date

Annual reporting periods beginning on or after 1 January 2023

International Tax Reform—Pillar Two Model Rules

Objective

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

The amendments to IAS 12

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



Effective date

- The temporary exception is effective immediately
- The disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2023 (but not required for interim periods ending in 2023)

International Tax Reform—Pillar Two Model Rules

Objective

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

The amendments to the *IFRS for SMEs* Standard

- Introduce:
 - a temporary exception to the accounting for deferred taxes arising from the implementation of the rules; and
 - disclosure requirements when Pillar Two legislation is effective.
- Clarify that 'other events' in the disclosure objective for income tax includes the enactment (or substantive enactment) of Pillar Two legislation.



Effective date

- The temporary exception is effective immediately
- The new disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2023

Lease Liability in a Sale and Leaseback

Objective

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

The 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 date

Annual reporting periods beginning on or after 1 January 2024, with earlier application permitted

Classification of Liabilities as Current or Non-current

Liability is classified as non-current only if a company has right to defer settlement for at least 12 months after reporting period



The amendments to IAS 1 clarify this criterion

General clarifications

- Right to defer settlement must exist at end of reporting period*
- Classification is unaffected by expectations about *whether* company will exercise its right

Clarifications affecting convertible bonds

- Counterparty conversion option disregarded when assessing classification if recognised separately as equity component of compound financial instrument
- Any other obligation to convert liability is considered when assessing classification—ie conversion is regarded as settlement



Effective date

Annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

* *Non-current Liabilities with Covenants* include further amendments on the classification of liabilities with covenants.

Non-current Liabilities with Covenants

Objective

- Improve the information about liabilities with covenants

The amendments to IAS 1

- Specify that covenants with which an entity must comply after the reporting period do not affect classification of a liability as current or non-current at the reporting date
- Add disclosure requirements for non-current liabilities subject to covenants



Effective date

Annual reporting periods beginning on or after 1 January 2024, with earlier application permitted

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

The amendments to IAS 7 and IFRS 7

- 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



Effective date

Annual reporting periods beginning on or after 1 January 2024

Lack of Exchangeability

Objective

- Improve the usefulness of information provided to investors and fill a gap in IFRS Accounting Standards related to the effects of changes in foreign exchange rates

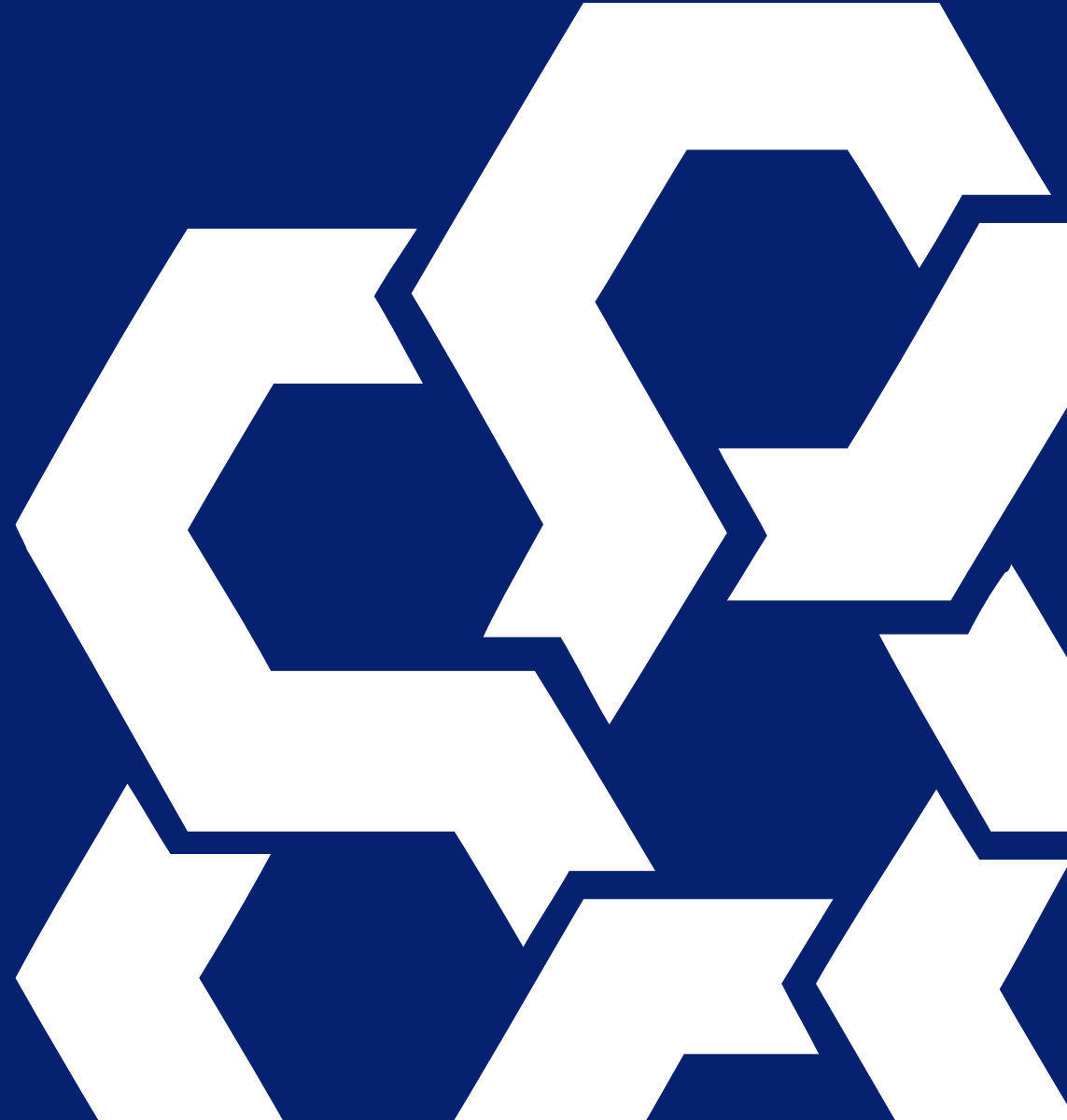
The amendments to IAS 21

- Require companies to apply a consistent approach in assessing whether a currency is exchangeable into another currency — and when a currency is not exchangeable, to estimate the spot exchange rate
- Provide disclosure requirements to enable investors to understand the financial statement effects of a currency not being exchangeable into another currency



Effective date Annual reporting periods beginning on or after 1 January 2025

IFRS Accounting Taxonomy



IFRS Accounting Taxonomy

IFRS Accounting Taxonomy facilitates communication between preparers and users



consists of 'elements' used by preparers to mark-up the information in IFRS financial statements

makes IFRS disclosures **more accessible** to users of electronic information

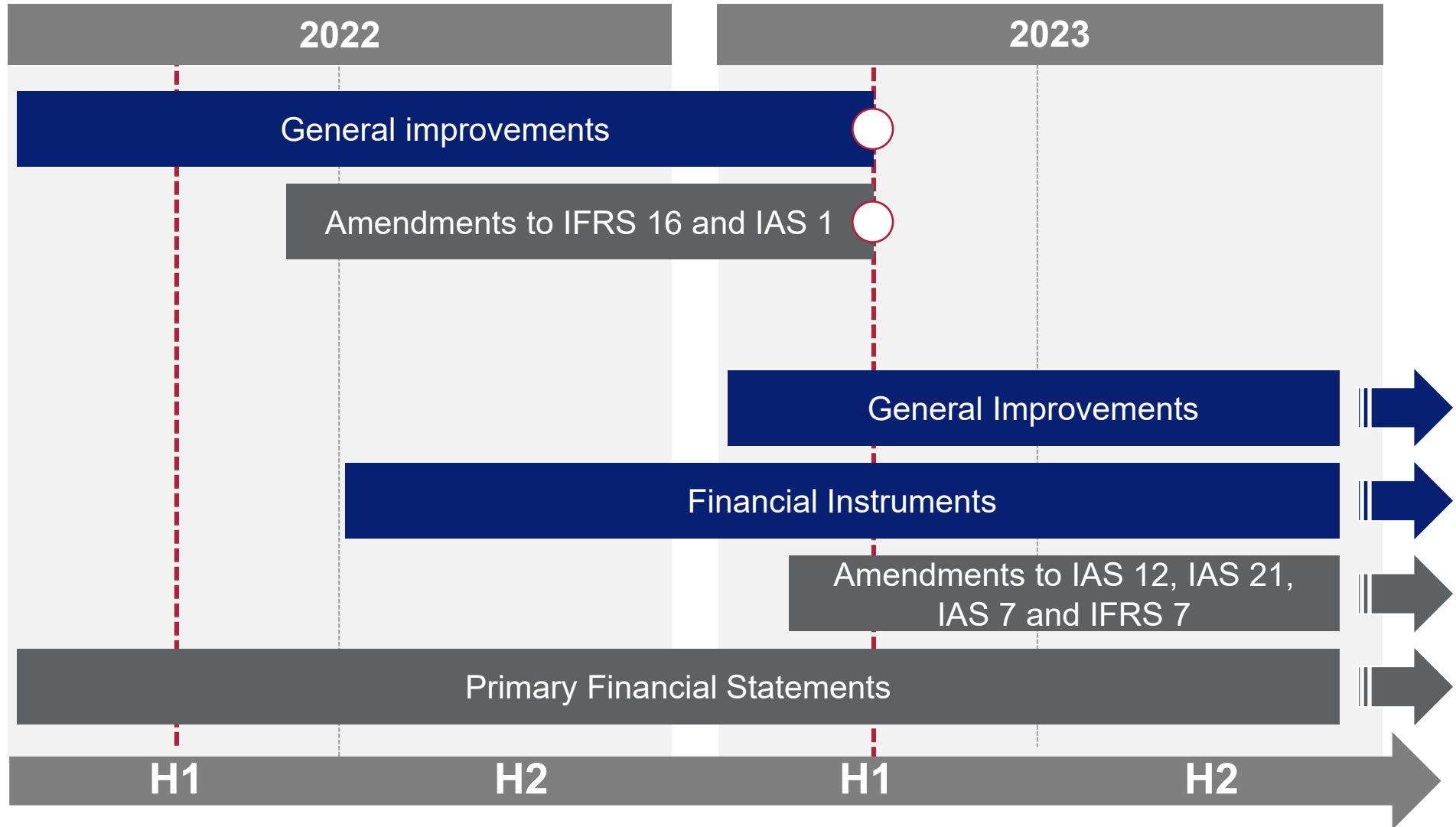
IFRS Accounting Taxonomy reflects the presentation and disclosure *requirements of IFRS Accounting Standards* and related common *reporting practice* in a timely and accurate manner

New / amended IFRS Accounting Standards

Common Practice / General Improvements

○ Final IFRS Taxonomy Update

--- Annual IFRS Accounting Taxonomy



IFRS Accounting Taxonomy: focus areas in 2023

New and amended IFRS Accounting Standards improvements

keeping the taxonomy in line with the issued standards

looking ahead to significant changes (e.g. Primary Financial Statements)

Content improvements

enabling high-quality tagging for financial instruments and the financial sector

analysing reporting practice of IFRS electronic filers

Implementation support

supporting regulators adopting the IFRS Accounting Taxonomy, including translations

updating supporting materials

Helpful materials

Resources available on our website

Supporting materials sorted by Standard

Website
www.ifrs.org



IFRS
Accounting
Standards

IFRIC
Interpretations

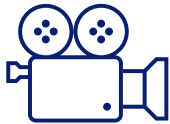
Cross-cutting
materials

News and
events



For example, for IFRS 9 *Financial Instruments*:

Videos



Webinars



Articles

Leaflet



Transition
Resource
Group



Agenda decisions

Supporting IFRS
Accounting
Standards

IFRS Accounting Standards and their annotated equivalents



IFRS Accounting Standards

The IFRS[®] Accounting Standards Required 2023

The IFRS[®] Accounting Standards Issued 2023
(Available March 2023 onwards)

IFRS Accounting Standards + extensive cross-references + annotations

The Annotated IFRS[®] Standards Required 2023

The Annotated IFRS[®] Standards Issued 2023
(Available March 2023 onwards)

Annotated IFRS Accounting Standards also available in Spanish

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