Presenters

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IFRS Interpretations Committee (Chair)

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IASB Technical Director

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IASB Technical Director

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IASB Technical Staff

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A guided tour
Agenda

How we help support consistent application of IFRS Accounting Standards
Agenda
Consistent application activities
Polling question 1

What are the ways in which the IFRS Interpretations Committee and the IASB supports consistent application of IFRS Accounting Standards?

A. IASB member articles
B. IFRS Interpretations Committee agenda decisions
C. Work of Transition Resource Groups
D. All of the above.
Consistent application activities

Supporting application materials
- IFRS Accounting Standards
- IFRS Sustainability Disclosure Standards
- Consistent application of IFRS Accounting Standards

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued by the International Accounting Standards Board (Board) on 18 May 2017. The Board has undertaken a number of activities to support consistent application of the Standard, and has established a Transition Resource Group. The Board published some amendments to IFRS 17, including a deferral of the effective date of IFRS 17 by two years so that entities are required to apply IFRS 17 for annual periods beginning on or after 1 January 2023. Visit Amendments to IFRS 17 to find out more about the amendments published in June 2020.

The materials relating to the activities to support consistent application of the Standard, which are listed below, have been developed in the context of IFRS 17 as issued in May 2017. The materials relating to the amendments to IFRS 17 provide information about the changes to IFRS 17 published in June 2020.

View key terms for IFRS 17 for definitions of common terminology.

- Educational materials
- Educational webcasts and webinars
- Transition Resource Group
- Board member articles and other publications
- IFRS Interpretations Committee agenda decisions
- Technical enquiries and implementation questions
The Committee process

How we help support consistent application of IFRS Accounting Standards
The Committee

- Observer organisations
- IASB advisors
Submitting a question

Criteria

ifric@ifrs.org
Polling question 2

Which of the following examples satisfy the criterion for a question to have widespread effect and to have, or is expected to have, a material effect on those affected?

A. The question applies to a common, and typically material, transaction in a single jurisdiction and affected companies apply the same accounting treatment.

B. The question applies to a common, and typically material, transaction in a single jurisdiction and affected companies apply diverse accounting treatments.

C. Both A and B.

D. None of the above.
Polling question 3

Which of the following factors will the Committee consider to determine whether a matter satisfies the criteria for potential standard-setting?

A. Applying requirements in IFRS Standards will require substantial costs to companies.

B. Applying requirements in IFRS Standards produce information that is not useful to investors.

C. Both A and B.

D. None of the above.
The Committee’s process

1. Committee receives a question
2. Is matter widespread and expected to have a material effect?
   - Yes
   - No
3. Is it necessary to change IFRS Accounting Standards?
   - Yes
   - No
4. Can matter be resolved efficiently and is it sufficiently narrow in scope?
   - Yes
   - No
5. Narrow scope standard-setting (i.e., narrow scope amendment or Interpretation)
6. Discussed and approved by the IASB

* The publication of an agenda decision is subject to the IASB not objecting to its publication
Example—Cash Received via Electronic Transfers

Can an entity recognise cash received on the date an electronic transfer is initiated (i.e., before the transfer is settled)?

An entity receives cash as settlement for a trade receivable via electronic transfer.

The electronic transfer system has an automated settlement process that takes three working days to settle a cash transfer.

Analysis

- Paragraph 3.1.2 of IFRS 9—which specifies requirements for regular way purchase or sale of a financial asset—is not applicable.
- The general recognition and derecognition requirements in paragraph 3.1.1 and 3.2.3(a) of IFRS 9 apply.

Conclusion

The entity determines when to derecognise the trade receivable and recognise cash applying the general recognition and derecognition requirements in IFRS 9.
Example—Cash Received via Electronic Transfers

*Included in the Exposure Draft Amendments to Classification and Measurement of Financial Instruments.
The Committee pipeline projects
Status of agenda decisions

The IASB confirms that the agenda decision does not add to or change requirements.

Agenda decisions derive authority from IFRS Accounting Standards.

An entity is entitled to sufficient time to implement any necessary accounting policy change.
Questions & Answers

- Consistent application activities
- The Committee process
How we help support consistent application of IFRS Accounting Standards
Overview

Compilations of agenda decisions
Compilations of agenda decisions compile all agenda decisions.

+ Compilations of agenda decisions

Agenda decisions by date
Agenda decisions published by the Interpretations Committee are
agenda decisions listed by relevant Accounting Standards.

+ All agenda decisions

<table>
<thead>
<tr>
<th>Date</th>
<th>Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 Apr 2023</td>
<td>Definition of a Lease—Substitution Rights (IFRS 16 Leases)</td>
</tr>
<tr>
<td>24 Oct 2022</td>
<td>Lessor Forgiveness of Lease Payments—IFRS 9 and IFRS 16</td>
</tr>
<tr>
<td>24 Oct 2022</td>
<td>Multi-currency Groups of Insurance Contracts—IFRS 17 and IAS 21</td>
</tr>
<tr>
<td>24 Oct 2022</td>
<td>Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition</td>
</tr>
</tbody>
</table>
## Definition of a Lease—Substitution Rights (IFRS 16 Leases)

### The fact pattern
- 10-year contract with a customer for the use of 100 similar batteries;
- each battery is used in a bus that the customer owns or leases from a party unrelated to the supplier;
- the supplier has the practical ability to substitute alternative batteries throughout the contract term; **but**
- (key point) the supplier would not benefit economically from substituting a battery that has been used for less than three years.

### The questions
1. At which level to evaluate whether a contract contains a lease?
2. How to assess whether the contract contains a lease given the particular substitution rights?

### Key message
The phrase ‘throughout the period of use’ does **not** necessarily mean at all times within that period.
2. SPAC: Accounting for Warrants at Acquisition

Illustration of structure before and after the acquisition

**Before the acquisition**
- Entity’s shareholders (shares) 100%
- Public investors and founder shareholders (shares and warrants) 100%
- Entity (Operating entity)
- SPAC (Listed with cash raised on IPO)

**After the acquisition**
- Entity’s shareholders (shares) 60%
- Public investors and founder shareholders (shares and warrants) 40%
- Entity (Listed operating entity)
- SPAC (Cash raised on IPO)
SPAC: Accounting for Warrants at Acquisition

Key messages

- The entity considers the specific facts and circumstances to determine whether it assumes the warrants, including the terms and conditions of all agreements associated with the acquisition.
- Not all instruments issued are in the scope of IFRS 2. Therefore, some warrants might still be classified as financial liabilities.
Questions & Answers

• Definition of a Lease—Substitution Rights (IFRS 16 Leases)
• SPAC: Accounting for Warrants at Acquisition
Projects effective soon
## Maintenance projects with an effective date of 1 January 2024

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Effective Date</th>
<th>Date of Application</th>
<th>IAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>MP</td>
<td>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</td>
<td>15 July 2020</td>
<td>1 January 2024</td>
<td>IAS 1</td>
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<tr>
<td>MP</td>
<td>Lease Liability in a Sale and Leaseback</td>
<td>22 September 2022</td>
<td>1 January 2024</td>
<td>IFRS 16</td>
</tr>
<tr>
<td>MP</td>
<td>1 Non-current Liabilities with Covenants (Amendments to IAS 1)</td>
<td>31 October 2022</td>
<td>1 January 2024</td>
<td>IAS 1</td>
</tr>
<tr>
<td>MP</td>
<td>2 Supplier Finance Arrangements</td>
<td>25 May 2023</td>
<td>1 January 2024</td>
<td>IAS 7 IFRS 7</td>
</tr>
<tr>
<td>MP</td>
<td>International Tax Reform—Pillar Two Model Rules</td>
<td>23 May 2023</td>
<td>1 January 2023</td>
<td>IAS 12</td>
</tr>
</tbody>
</table>
Non-current Liabilities with Covenants (IAS 1)

Classification as Current or Non-current
A company classifies a liability as current or non-current based on its compliance with covenants required only on or before the reporting date.

Disclosure
A company discloses information to enable investors to understand the risk that the liability could become repayable within twelve months if the company fails to comply with covenants.

Information disclosed includes:
- information about the covenants (such as their nature and when compliance is required)
- facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants
Note X—Supplier Finance Arrangements

The entity entered arrangements with the following terms and conditions:

Type A...
Type B...

<table>
<thead>
<tr>
<th>Carrying amount of liabilities part of the arrangement</th>
<th>Year-end 20X2</th>
<th>Year-end 20X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presented in ‘trade and other payables’ of which suppliers have been paid by finance providers</td>
<td>CU1,500</td>
<td>CU1,000</td>
</tr>
<tr>
<td>Presented in ‘finance payables’ of which suppliers have been paid by finance providers</td>
<td>CU1,000</td>
<td>CU750</td>
</tr>
<tr>
<td>Presented in ‘finance payables’ of which suppliers have been paid by finance providers</td>
<td>CU900</td>
<td>CU650</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Range of payment due dates</th>
<th>Days after invoice date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities that are part of the arrangement</td>
<td>85-90</td>
</tr>
<tr>
<td>Comparable trade payables that are not part of an arrangement</td>
<td>60-70</td>
</tr>
</tbody>
</table>

Non-cash changes

There were no material business combinations or foreign exchange differences in either period. There were non-cash transfers from trade payables to finance payable of CU1,200 and CU900 in 20X2 and 20X1.

Disclosure objectives

To enable investors to understand the effect of arrangements on the company’s:

- liabilities and cash flows; and
- exposure to liquidity risk

Level of aggregation

Aggregate disclosure for all supplier finance arrangements, but
disaggregate, if required, information about:

- terms and conditions;
- range of payment due dates; and
- non-cash changes.
Questions & Answers

- Non-current Liabilities with Covenants (IAS 1)
- Supplier Finance Arrangements (IAS 7 and IFRS 7)
The current work plan
## Application questions on the work plan

<table>
<thead>
<tr>
<th>Type</th>
<th>Project</th>
<th>Next milestone</th>
<th>Expected date*</th>
<th>Open for comment</th>
<th>Related Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>AQ</td>
<td>Guarantee over a Derivative Contract (IFRS 9)</td>
<td>Agenda Decision</td>
<td>October 2023</td>
<td>-</td>
<td>IFRS 9</td>
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<tr>
<td>AQ</td>
<td>Homes and Home Loans Provided to Employees</td>
<td>Agenda Decision</td>
<td>October 2023</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>AQ</td>
<td>Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)</td>
<td>Agenda Decision</td>
<td>October 2023</td>
<td>-</td>
<td>IFRS 17 IFRS 9</td>
</tr>
<tr>
<td>AQ</td>
<td>Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27)</td>
<td>Tentative Agenda Decision Feedback</td>
<td>November 2023</td>
<td>-</td>
<td>IAS 27</td>
</tr>
<tr>
<td>AQ</td>
<td>Payments Contingent on Continued Employment during Handover Periods (IFRS 3)</td>
<td>Tentative Agenda Decision Feedback</td>
<td>H1 2024</td>
<td>❌ Tentative Agenda Decision and comment letters Submit letter by: 20/11/23</td>
<td>IFRS 3</td>
</tr>
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Appendix
The Interpretations Committee online

Where can you find out more or submit an enquiry to the Interpretations Committee?

IFRS - How we help support consistent application of IFRS Accounting Standards