IFRS Accounting

Staff paper

Agenda reference: 12I

IASB® meeting

Date	**February 2024**
Project	**Annual Improvements to IFRS Accounting Standards—Volume 11**
Topic	**Effective date and due process**
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Introduction and purpose

1. At this meeting, the International Accounting Standards Board (IASB) will discuss feedback on—and decide whether to finalise—the amendments proposed in the Exposure Draft *Annual Improvements to IFRS Accounting Standards—Volume 11*. The amendments are:

   (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) Introduction and Credit Risk Disclosures (*Guidance on implementing IFRS 7*);

   (d) Disclosure of Deferred Difference between Fair Value and Transaction Price (*Guidance on implementing IFRS 7*);

   (e) Derecognition of Lease Liabilities (IFRS 9 *Financial Instruments*);

   (f) Transaction Price (IFRS 9);

(g) Determination of a 'De Facto Agent' (IFRS 10 *Consolidated Financial Statements*); and

(h) Cost Method (IAS 7 *Statement of Cash Flows*).

2. This paper:

(a) asks the IASB whether it agrees with our recommendations with respect to the effective date for the amendments;

(b) sets out the steps in the IFRS Foundation *Due Process Handbook* that the IASB has taken in developing the amendments;

(c) asks the IASB to confirm it is satisfied that it has complied with the due process requirements; and

(d) asks whether any IASB member intends to dissent from the amendments.

Structure of this paper

3. This paper includes:

(a) summary of staff recommendations;

(b) effective date; and

(c) due process steps and permission for balloting:

(i) re-exposure;

(ii) intention to dissent;

(iii) confirmation of due process steps; and

(iv) proposed timetable for balloting and publication.

4. There are two appendices to this paper:

(a) Appendix A—Extract from the *Due Process Handbook*; and

(b) Appendix B—Actions taken to meet the due process requirements.

Summary of staff recommendations

5. We recommend that the IASB:

   (a) require an entity to apply the amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted; and

   (b) finalise the amendments without re-exposure.

Effective date

6. Paragraph 6.35 of the *Due Process Handbook* explains that the effective date of any amendments is set so that (a) jurisdictions have sufficient time to incorporate the new requirements into their legal systems; and (b) those applying IFRS Accounting Standards have sufficient time to prepare for the new requirements.

7. The IASB generally allows at least 12–18 months between the issuance of a new IFRS Accounting Standard or amendment and its effective date. If the IASB agrees with our recommendations set out in this paper, we expect the IASB to issue the amendments in the third quarter of 2024.

8. The amendments to the *Guidance on implementing IFRS 7* would amend material that accompanies, but does not form part of, IFRS 7. Accordingly, effective date considerations are not relevant for these amendments.

9. With respect to the amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7, we recommend an effective date of annual reporting periods beginning on or after 1 January 2026—that is, approximately 15–18 months after issuance of the amendments.

10. In our view, an entity would have sufficient time to prepare for the amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 if the IASB were to set this as an effective date because:

(a) the amendments are narrow in scope, would not change or add requirements and would help maintain consistency between existing requirements; and

(b) for the amendment to paragraph 2.1(b)(ii) of IFRS 9 (see Agenda Paper 12E for this meeting), an entity is required to apply the amendment prospectively—to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

11. Furthermore, such an effective date would allow jurisdictions sufficient time to incorporate the new requirements into their legal systems.

12. The IASB received no feedback on its proposal to permit earlier application. We therefore recommend permitting such earlier application, with a requirement to disclose the fact that the amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 have been applied early when that is the case.

Question 1 – Effective date
Does the IASB agree with our recommendation to require an entity to apply the amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted?

Due process steps and permission for balloting

Re-exposure

13. As explained in paragraph 1 of this paper, at this meeting, the IASB will decide whether to finalise:

(a) with no changes the amendments to IFRS 1, IFRS 7, IFRS 9 and IAS 7; and

(b) with minor wording changes the amendments:

(i) to paragraph IG1 of the *Guidance on implementing IFRS 7*—see Agenda Paper 12C for this meeting;

(ii) to paragraph IG14 of the *Guidance on implementing IFRS 7*—see Agenda Paper 12D for this meeting; and

(iii) to paragraph B74 of IFRS 10—see Agenda Paper 12G for this meeting.

14. In the light of the minor wording changes, we considered the requirements in paragraphs 6.25–6.29 of the *Due Process Handbook* (reproduced in Appendix A to this paper) to assess whether the IASB should re-expose the amendments.

15. In our view, the changes set out in the respective agenda papers respond to feedback without fundamentally changing the proposed amendments that were included in the Exposure Draft. We think it is unlikely that re-exposure would reveal new information or feedback not already considered.

16. Accordingly, we recommend finalising the amendments without re-exposure.

Question 2 – Re-exposure
Does the IASB agree with our recommendation to finalise the amendments without re-exposure?

Intention to dissent

17. In accordance with paragraph 6.23 of the *Due Process Handbook*, we are asking whether any IASB member intends to dissent from the amendments.

Question 3 – Dissent
Does any IASB member intend to dissent from the amendments?

Confirmation of due process steps

18. In our view the IASB has undertaken all the due process steps identified as being required in the *Due Process Handbook* and, thus, is able to finalise the amendments.

Appendix B to this paper summarises the due process steps taken in developing the amendments. The applicable due process steps to date for issuing the amendments have been completed.

19. We request permission to start the balloting process if the IASB is satisfied that (a) it has been provided with sufficient analysis, and (b) it has undertaken appropriate consultation and due process to support issuing the amendments.

Question 4 – Permission to ballot
Is the IASB satisfied it has complied with the applicable due process requirements and that it has undertaken sufficient consultation and analysis to begin the balloting process for the amendments?

Proposed timetable for balloting and publication

20. The balloting process for the amendments will commence in the near term, with the amendments planned for issue in the third quarter of 2024.

Appendix A—Extract from the *Due Process Handbook*

A1. We reproduced below the paragraphs from the *Due Process Handbook* that include the requirements the IASB applies in considering re-exposure:

> 6.25 In considering whether there is a need for re-exposure, the [IASB]:
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> (a) identifies substantial issues that emerged during the comment period on the exposure draft and that it had not previously considered;
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> (b) assesses the evidence that it has considered;
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> (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
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> (d) considers whether the various viewpoints were appropriately aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions.
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> 6.26 It is inevitable that the final proposals will include changes from those originally proposed. The fact that there are changes does not compel the [IASB] to re-expose the proposals. The [IASB] needs to consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the basis for conclusions accompanying the exposure draft. The [IASB] also needs to consider whether it will learn anything new by re-exposing the proposals. If the [IASB] is satisfied that the revised proposals respond to the feedback received and that it is unlikely that re-

exposure will reveal any new concerns, it should proceed to finalise the proposed requirements.

6.27 The more extensive and fundamental the changes from the exposure draft and current practice the more likely the proposals should be re-exposed. However, the [IASB] needs to weigh the cost of delaying improvements to financial reporting against the relative urgency for the need to change and what additional steps it has taken to consult since the exposure draft was published. The use of consultative groups or targeted consultation can give the [IASB] information to support a decision to finalise a proposal without the need for re-exposure.

6.28 The [IASB] should give more weight to changes in recognition and measurement than disclosure when considering whether re-exposure is necessary.

6.29 The [IASB]'s decision on whether to publish its revised proposals for another round of comment is made in a [IASB] meeting. If the [IASB] decides that re-exposure is necessary, the due process to be followed is the same as for the first exposure draft. However, because it is not the first exposure of the proposed IFRS [Accounting] Standard, it may be appropriate to have a shortened comment period, particularly if the [IASB] is seeking comments on only specific aspects of the revised exposure draft, while recognising that respondents may not limit their comments to these aspects. The public comment period for such documents will normally be at least 90 days.

Appendix B—Actions taken to meet the due process requirements

B1. The following table summarises the actions taken to meet the due process requirements:

Step	Required/ optional	Actions
Consideration of information gathered during consultation		
The IASB posts all of the comment letters that are received in relation to the Exposure Draft on the project pages.	Required	All comment letters received by the IASB (39 comment letters) have been posted on the projects' comment letter page.
IASB and IFRS Interpretations Committee meetings are held in public, with papers being available for observers. All decisions are made in public sessions.	Required	At this meeting, the IASB will discuss a summary of feedback on the Exposure Draft and decide whether to finalise the amendments (see Agenda Papers 12A–12H for this meeting). All staff papers above are publicly available. The project pages have up-to-date information about all technical papers related to the projects: • Hedge Accounting by a First-time Adopter (IFRS 1); • Gain or Loss on Derecognition (IFRS 7); • Introduction and Credit Risk Disclosures (*Guidance on implementing IFRS 7*);

		• Disclosure of Deferred Difference between Fair Value and Transaction Price (*Guidance on implementing IFRS 7*); • Derecognition of Lease Liabilities (IFRS 9); • Transaction Price (IFRS 9); • Determination of a 'De Facto Agent' (IFRS 10); and • Cost Method (IAS 7).
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or ongoing associated costs.	Required	Not considered necessary because these amendments are narrow in scope. In accordance with the criteria for annual improvements set out in paragraphs 6.10–6.13 of the *Due Process Handbook*, these amendments are limited to changes that either: a. clarify the wording in an Accounting Standard; or b. correct relatively minor unintended consequences, oversights or conflicts between existing requirements of the Accounting Standards.
Finalisation		
Due process steps are reviewed by the IASB.	Required	This step will be met by this Agenda Paper.
The IASB sets an effective date for the Standard,	Required	Paragraphs 6–12 of this paper discuss the effective date. We recommend an effective date of 1 January 2026.

considering the need for effective implementation.		
Need for re-exposure is considered.	Required	Paragraphs 13–16 of this paper discuss re-exposure. We recommend not re-exposing the amendments.
Drafting		
Drafting quality assurance steps are adequate.	Required	To be completed in due course. The Translations, Taxonomy and Editorial teams will review the pre-ballot draft. We intend to send a draft of the amendments to external parties for review before finalisation. This process provides us with feedback on the clarity and understandability of the new requirements.
Publication		
News release to announce the final Standard.	Required	To be completed in due course. A news release will be published with the amendments.
A Feedback Statement is provided for a new IFRS Accounting Standard or a major amendment to a Standard, which provides an executive summary of the Standard and explains how the IASB has responded to the comments received.	Required	Not considered necessary because these amendments are narrow in scope.
Standard is published.	Required	The amendments will be made available on our website when published.