
Capital Markets Advisory Committee meeting

Date **March 2024**

Topic **IASB Update**

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Overview

- New requirements
- Current work plan
- Appendix: Standard-setting & research projects
- Appendix: Other maintenance projects
- Appendix: Post-implementation reviews

New requirements



New Standards and amendments

Issued in 2023

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 Q2 2024:

- ✓ Primary Financial Statements (April)
- ✓ Subsidiaries without Public
Accountability: Disclosures (May)

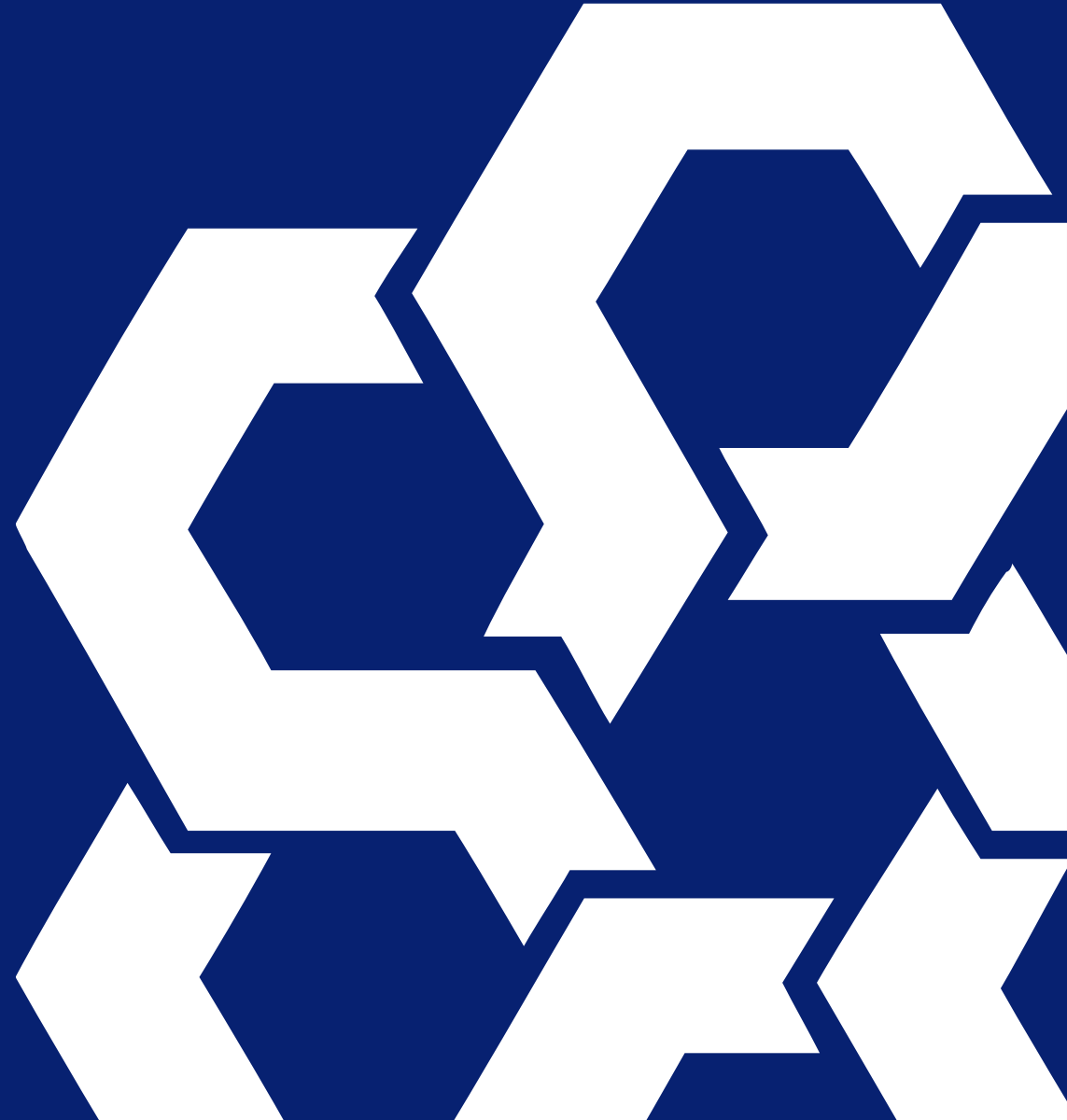
Effective date - for annual reporting periods
beginning on or after **1 January 2027**

Amendments to IFRS Standards

Expected in Q2 2024:

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

Update on current work plan



Consultations

Open for comments 

Exposure Draft *Financial Instruments with Characteristics of Equity*

Comments due 29 March 2024

Forthcoming 

- **March 2024:** Exposure Draft proposing amendments to IFRS 3 and IAS 36 (*Business Combinations—Disclosures, Goodwill and Impairment* project)
- **Q2 2024:** Addendum to the Exposure Draft Third edition of the *IFRS for SMEs Accounting Standard*
- **Q2 2024:** Exposure Draft proposing narrow scope amendments to IFRS 9 *Financial Instruments (Power Purchase Agreements* project)
- **Q2 2024:** Exposure Draft updating the *Subsidiaries without Public Accountability: Disclosures Standard*
- **H2 2024:** Exposure Draft proposing amendments to IAS 28 (*Equity Method* project)
- **H2 2024:** Exposure Draft proposing clarifications to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
- **H2 2024:** Exposure Draft proposing amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- **H1 2025:** Exposure Draft proposing amendments to IFRS 9 (*Dynamic Risk Management* project)

Summary of the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment*

Objective

- Improve information entities provide about their business combinations at a reasonable cost

Proposals

- A package of improved disclosure requirements in IFRS 3 *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 March 2024

Better information for better decisions

– increases comparability, transparency and usefulness of information

Proposed changes to IFRS 3

- Disclose information reviewed by key management personnel about the performance of a **strategic business combination**



- In the year of acquisition, information about acquisition-date key objectives and the related targets for the acquisition
- Subsequently, the extent to which those acquisition-date key objectives and related targets are being met.



- Disclosing quantitative information, in the year of acquisition, about expected synergies



- **Exempt** an entity from disclosing some information in specific circumstances

- • • • Other improvements to IFRS 3 disclosure requirements

Proposed changes to IAS 36



- Clarify how an entity allocates goodwill to cash-generating units

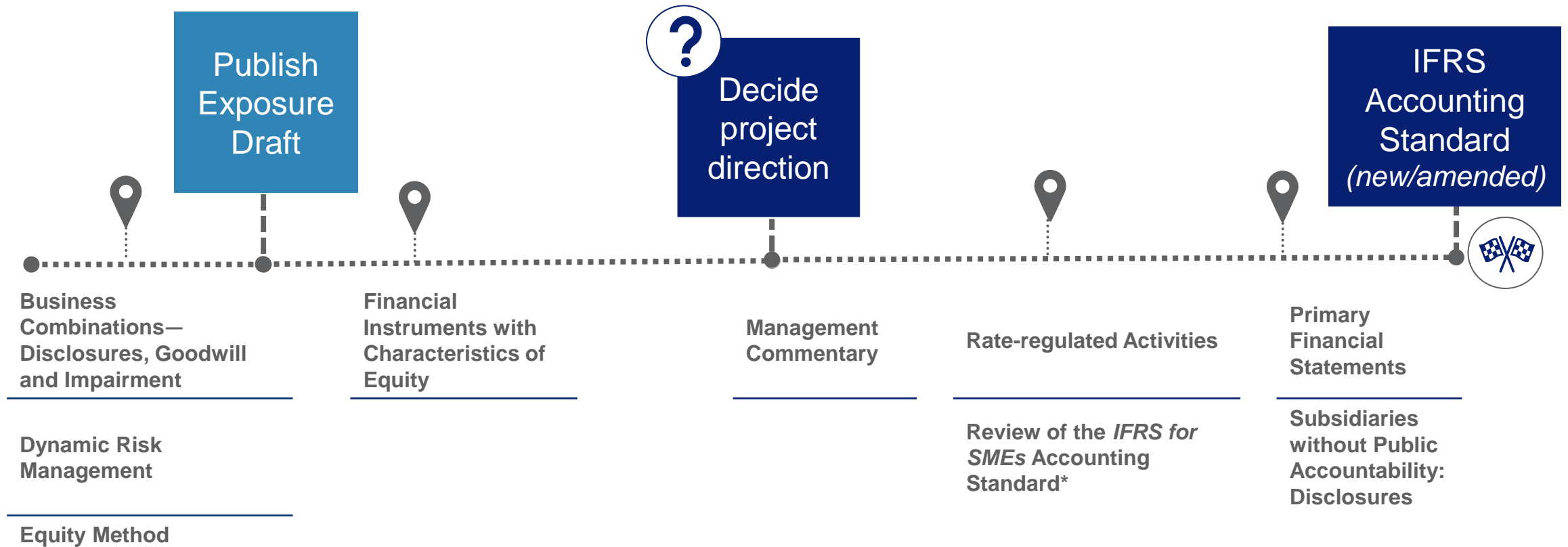


- Require an entity to disclose in which reportable segment a cash-generating unit containing goodwill is included



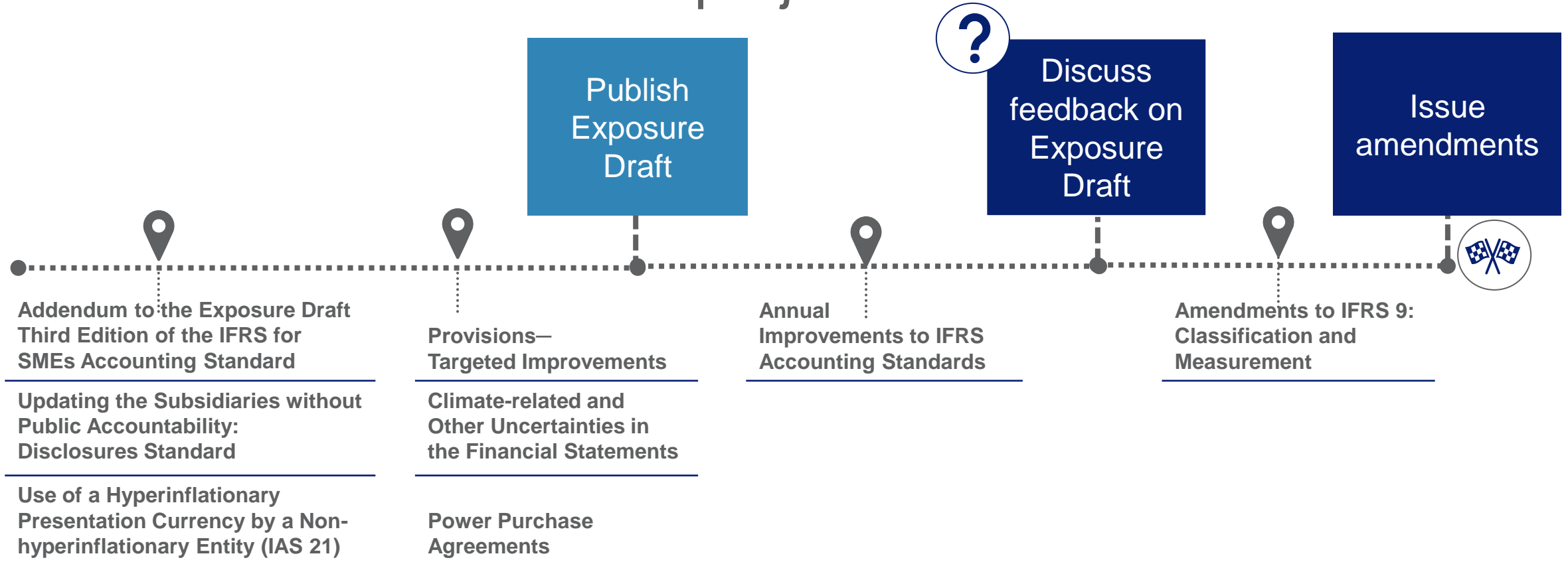
- Simplify and improve the calculation of value in use

Overview: standard-setting projects



*A maintenance project was added for the addendum to the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard*.

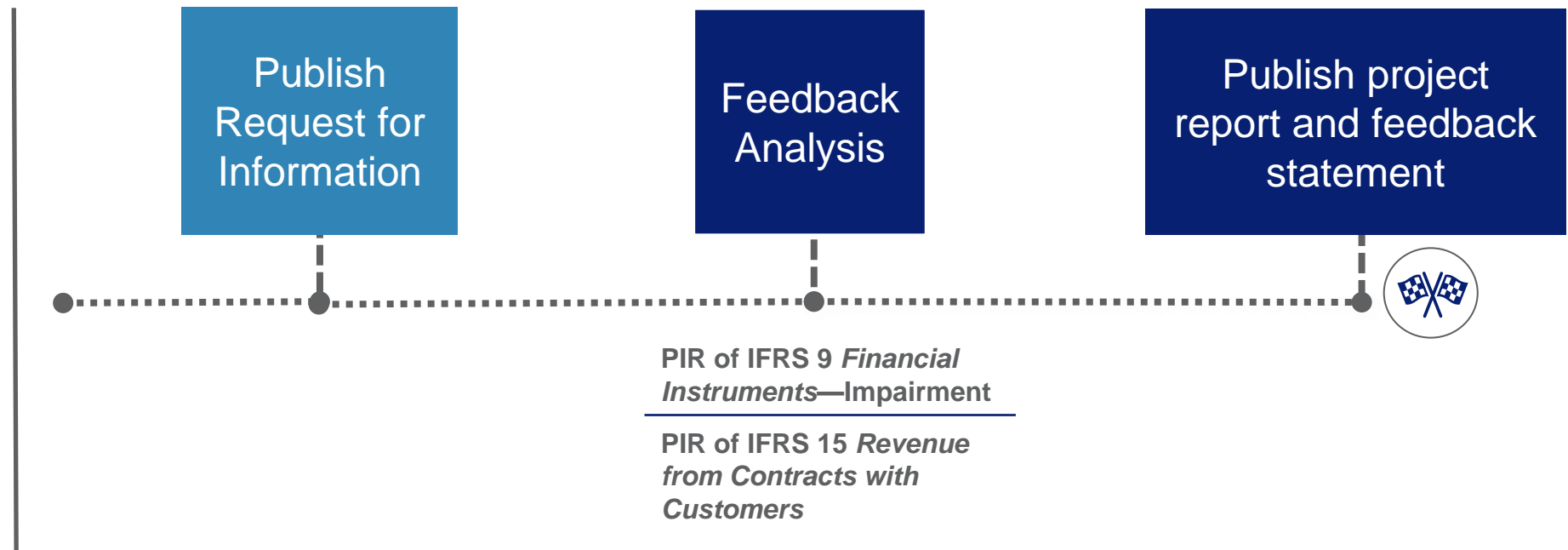
Overview: maintenance projects



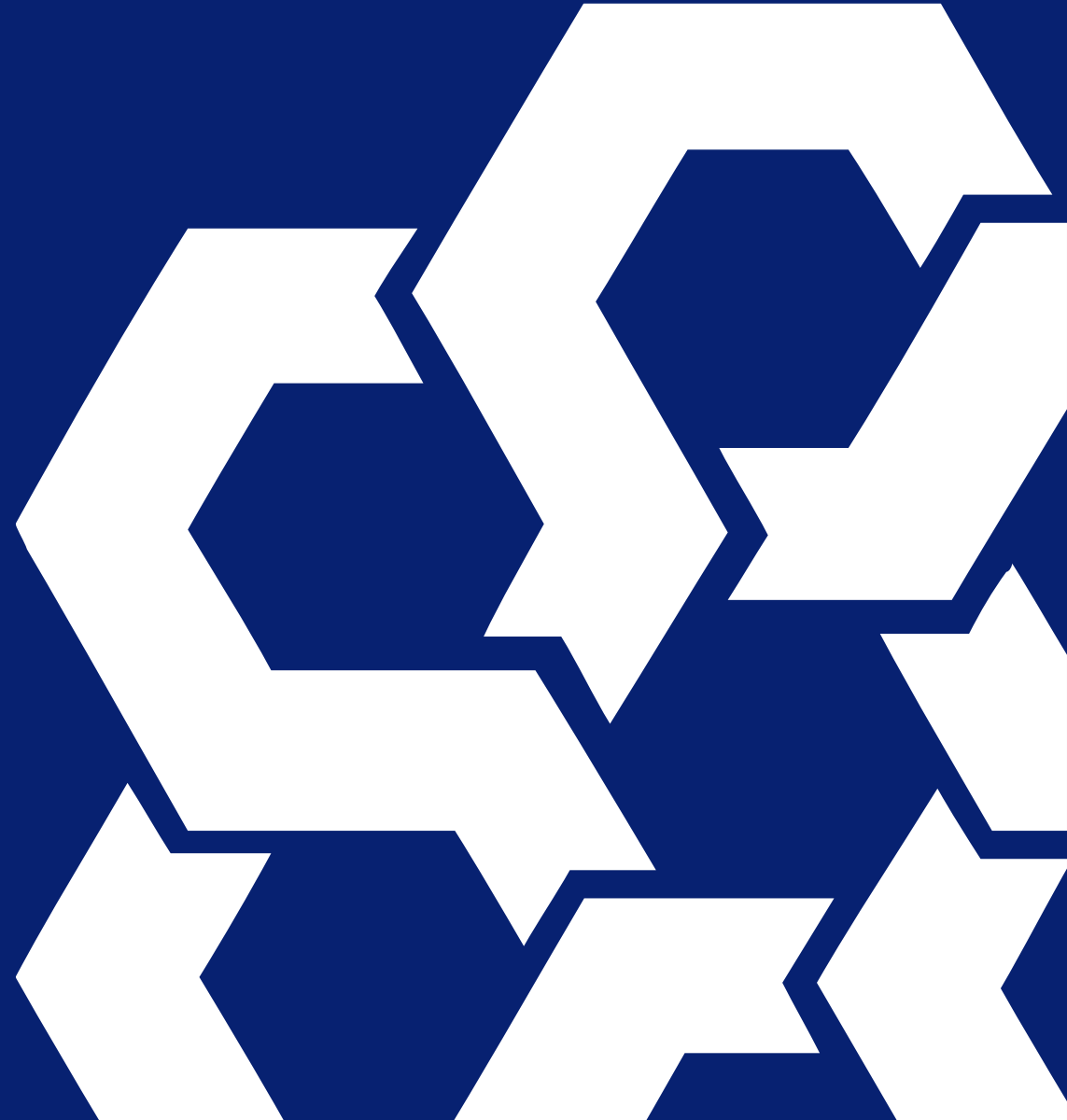
Overview: post-implementation review projects

Forthcoming post-implementation reviews:

- PIR of IFRS 16 *Leases*
- PIR of IFRS 9—Hedge Accounting



Appendix Standard-setting & research projects



Financial Instruments with Characteristics of Equity

Purpose

- Improve information entities provide in their financial statements about financial instruments they have issued
- Address challenges with applying IAS 32 *Financial Instruments: Presentation*

Approach

- Clarify IAS 32 classification principles to address practice issues:
 - fixed-for-fixed condition
 - effects of laws or regulations
 - obligations to purchase own equity instruments
 - contingent settlement provisions
 - shareholder discretion
 - reclassification
- Improve presentation and disclosure
- Provide application guidance and illustrative examples

Next milestone

- Comment period for Exposure Draft closes 29 March 2024

Dynamic Risk Management

Objective

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

DRM model

- The DRM model addresses the challenges in applying the hedge accounting requirements to dynamic interest rate risk management activities
- Showing the effect of using derivatives to mitigate repricing risk on the current net open risk position
- Tentative decisions made about the mechanics of the DRM model and
- Next focus area is presentation and disclosure requirements

Next milestone

- Publish Exposure Draft – expected in H1 2025

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.

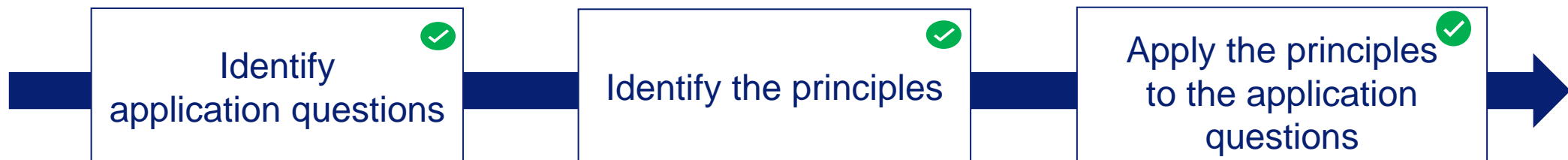
Project update

- IASB has concluded discussions and made tentative decisions on:
 - application questions;
 - improvements to disclosure requirements; and
 - transitional requirements.

Next steps

- Discuss whether the IASB has satisfied the required due process steps to publish an exposure draft of amendments to IAS 28.
- Publish Exposure Draft – expected H2 2024.

Project approach



Management Commentary

Objective

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

Evolving landscape

- Support for the project, in particular from investors
- Calls to work together with the ISSB—the Boards jointly discussed feedback on ISSB’s consultation on agenda priorities in January 2024
- IASB discussed staff’s comparison with *Integrated Reporting Framework* and feedback on comparison

Next milestone

- Decide project direction in Q2 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

- Second comprehensive review the *IFRS for SMEs* Accounting Standard.
- Apply ‘alignment approach’ to update the *IFRS for SMEs* Accounting Standard

Approach

- 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

- Discuss feedback on the [Exposure Draft](#)
- Q2 2024: Publish an Addendum to the Exposure Draft for:
 - Supplier Finance Arrangements; and
 - Lack of Exchangeability (Amendments to IAS 21)
- The third edition of the *IFRS for SMEs* Accounting Standard is expected in H2 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 April 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

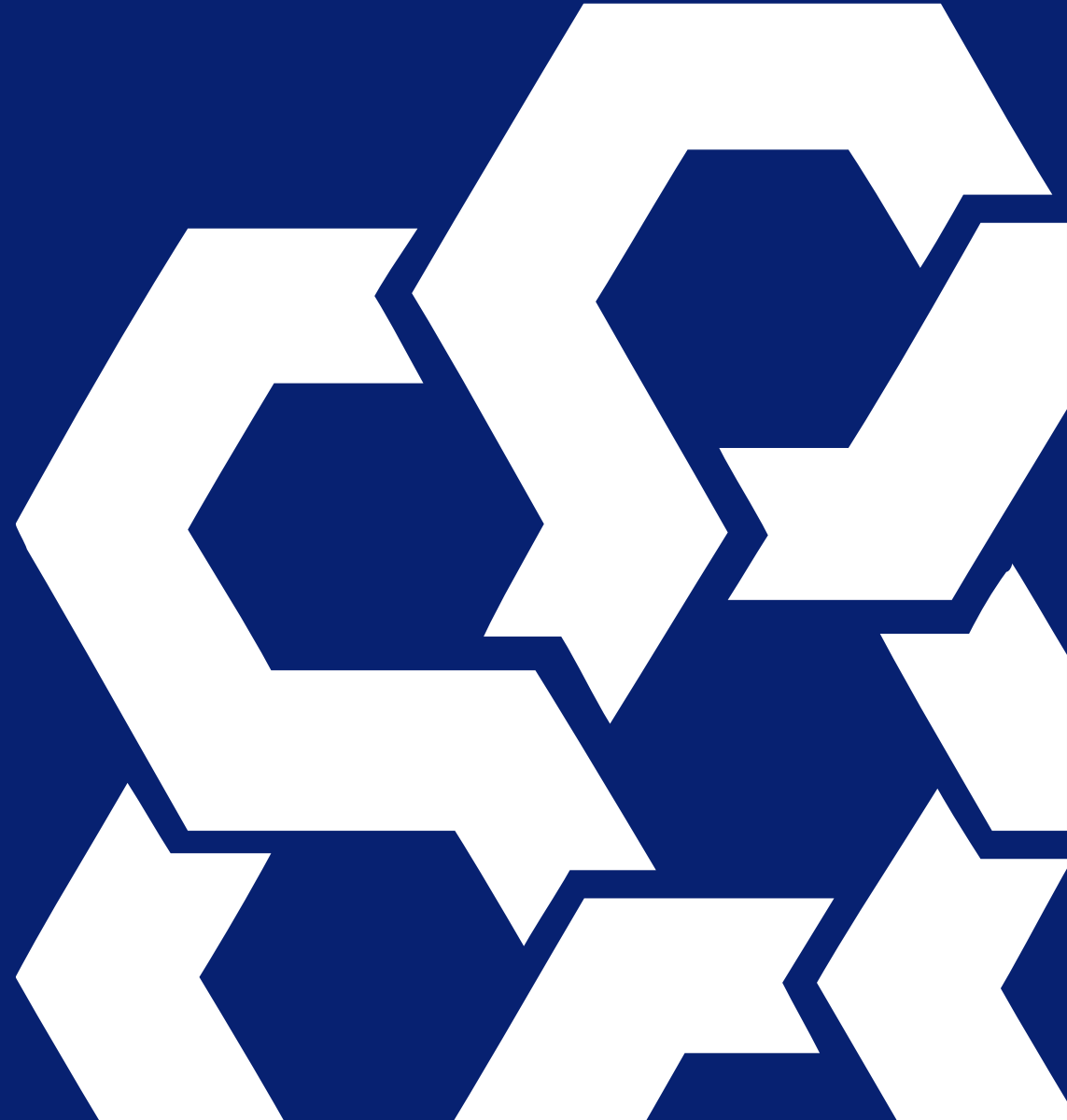
Proposal

- Eligible subsidiaries apply IFRS Accounting Standards with reduced disclosure requirements

Next milestone

- Issue IFRS Accounting Standard in April 2024

Appendix Other maintenance projects



Power Purchase Agreements (PPAs)

Objective

- Explore whether narrow-scope amendments could be made to better reflect PPAs in financial statements

Project scope

- Own-use requirements for physical PPAs
- Hedge accounting requirements for virtual PPAs

Next steps

- IASB tentatively decided to pursue narrow-scope standard setting.
- Publish Exposure Draft in Q2 2024.

Updating the Subsidiaries without Public Accountability: Disclosures Standard

Objective

- Propose amendments to the forthcoming Subsidiaries without Public Accountability: Disclosures Standard

Project scope

- Develop reduced versions of any disclosure requirements in IFRS Accounting Standards that were added or amended after 28 February 2021

Next steps

- Publish Exposure Draft in Q2 2024

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

- Exposure Draft
- Publication target H2 2024

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 Q2 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

- Discuss feedback on [Exposure Draft](#) February 2024

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

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

Next milestone

- IFRS Amendment expected in Q2 2024

Amendments to IAS 21: Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity (IAS 21)

Objective

- Narrow-scope amendments to IAS 21 to improve the usefulness of the financial information reported by entities that present financial statements in a hyperinflationary currency.

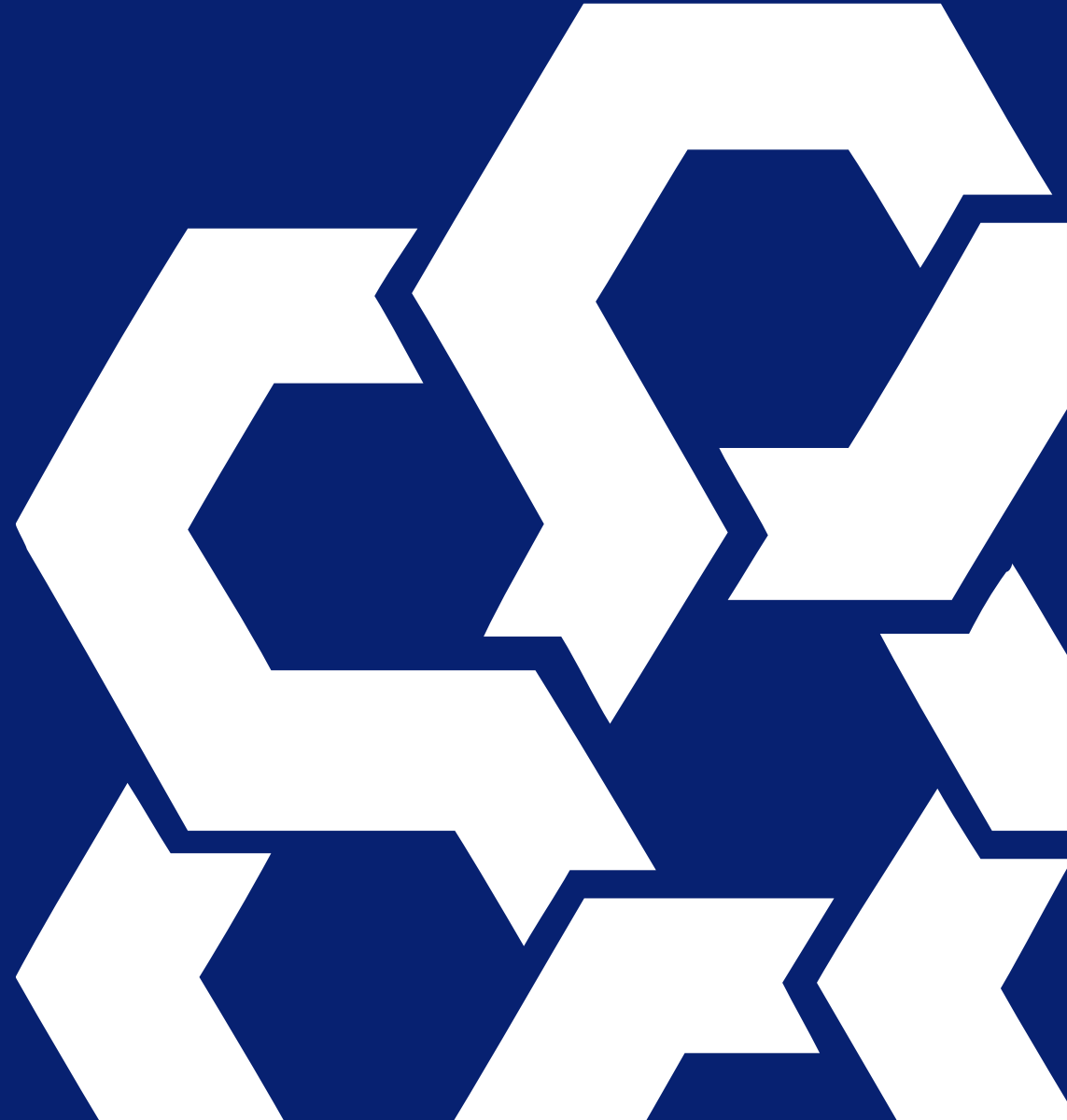
Areas of focus

- To provide a relevant translation method applicable to entities whose functional currency is the currency of a non-hyperinflationary currency but whose financial statements are presented in a currency of a hyperinflationary economy.

Next milestone

- Exposure Draft
- Publication target H2 2024

Appendix Post-implementation reviews



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 feedback

- Overall, the PIR feedback is positive. Almost all respondents said that the ECL requirements:
 - result in more timely recognition of credit losses compared to IAS 39; and
 - work as intended with no fundamental questions (‘fatal flaws’).
- Respondents however identify specific application challenges and suggest the IASB make targeted improvements to the requirements, including disclosure requirements.

Next milestone

- The IASB will analyse detailed feedback on the Request for Information.
- The IASB expects to complete its discussions by the end of Q2 2024.

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 feedback

- Overall, the PIR feedback is positive:
 - IFRS 15 has achieved its objective and is working well;
 - the five-step model is suitable for analysing contracts of varying complexity; and
 - no fundamental questions about the objective and the core principle.
- Respondents identified specific application challenges and for most of them suggested the IASB provide application guidance, illustrative examples and/or educational materials.

Next milestone

- The IASB will analyse detailed feedback on the Request for Information.
- The IASB expects to complete its discussions by the end of Q3 2024.

Helpful materials

Resources available on our website

Supporting materials sorted by Standard

Website
www.ifrs.org



IFRS
Accounting
Standards

IFRIC
Interpretations

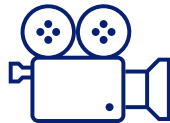
Cross-cutting
materials

News and
events



For example, for IFRS 9 *Financial Instruments*:

Videos



Webinars



Articles

Leaflet



Transition
Resource
Group



Agenda decisions

Supporting IFRS
Accounting
Standards

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