
Global Preparers Forum meeting 1 March 2024

IASB Update

Bertrand Perrin, IASB member

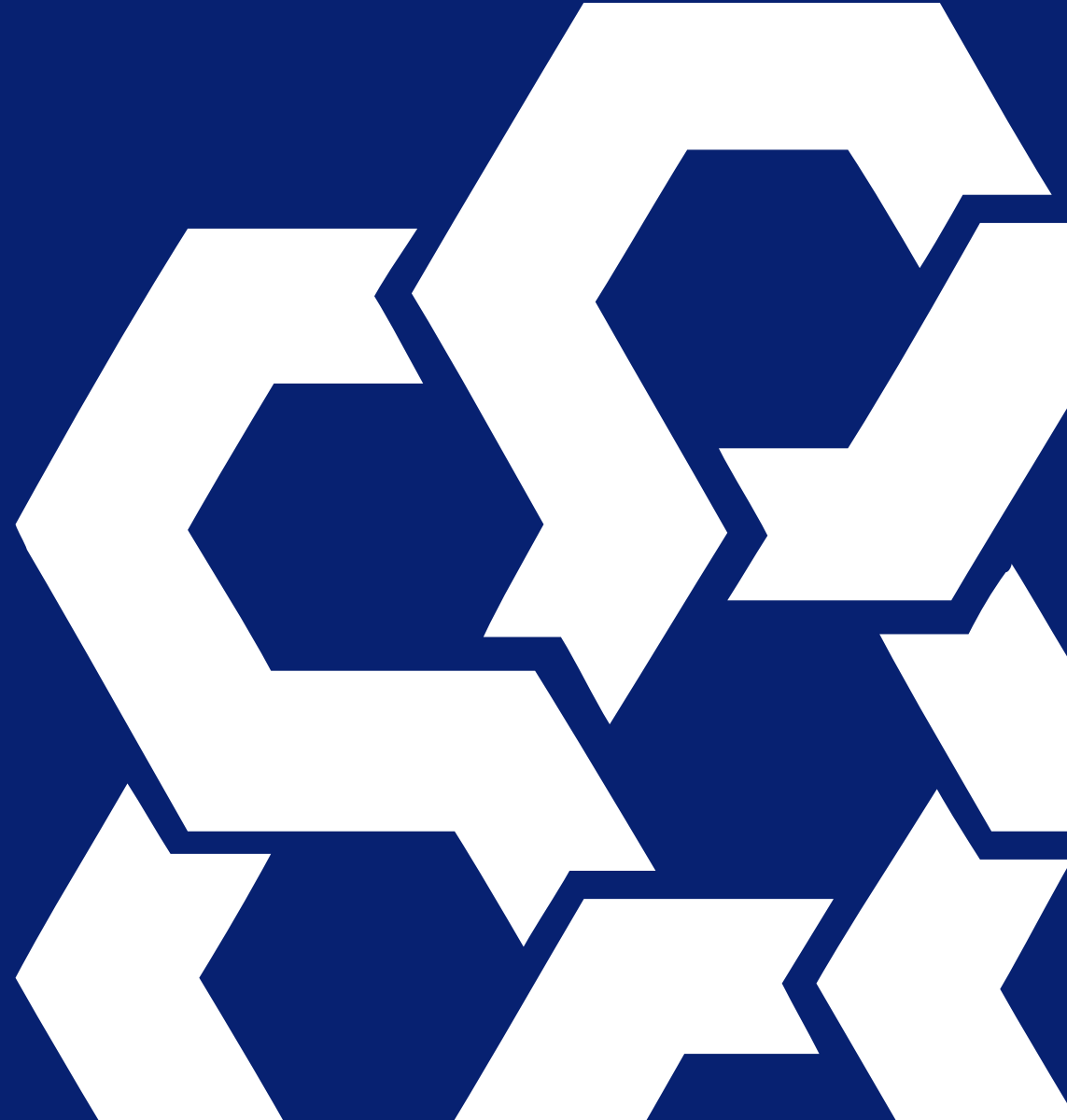
This paper has been prepared for discussion at a public meeting of the Global Preparers Forum. This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the *IASB Update*.

Overview

This update is prepared as of 31 January 2024

- Update on current IASB work plan
- Update on Climate-related and Other Uncertainties in the Financial Statements
- Update on Business Combinations—Disclosures, Goodwill and Impairment
- Other standard-setting projects
- Post-implementation reviews
- Other maintenance projects
- New requirements

Update on current IASB 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)

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 April 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 Q2 2024:

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

Other developments since the last GPF meeting (1/3)

- The IASB started to discuss the PIR feedback
- Further discussions will follow including discussions at the joint meeting with FASB in June 2024

PIR of IFRS 15—
*Revenue from Contracts
with Customers*

- The IASB discussed feedback on the assessment of contractual cash flows
- The IASB's tentative decisions should assist entities in determining when to measure ESG-linked financial assets at amortised cost

Amendments to IFRS 9:
Classification and
Measurement

- Education session to discuss possible amendments to IFRS 9 to account for physical and virtual power purchase agreements

Power Purchase
Agreements

- Joint IASB—ISSB meeting took place where the feedback on the ISSB Consultation on Agenda Priorities has been discussed
- More details: [Joint IASB—ISSB Update January 2024](#)

Connectivity between
the IASB and the ISSB

Other developments since the last GPF meeting (2/3)

The IASB decided to commence the post-implementation review of IFRS 16 *Leases* in Q2 2024

PIR of IFRS 16 *Leases*

The IASB has published a [summary of the project](#), which considered whether to amend or replace IFRS 6 *Exploration for and Evaluation of Mineral Resources*

Extractive Activities

The IASB decided to add a maintenance project to its work plan to develop a narrow-scope amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Use of a Hyperinflationary Presentation Currency

Other developments since the last GPF meeting (3/3)

The IASB tentatively decided to propose that the discount rate for provisions should reflect the time value of money - represented by a risk-free rate - with no adjustment for non-performance risk

Provisions—Targeted
Improvements

The IASB decided to stop work on this project

Business Combinations under
Common Control

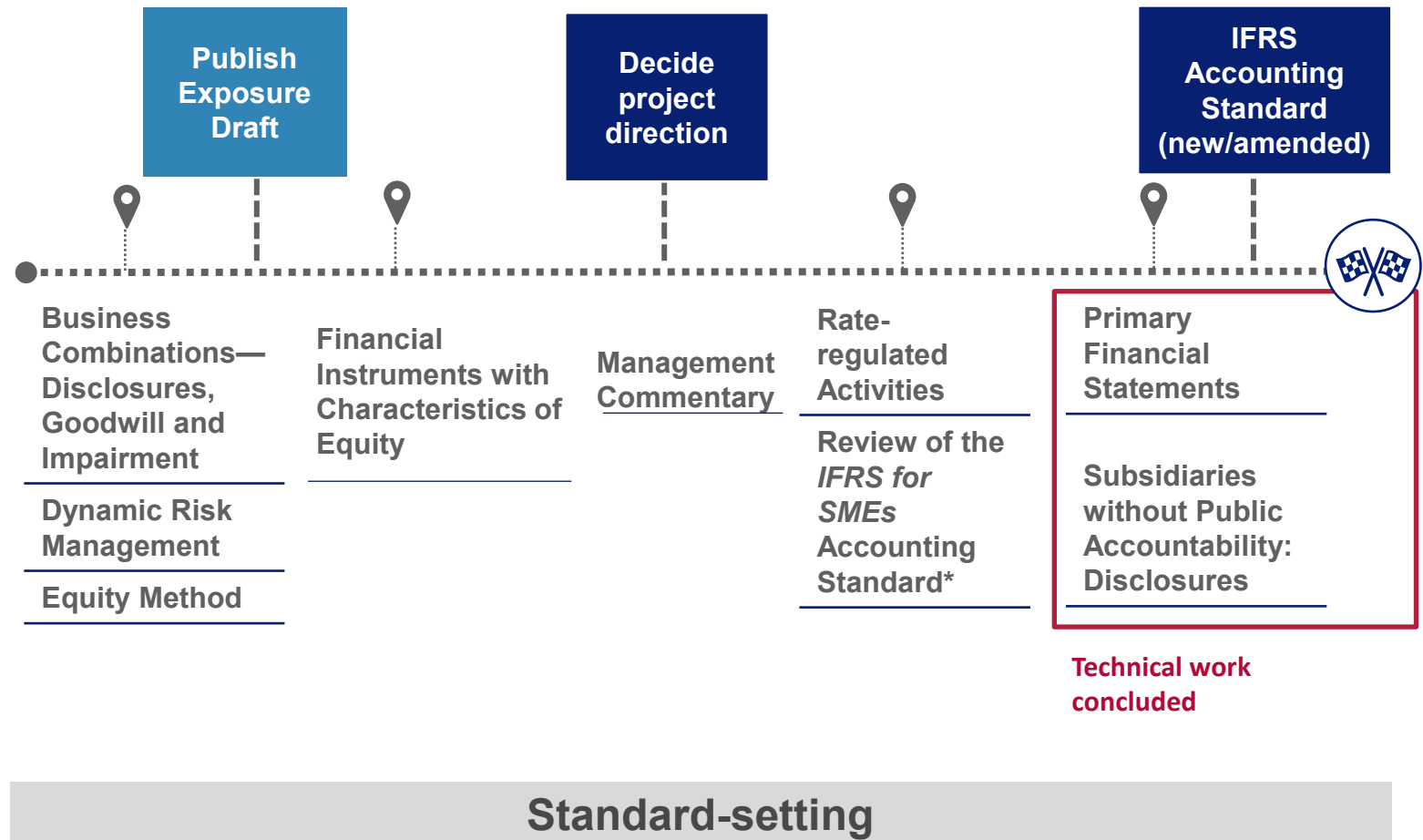
Exposure draft *Financial Instruments with Characteristics of Equity—Proposed amendments to IAS 32, IFRS 7 and IAS 1* was issued on 29 November 2023

Financial Instruments with
Characteristics of Equity

Current projects are in different stages

Business Combinations under Common Control

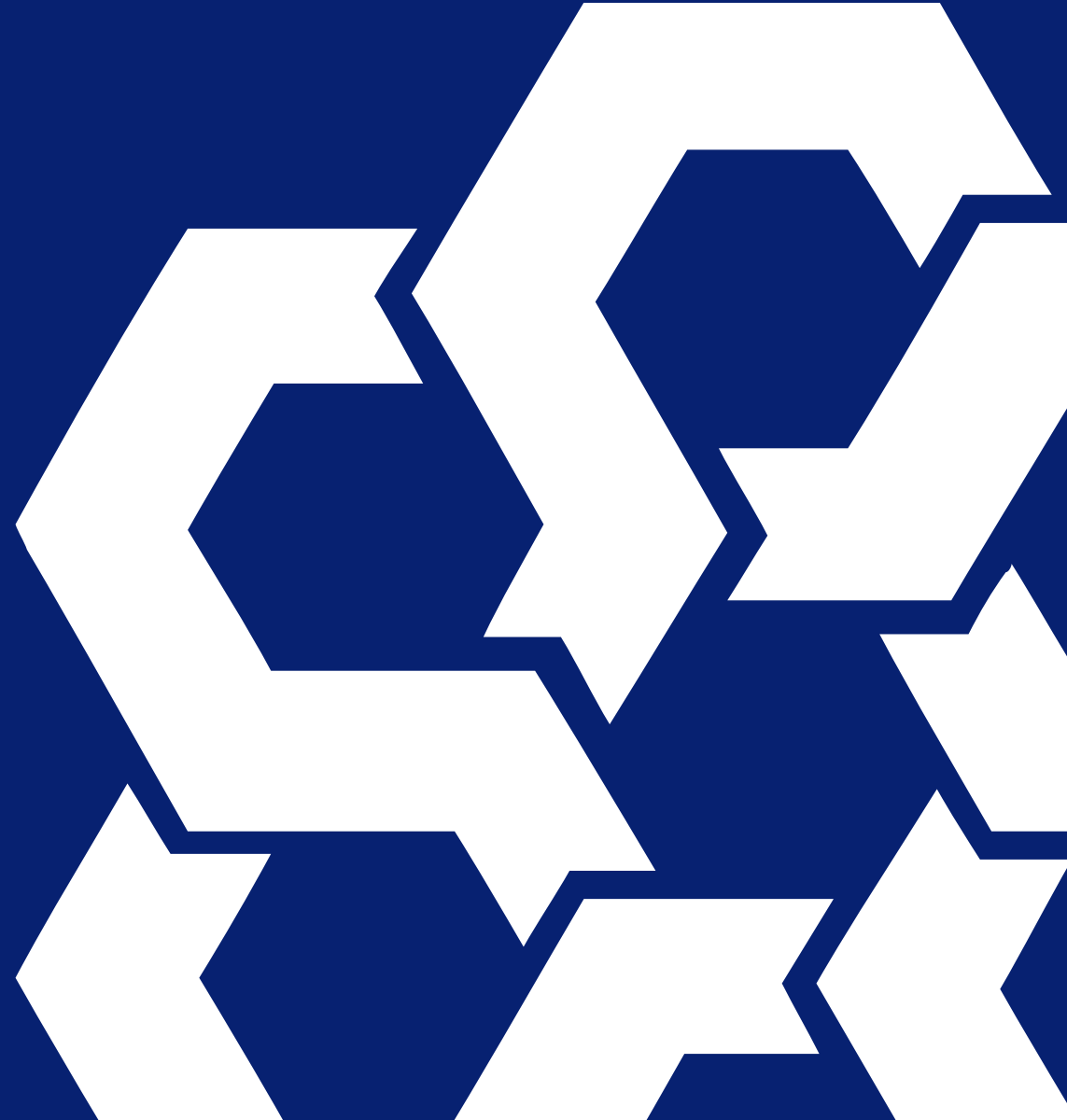
- Stopped work on the project
- Publish project summary in April 2024



Research

Standard-setting

Update on Climate-related and Other Uncertainties in the Financial Statements



Project overview

Project objective

Explore **targeted** actions to improve the reporting of **climate-related and other uncertainties** in the **financial statements**.

[Link to project page](#)

Status

Staff continue to work on actions decided at the [September 2023 IASB meeting](#). See next slide for a summary of actions.

Next steps

At its March 2024 meeting, the IASB will discuss:

- a) draft examples illustrating how to apply requirements in IFRS Accounting Standards to reporting the effects of climate-related and other uncertainties in the financial statements; and
- b) the staff's preliminary views about whether to undertake standard-setting in relation to disclosure of information about estimates.

The IASB will only be asked to make decisions on the project direction in Q2 2024.

Status of actions

Examples

Thank you to GPF members for providing feedback on the draft examples. Your feedback has been considered in developing the examples for discussion with the IASB at its March 2024 meeting.

Disclosure—estimates

At its March 2024 meeting, the IASB will discuss the staff's preliminary views about whether to undertake standard-setting in relation to disclosure of information about estimates

Submission to Committee on climate-related commitments

The IFRS Interpretations Committee (Committee) discussed a [submission on climate-related commitments](#) and tentatively decided not to add a standard-setting project to the work plan. The Committee will discuss feedback on comment letters at a future meeting.

Article—role of financial statements

Expected to be published in Q2 2024.

Other

For status of other workstreams see [IASB Agenda Paper 14](#) to the IASB's December 2023 meeting.

Update on Business Combinations— Disclosures, Goodwill and Impairment



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

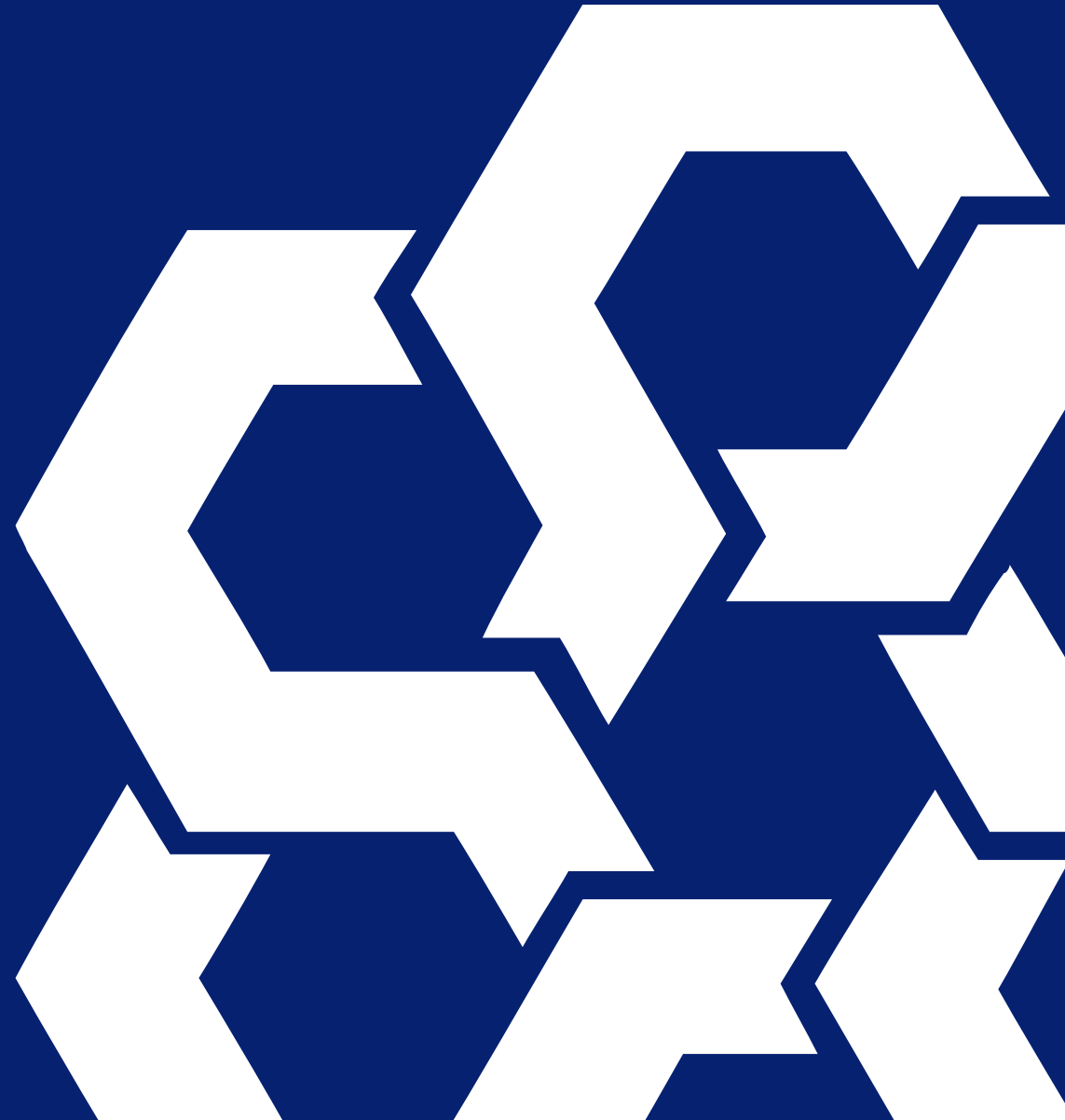


- Require an entity to disclose in which reportable segment a cash-generating unit containing goodwill is included



- Simplify and improve the calculation of value in use

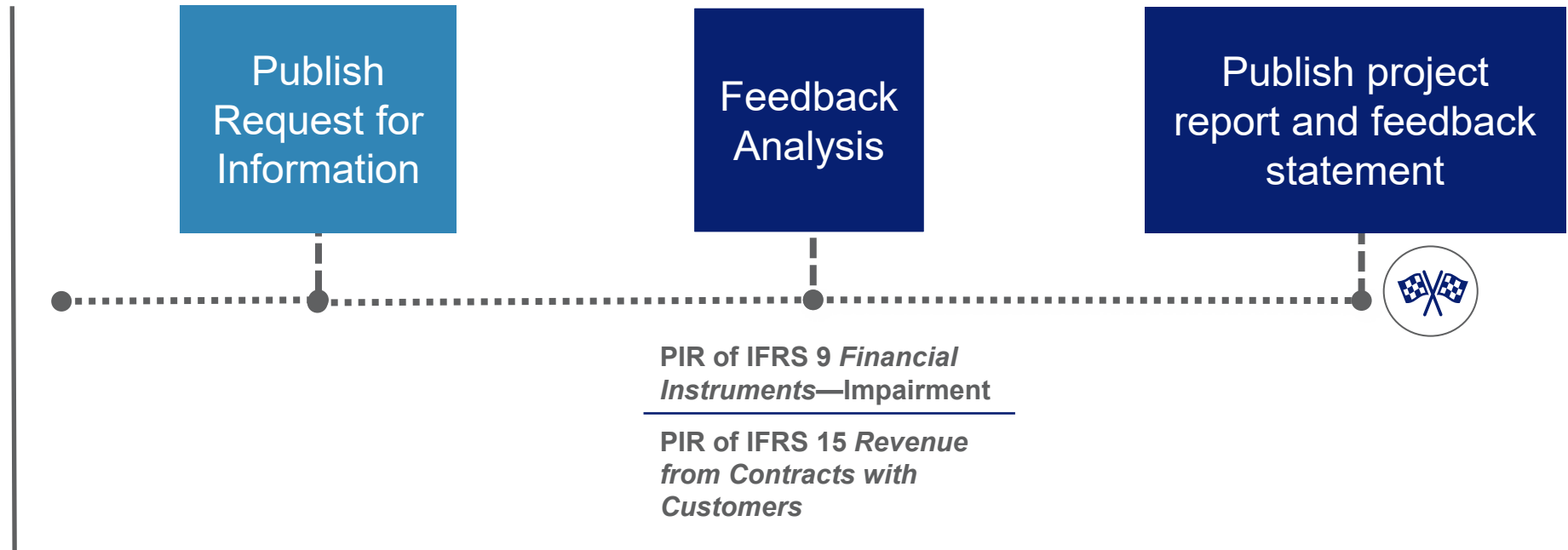
Post-implementation reviews



Overview: post-implementation review projects

Forthcoming post-implementation reviews:

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



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

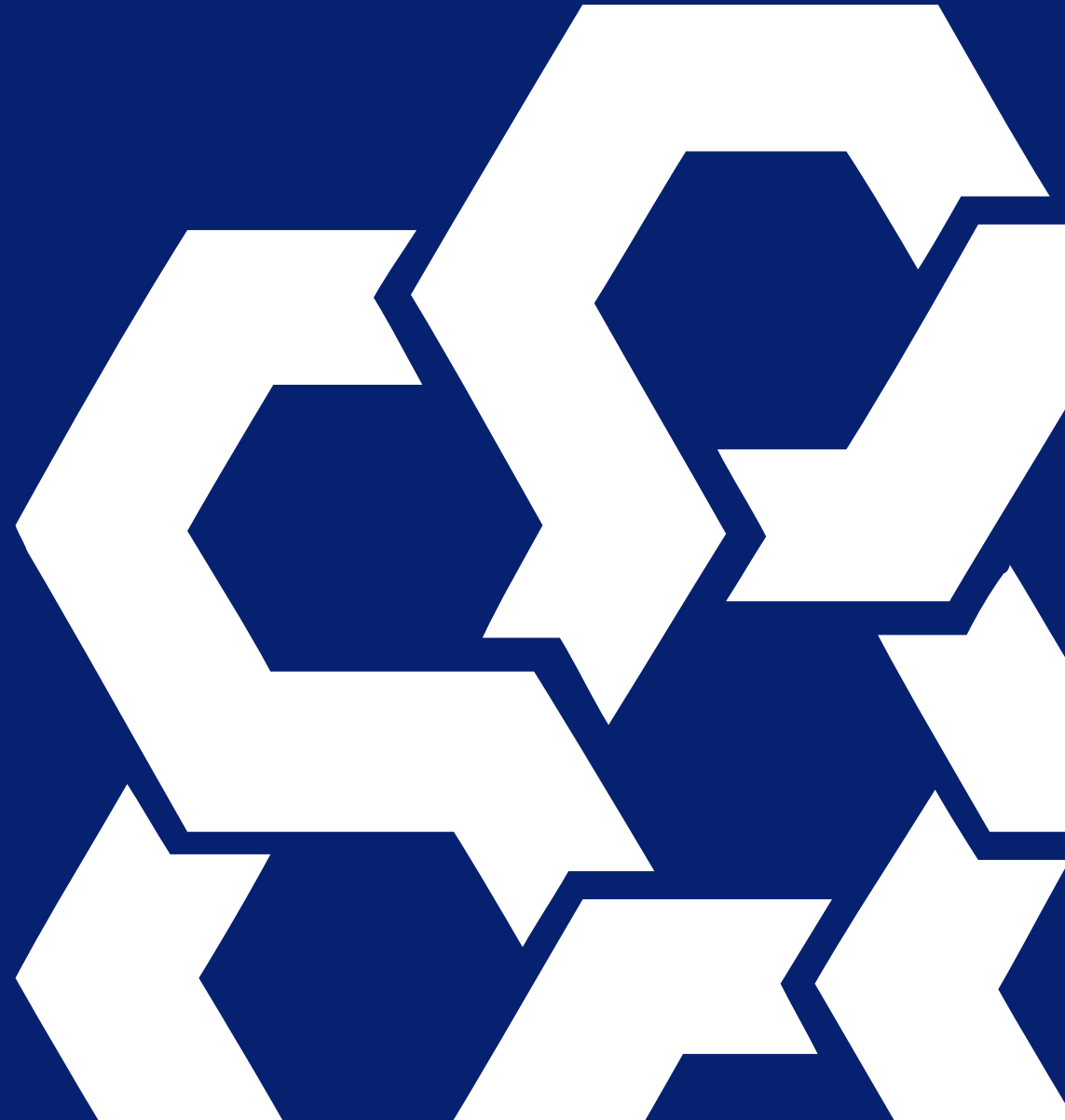
Request for Information feedback

- 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.

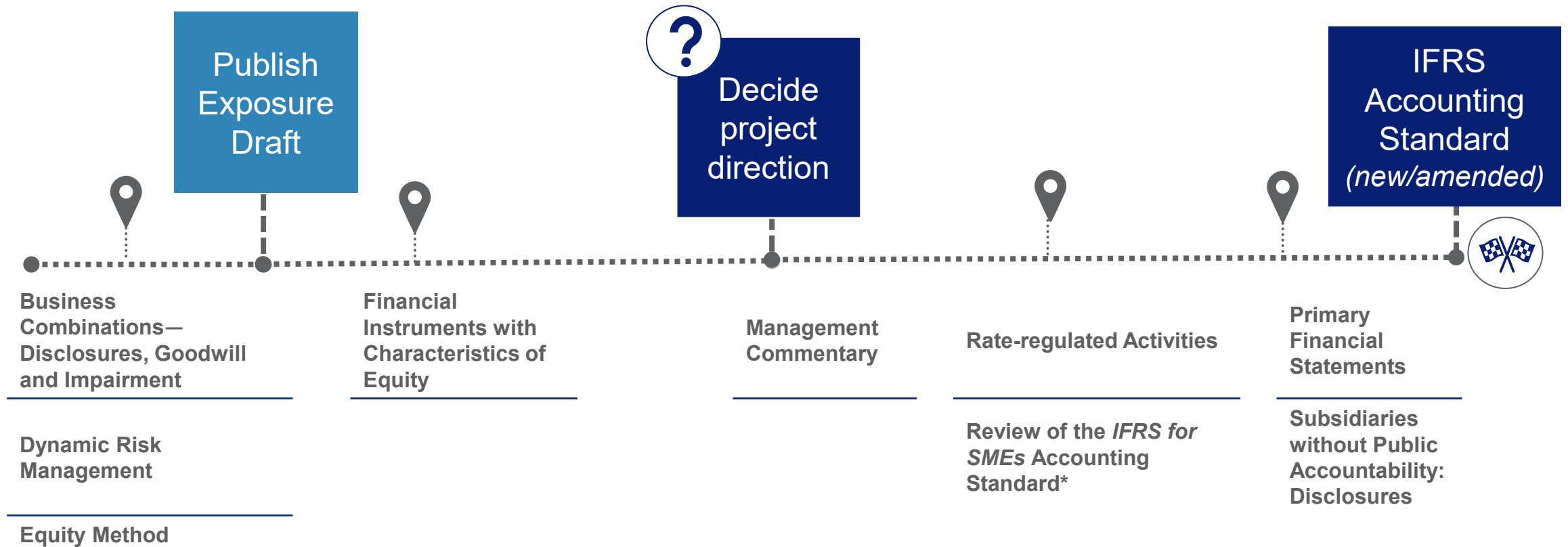
Next milestone

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

Other standard-setting projects



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*.

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.

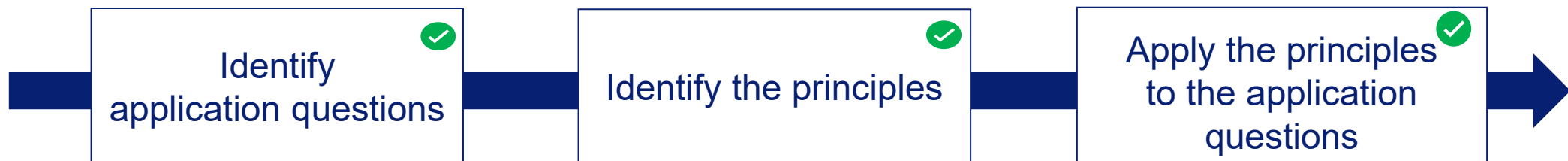
Project update

- 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

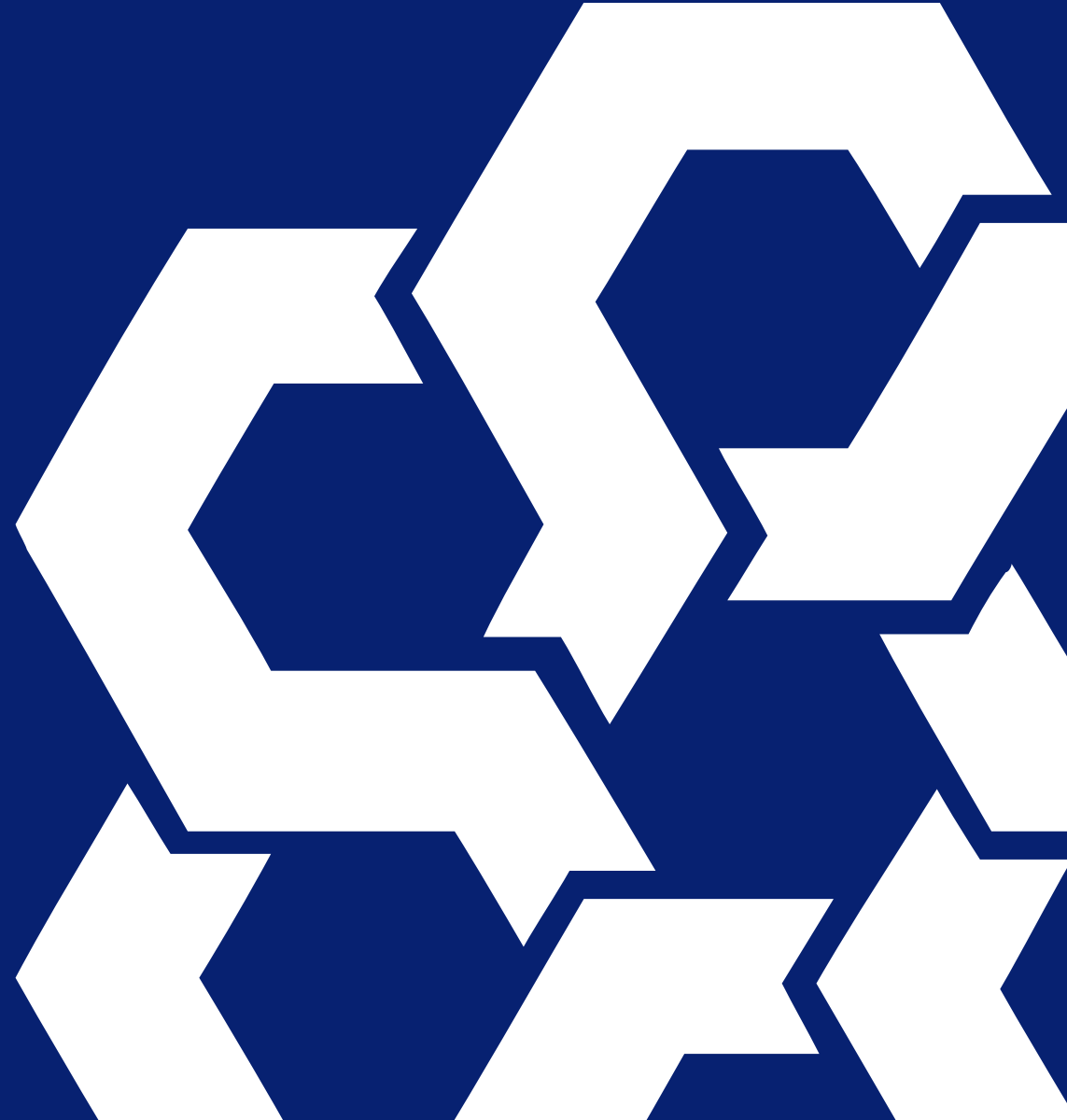
Proposal

- Eligible subsidiaries apply IFRS Accounting Standards with reduced disclosure requirements

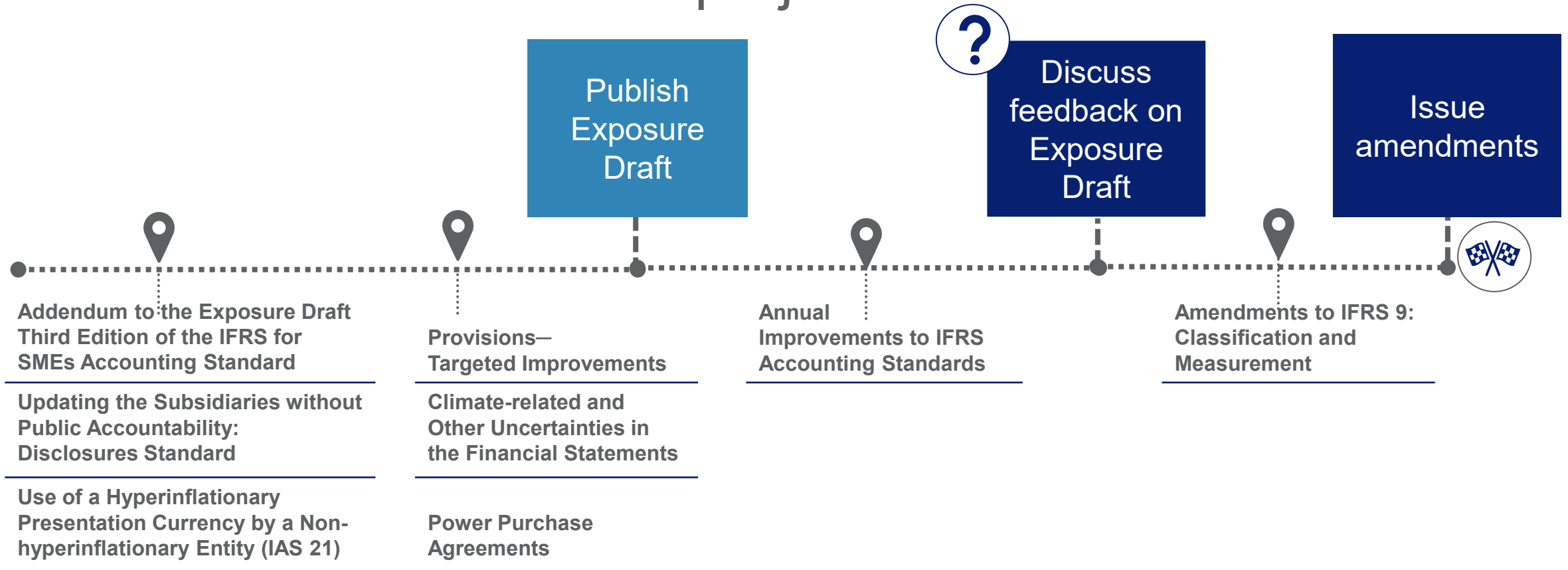
Next milestone

- Issue IFRS Accounting Standard in April 2024

Other maintenance projects



Overview: 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

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.

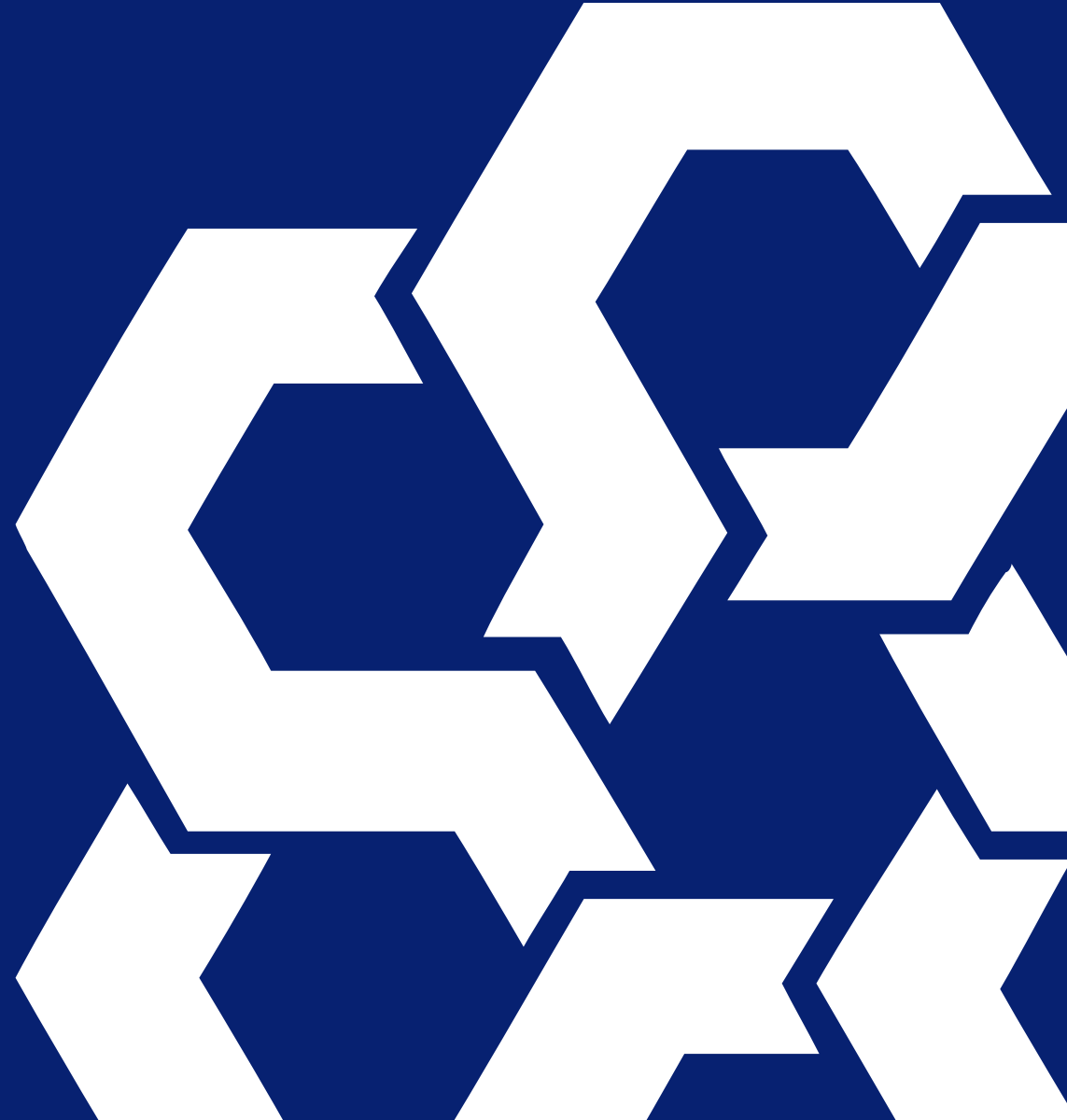
Areas of focus

- 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

New requirements



What is required when?

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)

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

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