IFRS Accounting

Meeting Summary

Global Preparers Forum

Date 1 March 2024
Contacts fnieto@ifrs.org
asimpson@ifrs.org

This document summarises a meeting of the Global Preparers Forum (GPF), a group of members with considerable practical experience of financial reporting and established commentators on accounting matters in their own right or through working with representative bodies in which they are involved. The GPF supports the IFRS Foundation and the International Accounting Standards Board (IASB) in their objectives, and contributes towards the development, in the public interest, of high-quality, understandable, enforceable and globally accepted IFRS Accounting Standards.

GPF members who attended the meeting.

Region	Members
Africa	Keshni Kuni*
Asia-Oceania	Lily Hu* Jay Jeong Hyeok-Park Srinath Rajanna* Kazuhiro Sakaguchi Amrita Srikanth* Feifei Wang*
Europe	Frédéric Agnès Ernesto Escarabajal Baadenhuijsen Ian Bishop* Maria Alejandra Hryszkiewicz Stephen Morris* Stefan Salentin* Nico Wegmann*
The Americas	Jeff Davidson* Sallie Deysel Patrick Matos* Michael Tovey*

* Remote participation via videoconference.

IASB and IFRS Interpretations Committee Update

1. The purpose of this session was to update members on the IASB's current work plan and on the November 2023 meeting of the IFRS Interpretations Committee.

2. IASB technical staff provided GPF members with a status update on the project on Climate-related and Other Uncertainties in the Financial Statements and thanked them for providing feedback on the draft illustrative examples.

3. IASB technical staff also provided GPF members with a summary of the forthcoming Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment.*

4. The GPF Chair mentioned that, in relation to *Amendments to the Classification and Measurement of Financial Instruments,* soon to be published by the IASB*,* the proposed effective date (1 January 2026) seems to be too soon, given that, in some instances, applying the proposed requirements would necessitate IT implementation throughout corporate reporting systems. Companies would need time to plan, design, test, build and roll out this implementation.

Financial Instruments with Characteristics of Equity

Purpose of the discussion

5. The purpose of this session was to provide GPF members with an overview of the IASB's proposals in the Exposure Draft *Financial Instruments with Characteristics of Equity* and to ask for members' views on those proposals, including:
   - whether they might result in companies providing useful information about financial instruments with characteristics of equity; and
   - whether implementing them might lead to any practical difficulties or unintended consequences.

Classification

6. GPF members provided feedback on several topics related to the proposals on classification. These topics included the fixed-for-fixed condition for derivatives on own equity, perpetual instruments, obligations to purchase own equity instruments,

shareholder discretion, reclassifying financial liabilities as equity instruments and contingent settlement provisions.

7. On the fixed-for-fixed condition, a few GPF members said that in some jurisdictions, especially emerging economies, financial instruments are often issued in stronger currencies like the US dollar instead of in the issuer's functional currency. They are concerned that this practice might lead to these instruments failing the fixed-for-fixed condition. A GPF member said they are trying to coordinate with standard-setters in their region to provide examples in their comment letter.
8. A GPF member questioned whether hedging the foreign exchange risk would have an effect on meeting the fixed-for-fixed condition. Another GPF member asked whether the requirements for passage-of-time adjustments would be met for strike price adjustments linked to CPI inflation and interest rate benchmarks.
9. A GPF member recommended that the IASB reconsider the classification requirements for perpetual instruments. The member argued that investors in their jurisdiction view perpetual instruments as financial liabilities because in most cases an issuer would exercise the call option on the first call date to avoid paying stepped-up interest rates. The member said that even if the issuer has no obligation to repay, for an instrument to be classified as equity there must be no possibility of repayment.
10. Another GPF member disagreed with recognising gains or losses from remeasuring obligations to purchase own equity instruments in profit or loss. The member said this obligation is a special liability related to purchasing own shares and the remeasurement gain or loss is not a 'real' profit or loss amount.
11. GPF members were encouraged to provide feedback on whether they view the proposal to debit parent equity for the initial amount of the financial liability recognised for written put options on non-controlling interests as double counting for the non-controlling interests. Members were also asked to consider whether their views would differ for put options exercisable at fair value (or a proxy of fair value) versus those exercisable at a fixed price.
12. On shareholder discretion, a GPF member asked whether educational material or illustrative guidance would be made available to preparers. Another GPF member asked what is meant by 'the decision is routine in nature'. GPF members were

encouraged to provide feedback on how useful the proposed factors would be if applied to real-life situations.

13. A GPF member questioned the prohibition on reclassifying a financial liability as an equity instrument if the liability feature expires with the passage of time—such as when a put option feature expires. The member's view was that continuing to classify the instrument as a financial liability would not provide useful information to users of financial statements. The member also said that from the perspective of preparers there would be a strong incentive to reclassify the instrument as equity to reduce the cost of fair valuation. In the member's view, because the reclassification would be non-recurring, it would not be a significant burden to track and monitor these features.
14. Another GPF member said that companies in their jurisdiction measure financial liabilities with contingent settlement provisions at fair value, taking into account the timing and probability of occurrence of the contingent events. The member disagreed with the proposal to ignore the probability and estimated timing of the contingent event because, in their view, ignoring the probability and timing would be an exception to IFRS 9 *Financial Instruments* fair value measurement.

Presentation, disclosure and transition

15. A GPF member asked how the proposed amendments to IAS 1 *Presentation of Financial Statements* will relate to the forthcoming Standard, IFRS 18 *Presentation and Disclosure in Financial Statements.* The member also said that preparers in their jurisdiction had concerns that the volume of disclosure would be onerous and that providing the required information would pose practical challenges.
16. The same member raised a concern with applying a fully retrospective approach on transition—the member asked what the effects on hedging relationships would be if a hedged item classified as a financial liability was reclassified as equity.

Next steps

17. After the consultation period ends, the IASB will analyse the feedback and redeliberate the proposals in the project. The feedback from GPF members will be included in the analysis and will be considered in redeliberating the project proposals.

ISSB Update

18. The purpose of this session was to update members on the recent activities of the International Sustainability Standards Board (ISSB), including:

    (a) the current adoption status of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* among jurisdictions and preparers, and how the ISSB is supporting implementation;

    (b) the ISSB's Agenda Consultation; and

    (c) the ISSB's next steps.