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## Islamic Finance Consultative Group meeting

Date **May 2024**

Topic **IASB Update on other topics**

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This paper has been prepared for discussion at a public meeting of the Islamic Finance Consultative Group (IFCG). 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*.

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# Overview

- New requirements
- Update on current IASB work plan
- Research projects
- Post-implementation reviews
- Standard-setting projects
- Maintenance projects
- IFRS Accounting Taxonomy
- Helpful materials

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## Highlights from April 2024

- The IASB published IFRS 18 *Presentation and Disclosure in Financial Statements*
- The effective date for the Standard is 1 January 2027

IFRS 18 *Presentation and Disclosure in Financial Statements*

- The IASB added a research project on its work plan on reviewing the accounting requirements for intangibles

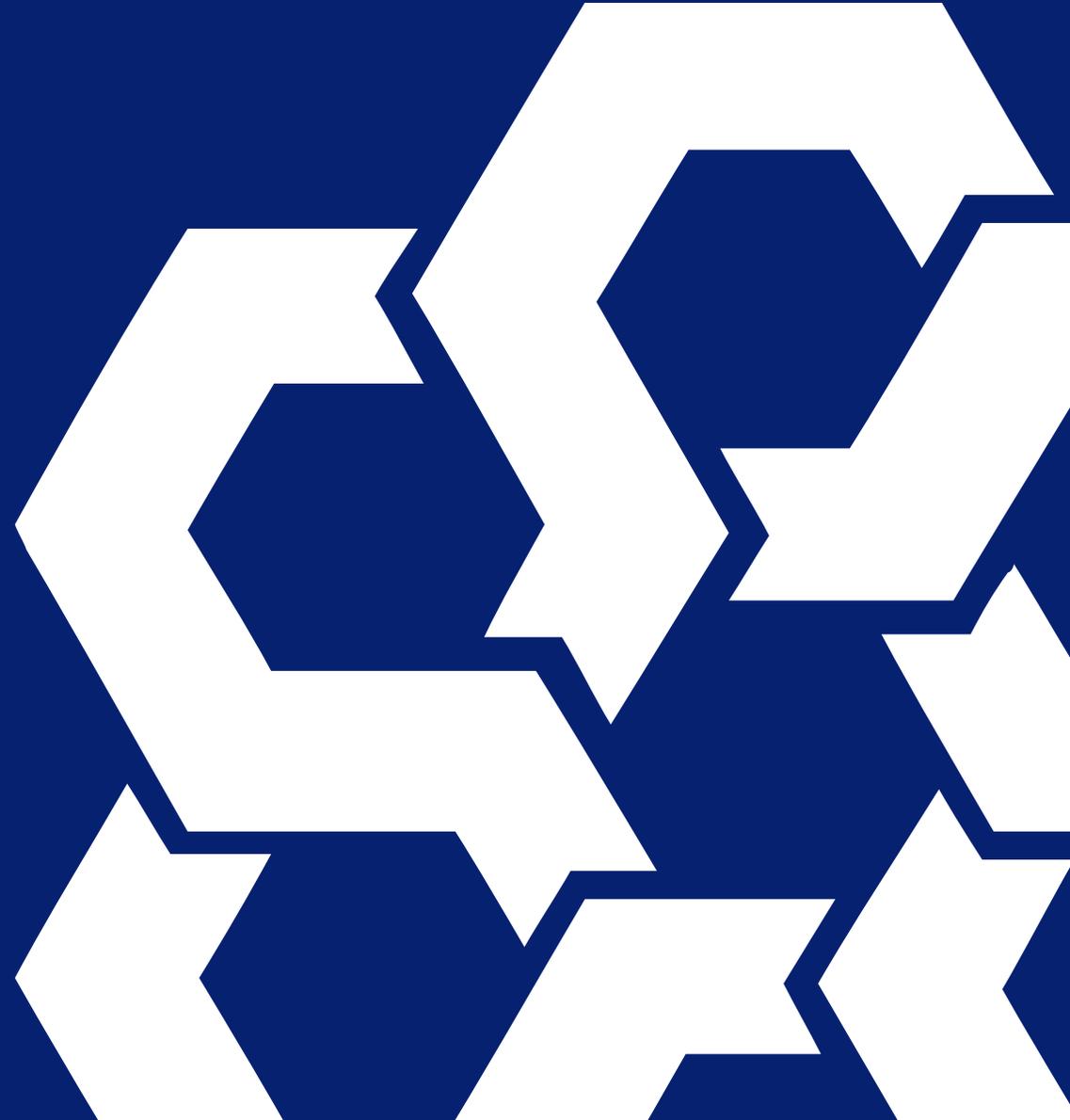
Intangible Assets

- The IASB published a [project summary](#)

Business  
Combinations under  
Common Control

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# New requirements



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## 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)

### 1 January 2027

- IFRS 18 : *Presentation and Disclosure in Financial Statements*

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# Update on current IASB work plan



# Consultations

Open for comments 

Exposure Draft: *Business Combinations—Disclosures, Goodwill and Impairment*

Comments due 15 July 2024

Addendum to the Exposure Draft: *Third Edition of the IFRS for SMEs Accounting Standard*

Comments due 31 July 2024

Forthcoming in 2024 

- **May 2024:** Exposure Draft proposing narrow scope amendments to IFRS 9 *Financial Instruments (Power Purchase Agreements project)*
- **July 2024:** Exposure Draft updating the *Subsidiaries without Public Accountability: Disclosures Standard*
- **July 2024:** Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*
- **Q2 2024:** Proposed IFRS Taxonomy Update—*Primary Financial Statements*
- **Q3 2024:** Exposure Draft proposing amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- **H2 2024:** Proposed IFRS Taxonomy Update—*Subsidiaries without Public Accountability: Disclosures and Amendments to IFRS 7 and IFRS 9*
- **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*

# New Standards and Amendments

## Issued in 2024

*IFRS 18 Presentation and Disclosure in Financial Statements*

## New IFRS Standards

### Expected in Q2 2024:

- ✓ **May:** Subsidiaries without Public Accountability: Disclosures

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

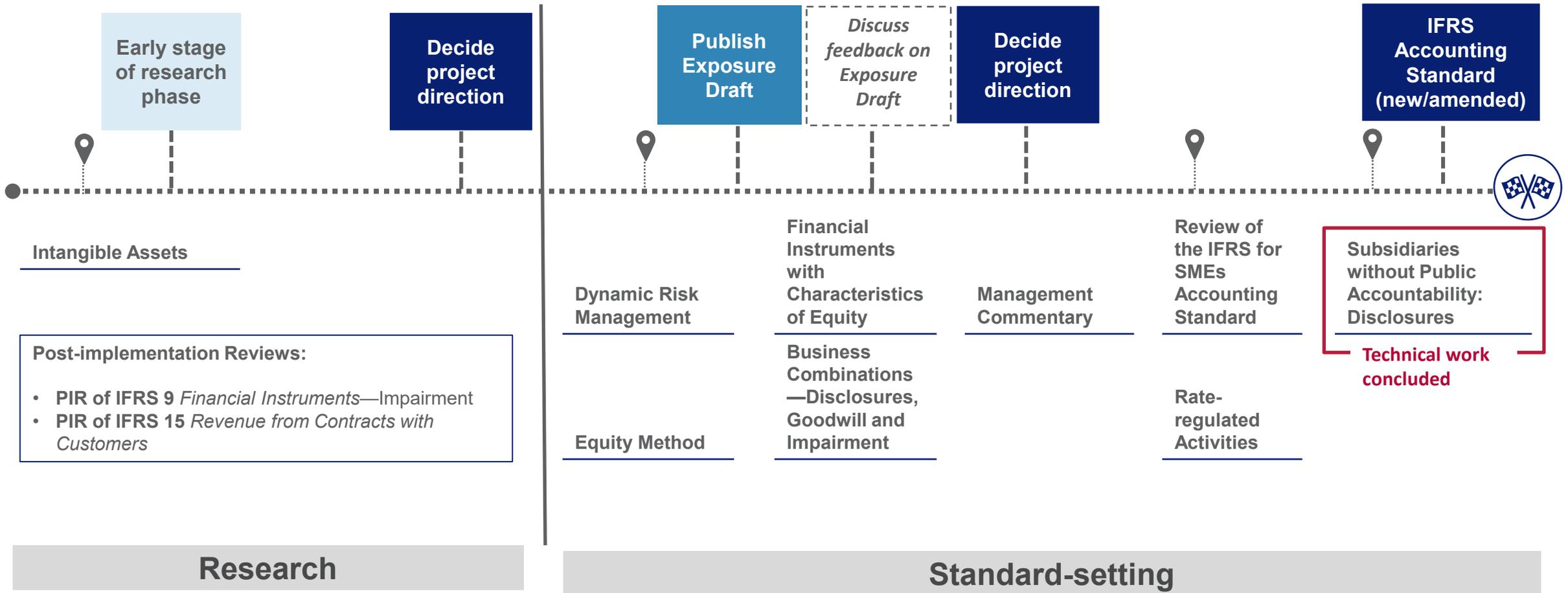
## Amendments to IFRS Standards

- ✓ **May 2024:** Amendments to the classification and measurement of financial instruments (IFRS 9)
- ✓ **July 2024:** Annual Improvements to IFRS Accounting Standards

# IASB work plan: overview

Type of project	As of 30 April 2024
Post-implementation reviews 	2
Research projects 	1
Standard-setting projects 	8
Maintenance projects 	8
Application questions (IFRS IC) 	3
<b>Total</b>	<b>22</b>

# Current projects are in different stages



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# Research projects



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# Intangible Assets

## Objective

- Comprehensively review the accounting requirements for intangibles
- Assess if the requirements of IAS 38 *Intangible Assets* remain relevant and continue to fairly reflect current business models or whether the IASB should improve the requirements

## Areas of focus

- Initial research aims to define:
  - the scope of the project; and
  - how best to stage work to deliver timely improvements

## Next milestone

- Review Research – expected in H2 2024

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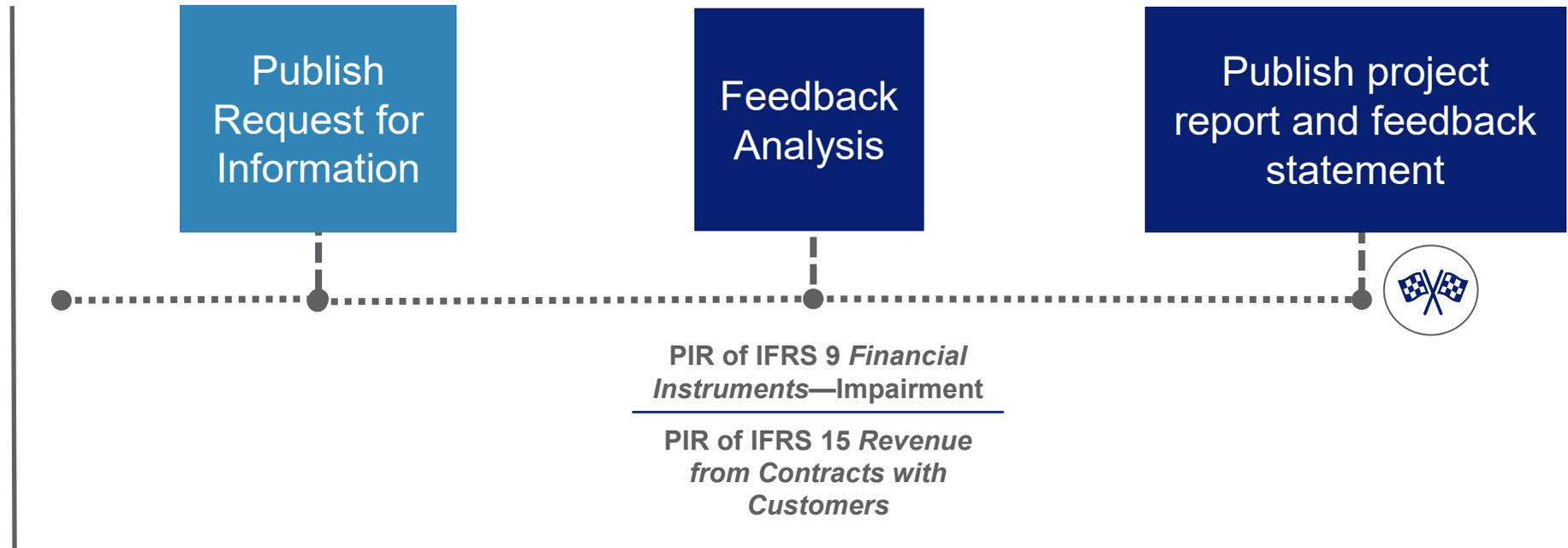
# Post-implementation reviews



# Overview: post-implementation review projects

Forthcoming post-implementation reviews:

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



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## 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 expects to complete its deliberations by the end of Q2 2024 and publish feedback statement in Q3 2024

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# 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

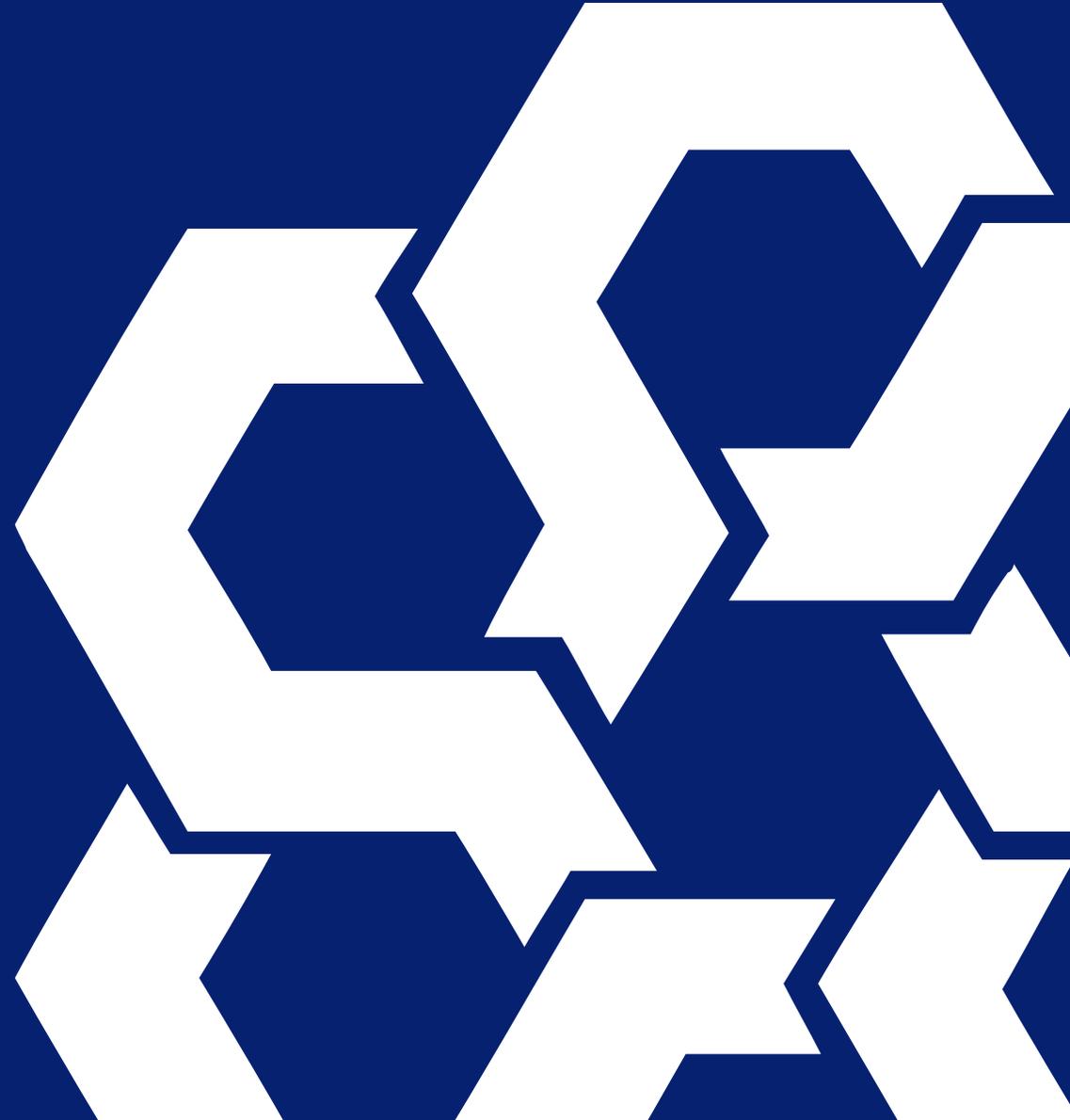
- Overall, the PIR feedback is positive:
  - IFRS 15 has achieved its objective and is working well;
  - the five-step model is suitable for analysing contracts of varying complexity; and
  - no fundamental questions about the objective and the core principle
- Respondents identified specific application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

## Next milestone

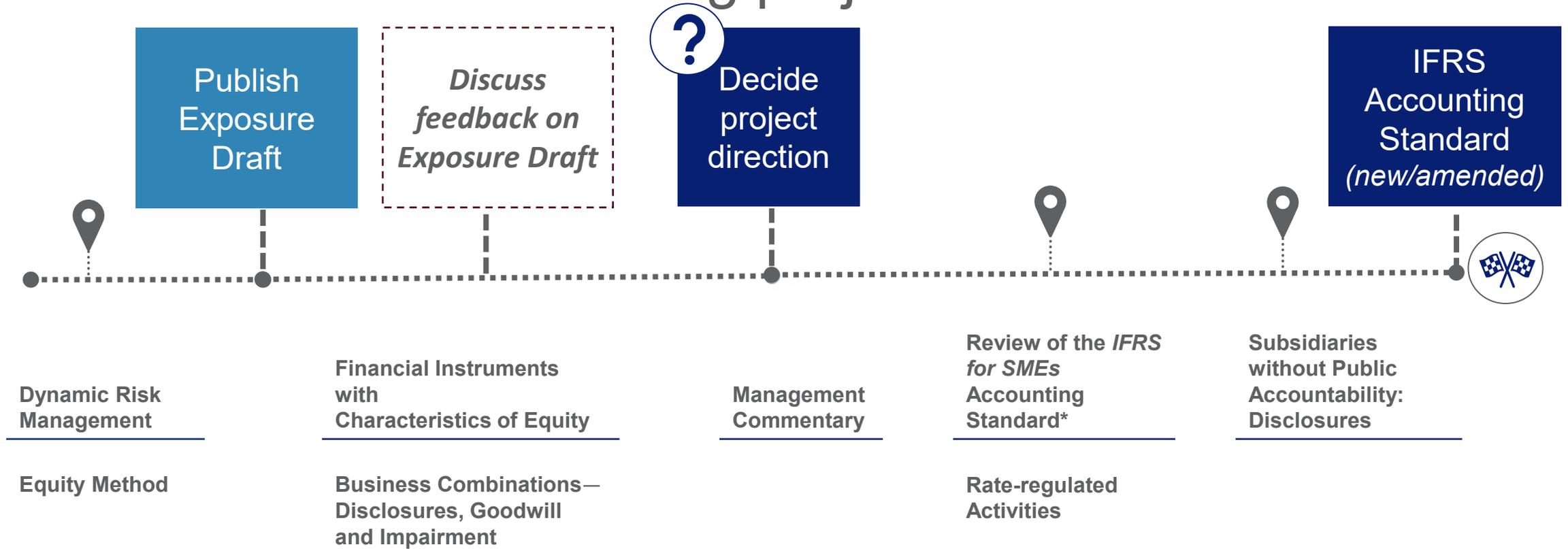
- The IASB continues its deliberations of the feedback on the Request for Information
- The IASB expects to complete its deliberations and publish feedback statement in Q3 2024

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# 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*.

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# 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

- Discuss summary of feedback on the Exposure Draft in May 2024

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# Business Combinations—Disclosures, Goodwill and Impairment

## Objective

- Improve information companies provide about their acquisitions 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

- Comment period for the Exposure Draft closes on 15 July 2024

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# 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

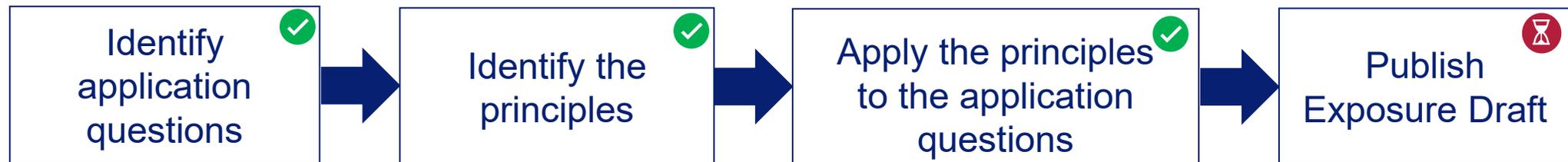
## Project update

- The IASB has developed proposed answers to the application questions

## Next steps

- Publish the Exposure Draft - expected in H2 2024

## Project approach



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# 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—collaboration between the Boards can take various forms
- IASB discussed staff's comparison with *Integrated Reporting Framework* and feedback on comparison

## Next milestone

- Decide project direction in Q2 2024

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# 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

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# Review of the *IFRS for SMEs* Accounting Standard

## Objective

- To update the *IFRS for SMEs* Accounting Standard to reflect improvements that have been made in full IFRS Accounting Standards (in the scope of this review) while keeping the Standard simple

## Approach

- The alignment approach uses the following principles to identify possible amendments:
  - relevance to SMEs;
  - simplicity; and
  - faithful representation, including the assessment of costs and benefits

## Next milestone

- Discuss feedback on the [Exposure Draft](#) published in September 2022
- Gather feedback on the [Addendum to the Exposure Draft](#) - comment period closes 31 July 2024
- Issue the Third edition of the *IFRS for SMEs* Accounting Standard

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# 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

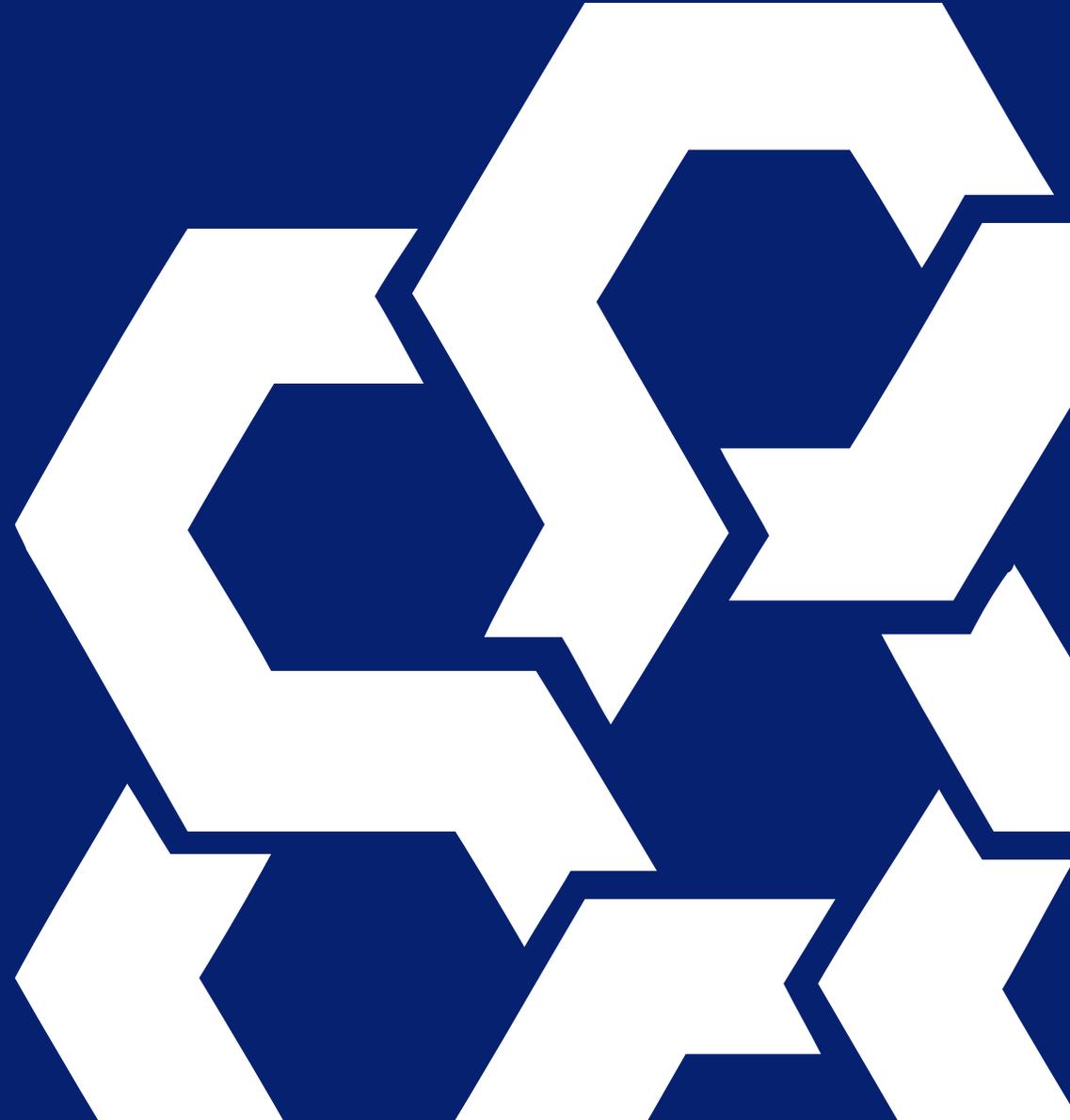
- Eligible subsidiaries apply IFRS Accounting Standards with reduced disclosure requirements

## Next milestone

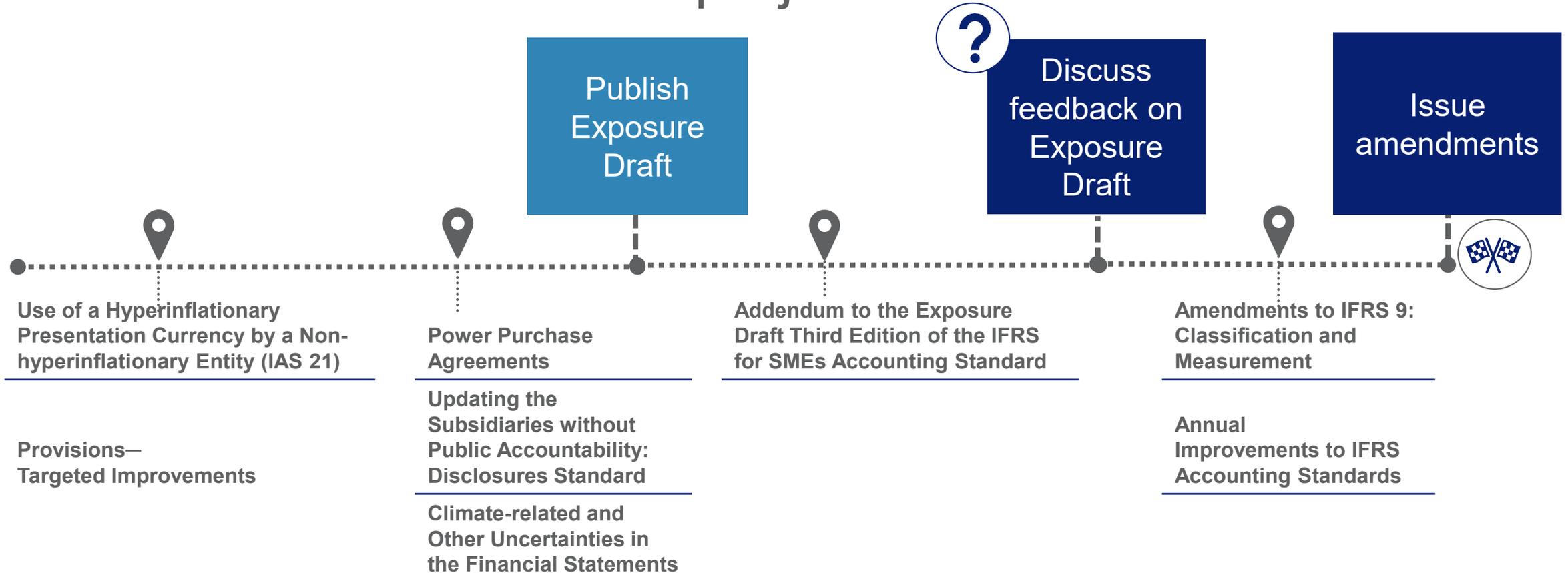
- Issue IFRS Accounting Standard in May 2024

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# Maintenance projects



# Overview: maintenance projects



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# Power Purchase Agreements (PPAs)

## Objective

- The IASB's objective with this project is to better reflect the effects of these contracts in entities' financial statements

## Project scope

- The proposed amendments apply to contracts for renewable electricity with specified characteristics
- Includes considerations for a purchaser when applying the own-use requirements
- Includes designation and measurement requirements of the hedged item if an entity uses a contract for renewable electricity as a hedging instrument
- Introduces new disclosure requirements

## Next steps

- Publish Exposure Draft – expected in May 2024

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# 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 – expected in July 2024

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# Climate-related and Other Uncertainties in the Financial Statements

## Objective

- To explore targeted actions to improve the reporting of 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

- Publish Exposure Draft – expected in July 2024

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

## 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

- Publish Exposure Draft – expected in Q3 2024

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# Provisions—Targeted Improvements

## Objective

- Develop proposals for three targeted amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

## Areas of focus

- Amend requirements supporting the ‘present obligation’ recognition criterion—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

- Publish Exposure Draft – expected in H2 2024

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# 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

- Final amendments to IFRS 9 expected May 2024

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# 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

- Final amendments to IFRS Accounting Standards expected in July 2024

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# IFRS Accounting Taxonomy



# IFRS Accounting Taxonomy

IFRS Accounting Taxonomy facilitates communication between preparers and users



consists of '**elements**' used by preparers to mark-up the information in IFRS financial statements

makes IFRS disclosures **more accessible** to users of electronic information

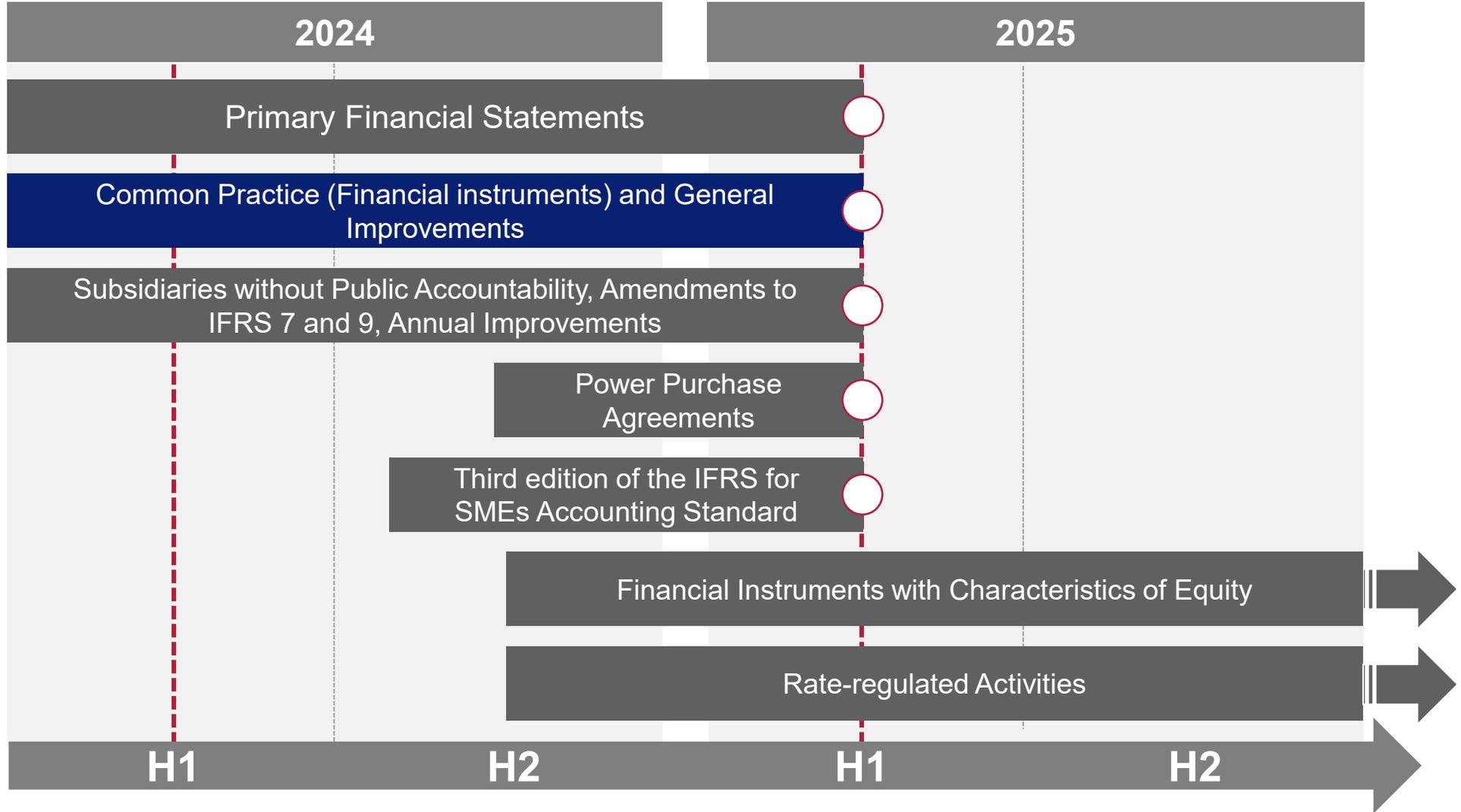
IFRS Accounting Taxonomy reflects the presentation and disclosure *requirements of IFRS Accounting Standards* and related common *reporting practice* in a timely and accurate manner

**New / amended IFRS Accounting Standards**

**Common Practice / General Improvements**

○ Final IFRS Taxonomy Update

┆ Annual IFRS Accounting Taxonomy



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# Helpful materials

# Resources available on our website

Supporting materials sorted by Standard

Website  
[www.ifrs.org](http://www.ifrs.org)



IFRS  
Accounting  
Standards

IFRS IC  
Interpretations

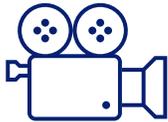
Cross-cutting  
materials

News and  
events



For example, for IFRS 9 *Financial Instruments*:

Videos



Webinars



Articles

Leaflet

Supporting IFRS  
Accounting  
Standards



Transition  
Resource  
Group



Agenda decisions

# IFRS Accounting Standards and their annotated equivalents



## IFRS Accounting Standards

The IFRS<sup>®</sup> Accounting Standards Required 2024

The IFRS<sup>®</sup> Accounting Standards Issued 2024  
*(Available March 2024 onwards)*

IFRS Accounting Standards + extensive cross-references + annotations

The Annotated IFRS<sup>®</sup> Standards Required 2024

The Annotated IFRS<sup>®</sup> Standards Issued 2024  
*(Available March 2024 onwards)*

Annotated IFRS Accounting Standards also available in Spanish

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