Accounting

IASB Technical Update

Joint CMAC-GPF meeting

12-13 June 2025

Overview

This update is prepared as of 30 May 2023

- Update on current IASB work plan
- Post-implementation reviews
- Standard-setting projects in different stages
- Maintenance projects
- Governance projects
- New requirements

IFRS
Accounting

Update on current IASB work plan

Consultations

Forthcoming

June 2025: Request for Information: Post-implementation Review of IFRS 16 *Leases*

Q4 2025: Exposure Draft proposing amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* in relation to Dynamic Risk Management

Q4 2025: Request for Information: *Fourth Agenda Consultation*

Developments since last CMAC and GPF meetings (1/4)

Statement of Cash Flows and Related Matters

- **Focus areas selected**: IASB will explore improvements to disaggregation of cash flows, non-cash transaction reporting, transparency of non-IFRS cash flow measures, and consistent classification and definition of cash equivalents.
- **Scope limitations**: No changes will be made to redefine cash flow categories (operating/investing/financing) or align them with profit/loss classifications in IFRS 18.
- **No new definitions**: IASB will not define ‘growth and maintenance capex’, ‘free cash flows’, or ‘net debt’.
- **Cash and segment reporting**: No expansion of ‘cash and cash equivalents’ or new segment-specific cash flow reporting requirements.
- **Presentation format unchanged**: IASB will retain the current IAS 7 allowance for using either direct or indirect method for operating cash flows.
- **Approach for financial institutions**: General improvements will be assessed first, followed by consideration of exemptions and specific disclosures for financial institutions.
- **Next step**: IASB will develop proposals to improve financial reporting for the selected focus areas.

Developments since last CMAC and GPF meetings (2/4)

Intangible Assets

- **Project objectives confirmed**: Improve the usefulness of information on intangible items and update IAS 38 to reflect modern types and uses of intangibles.
- **Two initial work streams**: (1) Assess user needs for information on recognised/unrecognised intangible assets and related expenditure, and (2) Evaluate definition, guidance, and recognition criteria using test cases.
- **Future exploration**: Once initial work progresses, address investment-purpose intangible assets (e.g. carbon credits, crypto), broader recognition issues, and improved disclosure requirements.
- **Longer-term consideration**: Potential focus on comparability between acquired and internally generated intangibles and information usefulness in business combinations.
- **Scope decisions**: Measurement improvements to be integrated within other topics; broader reporting of intangible items may be considered later.
- **Excluded topics**: No plans to address intangibles under other IFRS standards or harmonize terminology.

Developments since last CMAC and GPF meetings (3/4)

Climate-related and Other Uncertainties in the Financial Statements

- The IASB discussed:
  - the plan for completing the project
  - the possible responses to stakeholder's main concerns about Examples 1 and 2 proposed in the Exposure Draft

Maintenance and consistent application

- Considered three agenda decisions made at the March 2025 IFRS Interpretations Committee (Committee) - No objections to the decisions
- Considered updating references in 10 agenda decisions to requirements from IAS 1 *Presentation of Financial Statements* that will be superseded by requirements from IFRS 18 *Presentation and Disclosure in Financial Statements*

Developments since last CMAC and GPF meetings (4/4)

Business Combinations—Disclosures, Goodwill and Impairment

- **Disclosure objectives retained**: IASB will keep the proposed disclosure objectives to guide future discussions on performance and synergy disclosures.
- **Combined entity information**: IASB will require disclosure of the basis used to prepare combined entity data but will not mandate it as an accounting policy or provide application guidance.
- **Definition alignment**: Operating profit or loss for acquired business contributions will align with IFRS 18 definitions (12 of 14 members agreed).
- **Strategic rationale**: IASB will replace the requirement to disclose the "primary reasons" for a business combination with a clearer focus on "strategic rationale."
- **Improved liability disclosures**: Pension and financing liabilities will be highlighted by removing the word "major" and adding them to illustrative examples.
- **Disclosure deletions**: IASB will remove certain legacy disclosure requirements, including those on acquired receivables, deferred tax adjustments, and subsequent gains/losses.
- **Next step**: Continued redeliberation of remaining proposals in the Exposure Draft, including performance and synergy disclosures.

New Standards, Amendments and Other Publications

Issued in 2025

Third edition of the *IFRS for SMEs* Accounting Standard

Expected

(subject to the Board's approval)

- ✓ **June 2025:** Revised Practice Statement Management Commentary
- ✓ **Q3 2025:** Amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, effective on or after 1 January 2027
- ✓ **H2 2025:** Accounting Standard *Regulatory Assets and Regulatory Liabilities*

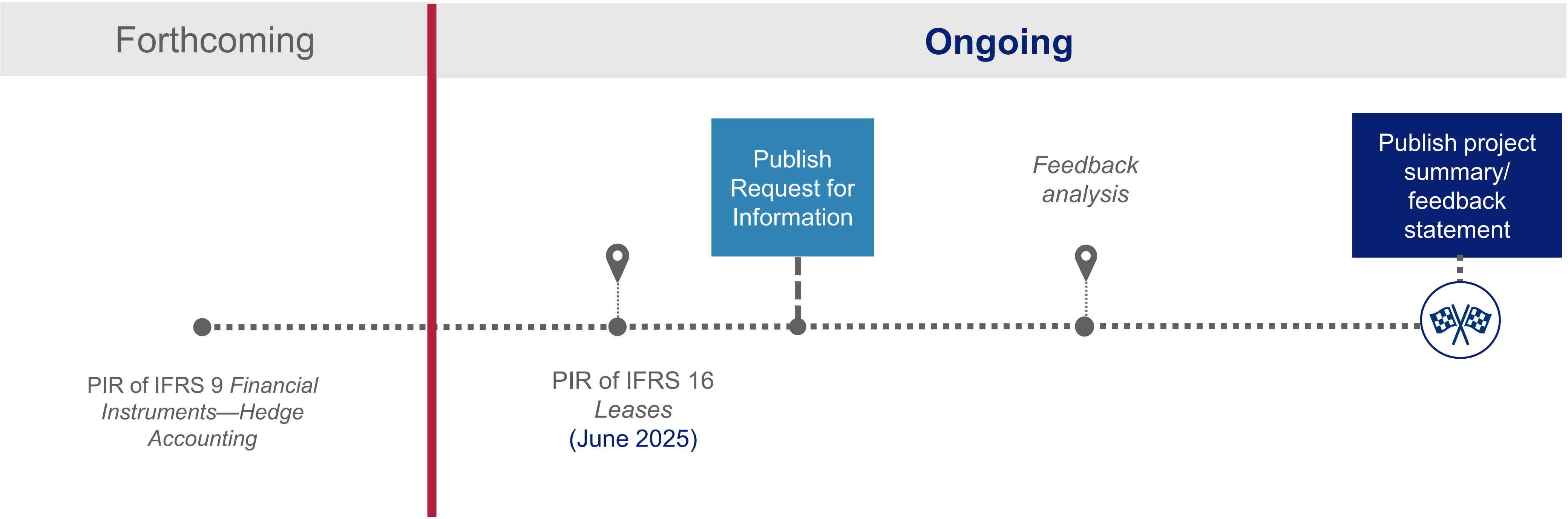
IASB work plan: overview

Type of project	As of 30.05.2025
Post-implementation reviews	1
Research projects	3
Standard-setting projects	6
Maintenance projects	4
Application questions (IFRS IC)	1
Governance projects	1
Total	**16**

Post-implementation reviews

Dates represent expectation for next milestone

Post-implementation review projects



PIR of IFRS 16—*Leases*

Objective

Assess whether the effects of applying IFRS 16 on users of financial statements, preparers, auditors and regulators are as intended when the Standard was issued

Project plan

- Outreach with the IASB's stakeholders to help inform a request for information
- Review of academic research and other materials (for example, enforcement decisions)
- Consideration of market developments since IFRS 16 *Leases* was issued
- Review of the findings of the FASB's PIR of Topic 842 *Leases*

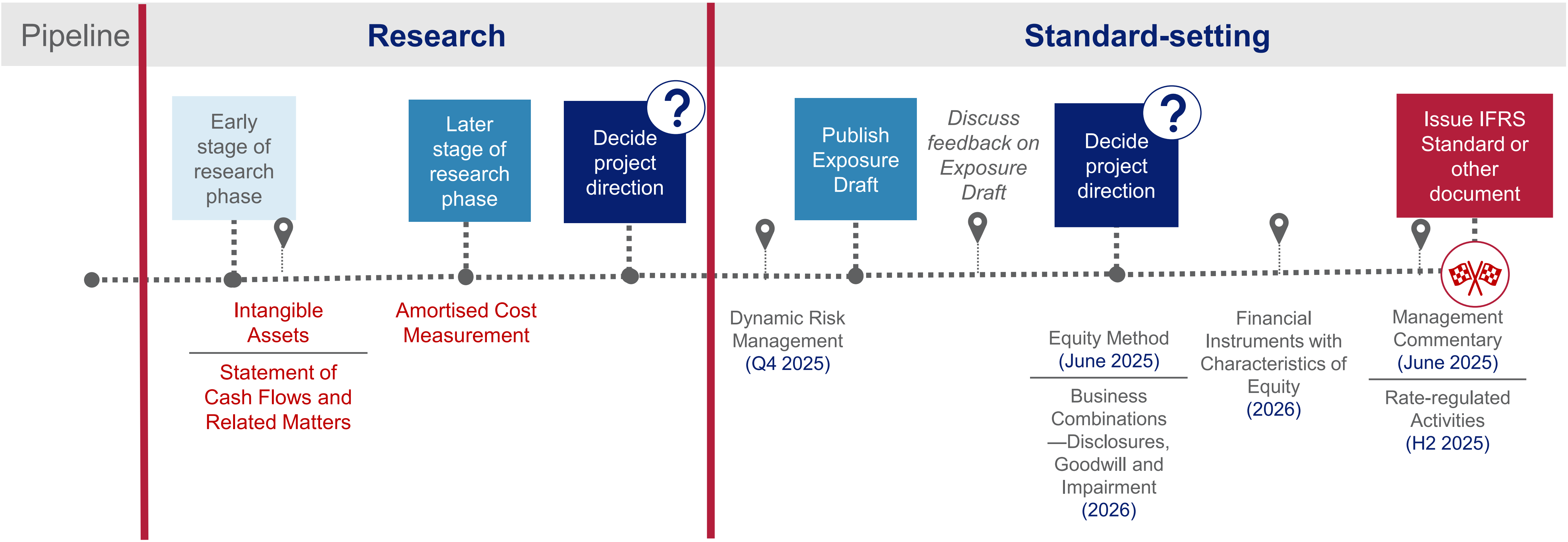
Next milestone

Request for information in June 2025

Standard-setting projects

Dates represent expectation for next milestone

Research and standard-setting projects - status



Statement of Cash Flows and Related Matters

Objective

Assess potential ways to improve the requirements of IAS 7 *Statement of Cash Flows* in response to feedback on the Third Agenda Consultation and initial project research

Topics the project will explore

- Disaggregation of cash flow information
- Reporting of information about non-cash transactions
- Transparency of information communicated about cash flow measures not specified in IFRS Accounting Standards
- Consistent application of requirements to classify cash flows as operating, investing or financing
- Consistent application of the definition of cash equivalents
- Applicability of the statement of cash flows and any possible improvements for financial institutions

Next milestone

Decide to issue discussion paper or exposure draft in Q4 2026

IFRS Accounting

Intangible Assets

Objectives

- Improve the usefulness of information entities provide about intangible items in their financial statements
- Update IAS 38, in particular to make it more suitable for newer types of intangible items and new ways of using them

Approach

Starting a comprehensive review in a targeted way

Regular reflection points to assess additional evidence

Initial streams of work

- Assess user needs for information about recognised and unrecognised intangible assets and associated expenditure
- Explore whether to update the definition of an intangible asset and some aspects of recognition criteria using newer intangible assets as test cases

Next milestone

Explore initial streams and decide project direction in 2026

Amortised Cost Measurement

Objectives

- Clarify the principles underlying the amortised cost measurement requirements in IFRS 9 and add accompanying application guidance to address widespread application issues
- Make specific improvements in information about financial instruments measured at amortised cost

Project Approach

☑ **Targeted improvements** to amortised cost measurement requirements

☒ **Not a fundamental review** of those requirements

Targeted improvements for:

- Mechanics of effective interest method
- Modification, derecognition, write-off
- Interaction with impairment

Next milestone

Deliberate application issues and decide project direction in 2026

Dynamic Risk Management

Objectives

The DRM method:

- Better reflects the effects of dynamic interest rate risk management activities in an entity's financial statements
- Addresses challenges of current accounting models with respect to transparency, eligible items, dynamic nature and performance management

Proposals

The DRM method aims to:

- better reflect the **risk management** perspective
- enables **designation** of an interest rate **risk exposure**
- aligns to the risk management perspective through the **designation** of additional eligible items (ie a stable portion of demand deposits)
- Achieves transparency through new **presentation** and **measurement** requirements

Next milestone

Exposure Draft is expected in Q4 2025

Equity Method

Objectives

- Reduce diversity in practice by answering application questions
- Reorder requirements in IAS 28 *Investments in Associates and Joint Ventures* to improve understandability

Proposals

Measurement:
- clarify the cost of the investment
- add requirements for purchases or disposals of an additional interest
- clarify impairment requirements
- delete requirement to restrict gains and losses on transactions with associates or joint ventures

Presentation: add requirements on the order of recognition of the investor's share of P&L and OCI

Disclosures: add requirements to improve information for investors, including reconciliation of carrying amounts of associates and joint ventures

Next milestone

Decide project direction in June 2025

Business Combinations—Disclosures, Goodwill and Impairment

Objective

Improve information entities provide about their acquisitions at a reasonable cost

Proposals

Proposed changes to IFRS 3:

- Disclose information reviewed by key management personnel about the performance of a strategic business combination
- Disclose 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 calculation of value in use

Next milestone

Redeliberate proposals in the Exposure Draft and decide project direction in 2026

Financial Instruments with Characteristics of Equity

Objectives

- 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

- Redeliberate proposals in the Exposure Draft
- Final Amendments are expected in 2026

Management Commentary

Objectives

- Overhaul IFRS Practice Statement 1
- Respond to investor demand for better information in management commentary
- Provide a comprehensive resource for regulators and entities to support improvement and greater global alignment in management commentary
- Provide a stepping-stone towards greater integration in reporting in the future

Approach

- Codify innovations in reporting, including Integrated Reporting concepts, in a set of standard-like requirements
- Support connectivity between an entity's management commentary, its financial statements and sustainability-related financial disclosures
- Targeted refinements to proposals in Exposure Draft
- Collaborate with the ISSB

Next milestone

Revised Practice Statement *Management Commentary* is expected in June 2025

Rate-regulated Activities

Objectives

Provide information about:

→ the effects of regulatory income;
→ regulatory expense;
→ regulatory assets, and
→ regulatory liabilities

on entities' 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.

The forthcoming Accounting Standard will require the entities:

- to reflect compensation for goods or services in the period goods or services are supplied;
- to recognise regulatory assets, regulatory liabilities, regulatory income and regulatory expense

Next milestone

IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* is expected in H2 2025

IFRS Accounting

Maintenance projects

Dates represent expectation for next milestone

Maintenance projects - status

Pipeline

- Sale and Leaseback of an Asset in a Single-Asset Entity
- International Tax Reform—Pillar Two Model Rules *
- Removal of temporary nature of IFRS 6 exemption
- Credit-risk disclosures —targeted improvements

Publish Exposure Draft

Discuss feedback on Exposure Draft

- Provisions—Targeted Improvements (June 2025)

Decide project direction

- Climate-related and Other Uncertainties in the Financial Statements (June 2025)

Issue IFRS Amendment

- Updating the Subsidiaries without Public Accountability: Disclosures Standard (Q3 2025)
- Translation to a Hyperinflationary presentation currency (IAS 21) (H2 2025)

* To determine whether to remove or make permanent the temporary exception

Provisions—Targeted Improvements

Objectives

- Clearer requirements on when to recognise a provision, with earlier recognition of some provisions
- More standardised measures of long-term provisions and greater transparency around inputs to the measures

Proposals

Amend IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

- Clarify and amend the recognition criteria, applying the *Conceptual Framework*
- Specify the discount rates to use in measuring a long-term provision, and require disclosure of information about rates used
- Clarify the costs to include in measuring obligations to provide goods or services

Next milestone

Discuss feedback on the Exposure Draft in June 2025

Climate-related and Other Uncertainties in the Financial Statements

Objective

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

Areas of focus

- Improve application of IFRS Accounting Standards, including by developing illustrative examples
- Explore targeted amendments to improve disclosures about estimates in the financial statements
- Raise awareness of the requirements in IFRS Accounting Standards, including the objective and scope of financial statements
- Work with the ISSB to ensure the work of both Boards is connected

Next milestone

Decide project direction in June 2025

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

Objective

Improve the usefulness of the financial information reported by entities that present financial statements in a hyperinflationary currency

Proposals

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

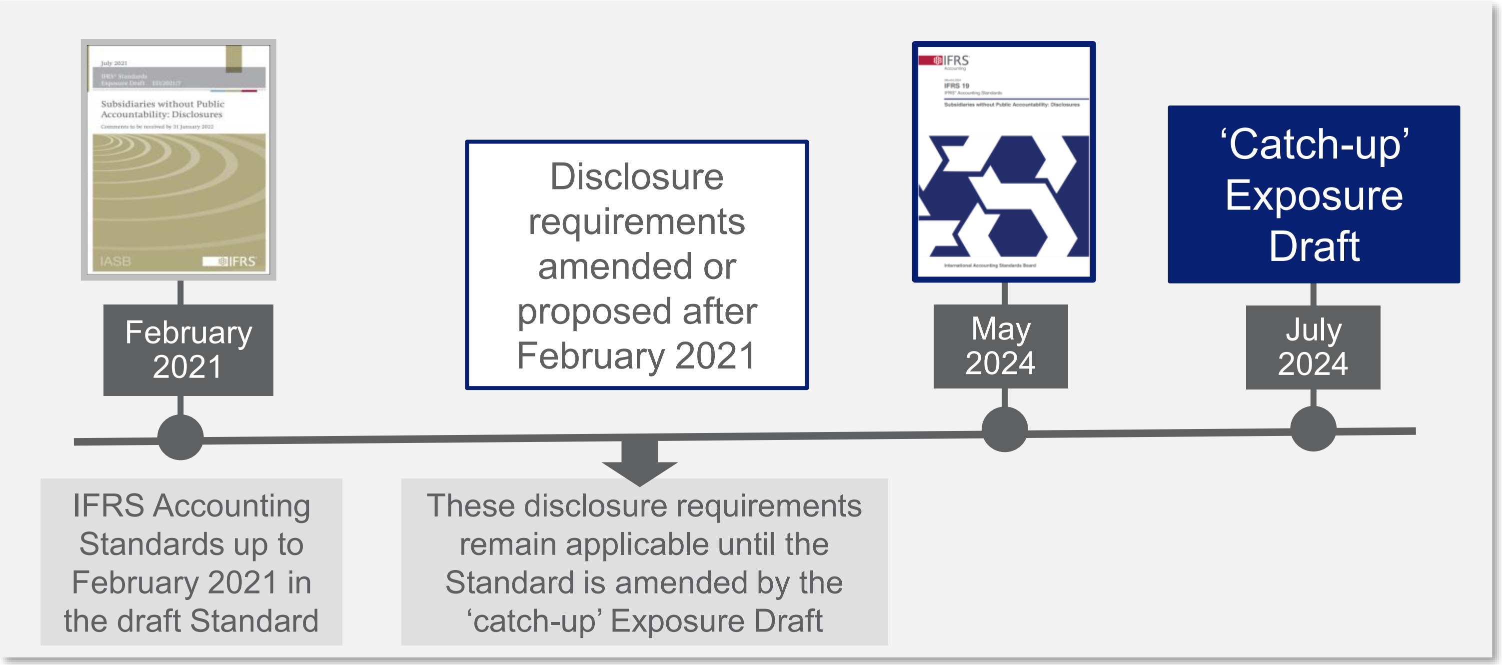
Discuss feedback on the Exposure Draft in June 2025

Updating IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Objective

Propose amendments to IFRS 19 and consider reduced versions of disclosure requirements added to IFRS since March 2021:

- *Non-current Liabilities with Covenants*
- *Supplier Finance Arrangements*
- *Lack of Exchangeability*
- *Primary Financial Statements*
- *Rate Regulated Activities*
- *International Tax Reform—Pillar Two Model Rules*



Next milestone

Issue Amendments in Q3 2025

IFRS Accounting

Governance projects

Fourth Agenda Consultation

Objective

Consult on:

- strategic direction and balance of the IASB's work plan;
- criteria for assessing projects that may be added to the IASB's work plan; and
- priority financial reporting matters.

Request for Information

- Will seek input to enable the IASB to prioritise projects on its work plan, including any connectivity-related work with the ISSB
- Will cover the period beginning 2027

Next milestone

Request for Information in Q4 2025

New requirements

What is required when?

1 January 2025

- *Lack of Exchangeability* (Amendments to IAS 21)

1 January 2026

- *Amendments to the Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards—Volume 11
- *Contracts Referencing Nature-dependent Electricity*—Amendments to IFRS 9 and IFRS 7

1 January 2027

- IFRS 18: *Presentation and Disclosure in Financial Statements*
- IFRS 19: *Subsidiaries without Public Accountability: Disclosures*
- Third edition of the *IFRS for SMEs* Accounting Standard

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 entities 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, with earlier application permitted

Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7)

Objective

- Clarify requirements in response to feedback on the post-implementation review of the classification and measurement requirements in IFRS 9

The amendments to IFRS 9 and IFRS 7

- 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

Effective date Annual reporting periods beginning on or after 1 January 2026, with earlier application permitted

Annual Improvements to IFRS Accounting Standards—Volume 11

Objective

- Improve the Standards through amendments 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*

Effective date

Annual reporting periods beginning on or after 1 January 2026, with earlier application permitted

Contracts Referencing Nature-dependent Electricity

Objective

Better reflect the effects of contracts referencing nature-dependent electricity in entities' financial statements

The amendments to IFRS 9 and IFRS 7

- Apply to contracts referencing nature-dependent electricity. The amount of electricity generated under these contracts can vary based on uncontrollable factors such as weather conditions;
- Include application guidance for a purchaser of electricity when applying the own-use requirements of paragraph 2.4 of IFRS 9;
- Permit the designation of the hedged item as a variable nominal amount of a forecast transaction; and
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

Effective date Annual reporting periods beginning on or after 1 January 2026, with earlier application permitted

IFRS 18: *Presentation and Disclosure in Financial Statements*

Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

Requirements

- New required subtotals in statement of profit or loss including ‘operating profit’
- Disclosures about management-defined performance measures (MPMs)
- Enhanced guidance on grouping of information (aggregation and disaggregation)

Effective date Annual reporting periods beginning on or after 1 January 2027, with earlier application permitted

IFRS 19: *Subsidiaries without Public Accountability: Disclosures*

IFRS 19—at a glance

- A voluntary Standard for eligible subsidiaries that will permit applying IFRS Accounting Standards with reduced disclosure requirements
- IFRS 19 will simplify reporting systems and processes and thereby reduce the costs of preparing eligible subsidiaries' financial statements

How to apply IFRS 19

- IFRS 19 is a disclosure-only standard. It does not include:
  - recognition, measurement and presentation requirements
  - guidance on applying disclosure requirements
- For recognition, measurement and presentation requirements, a subsidiary will refer to the relevant IFRS Accounting Standard

Effective date: Annual reporting periods beginning on or after 1 January 2027, with earlier application permitted

Third edition of the *IFRS for SMEs* Accounting Standard

Objective

To improve the information provided to users of SMEs' financial statements while maintaining the simplicity of the I*FRS for SMEs* Accounting Standard.

Main changes to the Standard:

- A robust new model for recognising revenue from contracts with customers;
- Improved disclosures to help users of SMEs' financial statements assess credit risk, liquidity and expected cash flows; and
- Updated requirements for identifying and measuring a business combination.

Effective date

Annual reporting periods beginning on or after 1 January 2027, with earlier application permitted

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