
IASB[®] meeting

Date **June 2025**
Project **Amortised Cost Measurement**
Topic **Project overview and next steps**
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Purpose of paper

1. The purpose of this paper is:
 - (a) to provide a recap of [IASB's discussions to date](#) on the project;
 - (b) to provide an [overview of the session for this meeting](#);
 - (c) to set out the [next steps](#) in the project, including staff analysis for [moving the project to the standard-setting programme](#).
2. The paper also includes a [question for the IASB](#).

IASB's discussions to date

3. In [September 2024](#), the IASB began the Amortised Cost Measurement project in response to feedback on the post-implementation reviews of IFRS 9 *Financial Instruments*. At that meeting, the IASB discussed initial views on the project objectives, approach, and scope.
4. In Q4 2024, the IASB consulted with the IFRS Interpretations Committee, the Accounting Standards Advisory Forum and the Emerging Economies Group, seeking feedback on the project objectives, approach and scope.
5. In [February 2025](#), the IASB reviewed the feedback from its advisory groups and finalised the project objectives, approach, scope, and project criteria. The project

criteria are used to determine which issues are included in scope of the project and to evaluate potential solutions for those issues.

6. As advised by its consultative groups, the IASB decided to meet with stakeholders, primarily preparers, to gather information on the root causes of the diversity in the application of amortised cost measurement requirements in IFRS 9.
7. The IASB noted that obtaining input from preparers would help distinguish between issues where diversity in application occurs because:
 - (a) IFRS 9 is silent or has no explicit requirements or application guidance, leading entities to develop their own accounting policies. For instance, an entity might have developed a policy based on guidance from the accounting firms. This guidance can differ across firms, resulting in diversity in practice.
 - (b) IFRS 9 requires application of judgement to determine accounting outcomes, leading to different outcomes based on facts and circumstances, such as local laws or regulations or management's expectations about future cash flows.
 - (c) the IFRS 9 requirements are viewed as impractical or operationally complex, resulting in entities developing 'simplified' accounting policies that, for example, align with their system capabilities.
8. The information about the root causes of diversity will assist the IASB in assessing whether it can resolve an issue effectively and identify the potential solutions.

Overview of the session for this meeting

9. Between March and May 2025, the IASB conducted several outreach events with groups of stakeholders from various industries and regions.
10. Agenda Paper 11A for this meeting analyses the feedback from outreach. We do not ask the IASB to make any decisions in that paper but invite questions or comments on the outreach feedback.

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11. In Agenda Paper 11A for this meeting we use the following terms to broadly indicate the portion of outreach participants that reported a particular view:
- (a) almost all—all except a very small minority;
 - (b) most—large majority, with more than a few exceptions;
 - (c) many—small majority or large minority;
 - (d) some—small minority, but more than a few; and
 - (e) a few—a very small minority.

Next steps

12. Consistent with the [indicative project timeline](#) discussed in February 2025, we expect to begin deliberating project topics in Q3 2025, starting with topics on accounting for changes in expected cash flows that affect the effective interest rate (EIR).

Moving the project to standard-setting programme

13. We note that the Amortised Cost Measurement project is currently on the IASB's research programme. As noted in paragraph 4.8 of the [Due Process Handbook](#) (Handbook), the purpose of the research programme is to analyse possible financial reporting problems by collecting evidence on the nature and extent of the perceived shortcoming and assessing potential ways to improve financial reporting or to remedy a deficiency. This analysis helps the IASB decide whether it should undertake a standard-setting project to develop a new IFRS Standard or to amend a Standard.
14. As noted in the staff analysis set out in paragraphs 15–20, taking into account the input from the post-implementation review of [classification and measurement requirements](#) and the [impairment requirements](#) (PIRs of IFRS 9) and the work performed so far in the Amortised Cost Measurement project, we think the IASB now has sufficient information to decide on whether to add the project to its standard-setting programme.

Criteria for adding a project to the standard-setting programme

15. According to the Handbook, the IASB evaluates the merits of adding a standard-setting project to the work plan primarily on the basis of the needs of users of financial reports, while also considering the costs of preparing the information.
16. In deciding whether a proposed agenda item will address users' needs, the IASB requires an assessment against the criteria in paragraphs 5.4–5.7 of the Handbook (Handbook criteria).
17. The IASB already evaluated the issues in scope of this project against the [PIR prioritisation criteria](#), which are substantially the same to the Handbook criteria.¹
18. Nonetheless, we summarise our assessment against the Handbook criteria in this table:

Handbook criteria	Staff assessment for Amortised Cost Measurement project
Whether there is a deficiency in the way particular types of transactions or activities are reported in financial reports?	<p>Yes, the IASB has sufficient information to conclude that there are deficiencies in current reporting.</p> <p>Through the PIRs of IFRS 9 and the research undertaken so far in this project, the IASB has collected evidence on the nature and extent of the perceived shortcoming on application of amortised cost measurement requirements in IFRS 9.</p> <p>As noted in Agenda Paper 11A of this meeting, feedback from the recent outreach confirms the deficiencies in current reporting, including the extent of diversity in reporting outcomes and the root causes of such diversity.</p> <p>The IASB also previously noted that these are the same deficiencies that were identified even before IFRS 9 was issued from other IASB projects or from submissions to the IFRS Interpretations Committee.</p>

¹ See [Agenda Paper 3C of the IASB's July 2022 meeting](#) and [Agenda Paper 27C of the IASB's April 2024 meeting](#) for analyses of issues in scope of Amortised Cost Measurement project against the PIR prioritisation criteria.

Handbook criteria	Staff assessment for Amortised Cost Measurement
The importance of the matter to those who use financial reports	<p>Although this project was primarily requested from preparers, auditors and standard-setters, the matters in this project are important to users of financial statements.</p> <p>Calculation of interest income and expense for financial instruments, and the accounting for subsequent changes in expected cash flows as modification, derecognition or impairment, affect users' analysis of key performance indicators such as net interest income or bad debt ratios.</p> <p>Based on the feedback from the PIRs of IFRS 9 and the recent outreach, the IASB is aware of the significant diversity in application of the amortised cost measurement requirements.</p> <p>Users are affected by the diversity in practice. During the PIRs of IFRS 9, users told the IASB that the diversity in application of IFRS 9 requirements reduces the comparability and understandability of financial statements, particularly for financial institutions.</p>
The types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others	<p>Given the nature of the issues in scope of this project, the wide variety of financial instruments in which these issues arise, continuing financial innovation and the fundamental nature of the requirements subject to review in this project (ie requirements on recognition of interest, modification, derecognition and impairment), many different types of entities are likely to be affected.</p> <p>As noted in Agenda Paper 11A of this meeting, while financial institutions are likely to be the most affected by any proposal, many of the project issues also affect instruments such as financial liabilities, including lease liabilities, which are also prevalent in non-financial institutions.</p>
How pervasive or acute a particular financial reporting issue is likely to be for entities?	<p>During the PIRs of IFRS 9, the IASB considered pervasiveness of application issues before deciding to add them to this project.</p> <p>As noted in Agenda Paper 11A of this meeting, outreach feedback confirms pervasiveness of the issues in scope of this project. The consultations with the IASB's advisory groups in Q4 2024 also confirmed the project issues are pervasive.</p>

Handbook criteria	Staff assessment for Amortised Cost Measurement
Whether the benefits of the improvements to financial reporting will outweigh the costs?	<p>During the PIRs of IFRS 9, the IASB concluded that the benefits of any improvements for issues in scope of this project would be expected to outweigh the costs.</p> <p>Furthermore, at its February 2025 meeting, the IASB agreed on the criteria to be used in evaluating potential solutions for the issues in scope. The project criteria include assessing whether the benefits to users from the resulting information would outweigh the implementation costs for preparers.</p> <p>The preliminary staff assessment, pending a more thorough analysis for each issue that will be conducted in deliberations before issuing an Exposure Draft, indicates that the benefits of the improvements to financial reporting from this project are expected to outweigh costs.</p>

19. Paragraph 5.5 of the Handbook states that the IASB typically proposes major amendments to a Standard after publishing a discussion paper and reviewing feedback. However, it can proceed directly to an exposure draft if it believes it has sufficient information about the problems and the potential solutions. For example, the IASB might conclude that it has sufficient input from a request for information or other research to proceed directly to an exposure draft.
20. Based on our analysis about the information collected so far, including information about the potential solutions the IASB could consider (see Agenda Paper 11A), we think the IASB has sufficient information to proceed directly to an exposure draft in the future (ie without publishing a discussion paper).

Question for the IASB

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Does the IASB agree with the staff recommendation to move the Amortised Cost Measurement project from the research programme to the standard-setting programme?