IFRIC *Update* March 2025

IFRIC *Update* is a summary of the decisions reached by the IFRS Interpretations Committee (Committee) in its public meetings. Past *Updates* can be found in the IFRIC *Update* archive.

The Committee met on 11 March 2025 and discussed:

Related information

The work plan

Supporting consistent application

Agenda decisions for the IASB's consideration

Guarantees Issued on Obligations of Other Entities—Agenda Paper 2

The Committee considered feedback on the tentative agenda decision published in the September 2024 IFRIC *Update* about how an entity accounts for guarantees that it issues.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the International Accounting Standards Board (IASB) will consider this agenda decision at its April 2025 meeting. If the IASB does not object to the agenda decision, it will be published in April 2025 in an addendum to this IFRIC *Update*.

Recognition of Revenue from Tuition Fees (IFRS 15 *Revenue from Contracts with Customers*)—Agenda Paper 3

The Committee considered feedback on the tentative agenda decision published in the September 2024 IFRIC *Update* about the period over which an educational institution recognises revenue from tuition fees.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the IASB will consider this agenda decision at its April 2025 meeting. If the IASB does not object to the agenda decision, it will be published in April 2025 in an addendum to this IFRIC *Update*.

Recognition of Intangible Assets from Climate-related Expenditure (IAS 38 *Intangible Assets*)—Agenda Paper 4

The Committee considered feedback on the tentative agenda decision published in the November 2024 IFRIC *Update* about whether an entity's acquisitions of carbon credits and expenditure on research activities and development activities meet the requirements in IAS 38 to be recognised as intangible assets.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the IASB will consider this agenda decision at its April 2025 meeting. If the IASB does not object to the agenda decision, it will be published in April 2025 in an addendum to this IFRIC *Update*.

Other matters

Translation to a Hyperinflationary Presentation Currency—Agenda Paper 5

The Committee discussed the IASB's project on Translation to a Hyperinflationary Presentation Currency. Committee members provided input on a possible way forward in response to feedback on an aspect of the translation method proposed in the Exposure Draft *Translation to a Hyperinflationary Presentation Currency*.

The IASB will consider the Committee members' input and feedback from other stakeholders when deciding the project's next steps.

Work in Progress—Agenda Paper 6

The Committee received an update on the status of open matters not discussed at its March 2025 meeting.

Addendum to IFRIC *Update*—Committee's agenda decisions

Agenda decisions, in many cases, include explanatory material. Explanatory material may provide additional insights that might change an entity's understanding of the principles and requirements in IFRS Accounting Standards. Because of this, an entity might determine that it needs to change an accounting policy as a result of an agenda decision. It is expected that an entity would be entitled to sufficient time to make that determination and implement any necessary accounting policy change (for example, an entity may need to obtain new information or adapt its systems to implement a change). Determining how much time is sufficient to make an accounting policy change is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless an entity would be expected to implement any change on a timely basis and, if material, consider whether disclosure related to the change is required by IFRS Accounting Standards.

The Committee discussed the following matters and decided not to add standard-setting projects to the work plan.

Guarantees Issued on Obligations of Other Entities—Agenda Paper 2

Published in April 2025[1]

The Committee received a request about how an entity accounts for guarantees that it issues.

The request described three fact patterns in the context of an entity's separate financial statements. In the fact patterns, an entity issues several types of contractual guarantees on obligations of a joint venture. These fact patterns include situations in which the entity guarantees to make payments to a bank, a customer, or another third party in the event the joint venture fails to meet its contractual obligations under its service contracts or partnership agreements and fails to make payments when due.

The request asks whether the guarantees issued are financial guarantee contracts to be accounted for in accordance with IFRS 9 *Financial Instruments* and, if not, which other IFRS Accounting Standards apply to these guarantees.

Evidence gathered by the Committee indicated that, in practice, entities issue guarantees on obligations of their joint ventures and other entities (such as associates, subsidiaries or third parties), and those guarantees have a variety of terms and conditions. The Committee observed that questions relating to the accounting for issued guarantees arise both in the context of an entity's separate financial statements and consolidated financial statements.

Which IFRS Accounting Standards apply to issued guarantees?

Analysing the terms and conditions of a guarantee

Guarantees can arise or be issued in many ways and convey various rights and obligations to the affected parties. IFRS Accounting Standards do not define 'guarantees' and no single Accounting Standard applies to all guarantees.

[1] In accordance with paragraph 8.7 of the *Due Process Handbook*, at its April 2025 meeting, the IASB discussed, and did not object to, this agenda decision.

An entity accounts for a guarantee that it issues based on the requirements, including the scoping requirements, in IFRS Accounting Standards and not based on the nature of the entity's business activities. An entity applies judgement in determining which IFRS Accounting Standard applies to a guarantee that it issues. In making that judgement, an entity is required to analyse all terms and conditions—whether explicit or implicit—of the guarantee unless those terms and conditions have no substance.

Is the guarantee a financial guarantee contract?

Based on the scoping requirements in IFRS 9, IFRS 17 *Insurance Contracts*, IFRS 15 *Revenue from Contracts with Customers* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an entity first considers whether a guarantee it issues is a 'financial guarantee contract'. A 'financial guarantee contract' is defined in IFRS 9 as 'a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument'. The term 'debt instrument' in the definition of a financial guarantee contract is not defined in IFRS Accounting Standards. The Committee was informed of diversity in practice in the interpretation of the meaning of the term 'debt instrument'.

Paragraph 2.1(e)(iii) of IFRS 9 and paragraph 7(e) of IFRS 17 state that financial guarantee contracts are within the scope of IFRS 9 (and IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures*)—with one exception. If the issuer has previously asserted explicitly that it regards such financial guarantee contracts as insurance contracts and has used accounting that is applicable to insurance contracts, the issuer may elect to apply either IFRS 9 (and IAS 32 and IFRS 7) or IFRS 17. Paragraph 2.1(e)(iii) of IFRS 9 states that 'the issuer may make that election contract by contract, but the election for each contract is irrevocable'.

Is the guarantee an insurance contract?

If an entity concludes that the guarantee it issues is not a financial guarantee contract, the entity considers whether the guarantee is an 'insurance contract' as defined in IFRS 17. IFRS 17 applies to all insurance contracts, regardless of the type of entity issuing them.

IFRS 17 defines an 'insurance contract' as 'a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder'. IFRS 17 defines 'insurance risk' as 'risk, other than financial risk, transferred from the holder of a contract to the issuer'. Further application guidance on the definition of an 'insurance contract' and 'significant insurance risk' is provided in paragraphs B2–B30 of the Standard.

An entity also considers the scoping requirements in paragraphs 3–13 of IFRS 17, including:

a. paragraph 7 of IFRS 17—which excludes from the scope of the Standard various items that might meet the definition of an insurance contract; and
b. paragraphs 8–8A of IFRS 17—which permit an entity to choose to apply IFRS 17 to contracts that meet the definition of an insurance contract if the conditions set out in those paragraphs are met.

Other requirements in IFRS Accounting Standards that might apply

If an entity concludes that a guarantee it issues is neither a financial guarantee contract nor an insurance contract, the entity considers other requirements in IFRS Accounting Standards to determine how to account for the guarantee. These requirements include:

a. IFRS 9—this Standard might be applicable if the guarantee is a loan commitment (see paragraph 2.3 of IFRS 9) or a derivative (as defined in Appendix A to IFRS 9), or otherwise meets the definition of a financial liability as defined in IAS 32.
b. IFRS 15—this Standard might be applicable if the counterparty to the guarantee is a customer, and the guarantee is not within the scope of other IFRS Accounting Standards (see paragraphs 5–8 of IFRS 15).
c. IAS 37—this Standard is applicable only if the guarantee gives rise to a provision, contingent liability or contingent asset that is not within the scope of other IFRS Accounting Standards (see paragraph 5 of IAS 37).

Conclusion

The Committee observed that an entity accounts for a guarantee it issues based on the requirements, including the scoping requirements, in IFRS Accounting Standards and not based on the nature of the entity's business activities. An entity applies judgement in determining which IFRS Accounting Standard applies to a guarantee it issues and in considering the specific facts and circumstances and the terms and conditions of the guarantee contract.

The Committee noted that the IASB, at its April 2024 meeting, discussed diversity in practice in the interpretation of the term 'debt instrument' in the definition of a financial guarantee contract. The IASB decided to consider during its next agenda consultation the broader application questions related to financial guarantee contracts, including the meaning of the term 'debt instrument' in the definition of a financial guarantee contract. The Committee therefore concluded that an entity applies judgement in interpreting the meaning of the term 'debt instrument' when determining whether a guarantee is accounted for as a financial guarantee contract.

With regard to the scoping requirements in IFRS Accounting Standards, the Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine how to account for a guarantee that it issues.

Consequently, the Committee decided not to add a standard-setting project to the work plan.

Recognition of Revenue from Tuition Fees (IFRS 15 Revenue from Contracts with Customers)—Agenda Paper 3

Published in April 2025[2]

The Committee received a request about the period over which an educational institution recognises revenue from tuition fees.

[2] In accordance with paragraph 8.7 of the *Due Process Handbook*, at its April 2025 meeting, the IASB discussed, and did not object to, this agenda decision.

Fact pattern

In the fact pattern described in the request:

a. students attend the educational institution for approximately 10 months of the year (academic year) and have a summer break of approximately two months;
b. during the summer break the educational institution's academic staff takes a four-week holiday and uses the rest of the time:
    i. to wrap up the previous academic year (for example, by marking tests and issuing certificates); and
    ii. to prepare for the next academic year (for example, administering re-sit exams for students who failed in the previous academic year and developing schedules and teaching materials); and
c. during the four-week period in which the academic staff is on holiday:
    i. the academic staff continues to be employed by, and receive salary from, the educational institution but provides no teaching services and does not carry out other activities related to providing educational services;
    ii. non-academic staff of the educational institution provides some administrative support (for example, responding to email enquiries and requests for past records); and
    iii. the educational institution continues to receive and pay for services such as IT services and cleaning.

Applying IFRS 15, the educational institution recognises revenue from tuition fees over time. The request asks whether the educational institution is required to recognise that revenue evenly over the academic year (10 months), evenly over the annual reporting period (12 months), or over a different period.

Findings and conclusion

Evidence gathered by the Committee indicated no diversity in accounting for revenue from tuition fees. The evidence suggests any differences in the period over which these educational institutions recognise revenue from tuition fees result from differing facts and circumstances and do not reflect diversity in accounting for revenue from tuition fees.

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.

Recognition of Intangible Assets from Climate-related Expenditure (IAS 38 *Intangible Assets*)—Agenda Paper 4

Published in April 2025[3]

The Committee received a request about whether an entity's acquisitions of carbon credits and expenditure on research activities and development activities meet the requirements in IAS 38 to be recognised as intangible assets.

Fact pattern

A summary of the fact pattern described in the request is as follows:

a. an entity made a commitment in 2020 and 2021 to other parties to reduce a percentage of its carbon emissions by 2030 (referred to as a '2030 commitment').
b. the entity has taken 'affirmative actions' and, in its view, has created an established pattern of practice to achieve its 2030 commitment. These affirmative actions include: (i) creating a transition plan; (ii) engaging with 'net zero focused investors'; (iii) publishing its commitment and plans on its website; (iv) joining coalitions with a mission to collaborate to achieve emissions reductions; (v) stating its emission reduction targets in its financial statements and in presentations to investors and others; and (vi) allocating capital to buying carbon credits and investing in 'innovation programs' purposed to find solutions to reduce emissions to meet its 2030 commitment.
c. the entity's innovation programs will typically involve creating teams of people with know-how, expertise and other intellectual property to create and develop solutions for emissions reductions specific to the entity or its sector and will result in the creation of intellectual capital.
d. the entity's investors, insurers and bankers have made their own transition commitments relying on the entity's actions.
e. the entity has concluded that its 2030 commitment and subsequent affirmative actions have created a constructive or legal obligation applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

As described in the April 2024 Agenda Decision *Climate-related Commitments* (IAS 37), if an entity has a constructive or legal obligation, the entity considers the criteria in paragraph 14 of IAS 37 in determining whether it recognises a provision for the costs of fulfilling that obligation. The Committee also observed that the entity separately assesses whether it recognises an asset or an expense.

The request asks whether, during its 2024 annual reporting period, the entity's acquisitions of carbon credits and expenditure on research activities and development activities, resulting in intellectual capital from innovation programs as described in the fact pattern, meet the requirements in IAS 38 to be recognised as intangible assets.

[3] In accordance with paragraph 8.7 of the *Due Process Handbook*, at its April 2025 meeting, the IASB discussed, and did not object to, this agenda decision.

Additional background

The IASB has been researching and engaging with stakeholders about the prevalence and significance of pollutant pricing mechanisms (PPMs), some of which include the use of carbon credits. While a project on PPMs remains on its reserve list, the IASB expects to decide during its next agenda consultation whether to add a project on the accounting for PPMs to its work plan.

Accordingly, the Committee did not consider the question about the accounting for acquisitions of carbon credits separately from the IASB's research on PPMs. The Committee instead considered only the question about the accounting for expenditure on research activities and development activities.

Findings and conclusion

Evidence gathered by the Committee indicated no material diversity in the accounting for expenditure on research activities and development activities. Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.