

# IFRIC *Update* November 2024

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 [26 November 2024](#) and discussed:

## Committee's tentative agenda decisions

- [Assessing Indicators of Hyperinflationary Economies \(IAS 29 \*Financial Reporting in Hyperinflationary Economies\*\)—Agenda Paper 2A](#)
- [Recognition of Intangible Assets Resulting from Climate-related Expenditure \(IAS 38 \*Intangible Assets\*\)—Agenda Paper 3](#)

## Agenda decisions for the IASB's consideration

- [Classification of Cash Flows related to Variation Margin Calls on 'Collateralised-to-Market' Contracts \(IAS 7 \*Statement of Cash Flows\*\)—Agenda Paper 4](#)

## Other matters

- [IAS 29—Feedback—Agenda Paper 2B](#)
- [Statement of Cash Flows and Related Matters—Agenda Paper 5](#)
- [Amortised Cost Measurement—Agenda Paper 6](#)
- [Climate-related and Other Uncertainties in the Financial Statements—Agenda Paper 7](#)
- [Agenda Decisions and IFRS 18—Agenda Paper 8](#)
- [Work in Progress—Agenda Paper 9](#)

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

- [Classification of Cash Flows related to Variation Margin Calls on 'Collateralised-to-Market' Contracts \(IAS 7 \*Statement of Cash Flows\*\)—Agenda Paper 4](#)

## Related information

[The work plan](#)

[Supporting consistent application](#)

## **Committee's tentative agenda decisions**

The Committee discussed the following matters and tentatively decided not to add standard-setting projects to the work plan. The Committee will reconsider these tentative decisions, including the reasons for not adding standard-setting projects, at a future meeting. The Committee invites comments on the tentative agenda decisions. Interested parties may submit comments on the [open for comment](#) page. All comments will be on the public record and posted on our website unless a respondent requests confidentiality and we grant that request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. The Committee will consider all comments received in writing up to and including the closing date; comments received after that date will not be analysed in agenda papers considered by the Committee.

### **Assessing Indicators of Hyperinflationary Economies (IAS 29 Financial Reporting in Hyperinflationary Economies)—Agenda Paper 2A**

*Open for comment until 3 February 2025*

The Committee received a request about applying IAS 29 to identify when an economy becomes hyperinflationary.

The request asked:

- a. whether all indicators in paragraph 3 of IAS 29 should be considered in assessing when an economy becomes hyperinflationary, including whether to continue to consider all indicators even when one indicator in paragraph 3 has been met;
- b. whether IAS 29 requires the consideration of indicators other than those listed in paragraph 3 of IAS 29 when relevant; and
- c. whether IAS 29 requires both a subsidiary (in its financial statements) and a parent (in its consolidated financial statements) to conclude consistently on when an economy becomes hyperinflationary.

### **Findings**

Evidence gathered by the Committee [to date] indicates little, if any, diversity in understanding the requirements for assessing when an economy becomes hyperinflationary. According to the evidence, stakeholders:

- a. do not conclude that an economy becomes hyperinflationary based solely on one of the indicators listed in paragraph 3 of IAS 29;
- b. consider indicators other than those listed in paragraph 3 of IAS 29 when relevant; and
- c. do not reach different conclusions at different levels within a group when applying IFRS Accounting Standards.

### **Conclusion**

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

## **Recognition of Intangible Assets Resulting from Climate-related Expenditure (IAS 38 Intangible Assets)—Agenda Paper 3**

*Open for comment until 3 February 2025*

The Committee received a request about whether an entity's expenditures for carbon credits and 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 submission 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 request asks whether during its 2024 annual reporting period the entity's investments in carbon credits and expenditures for 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.

### **Additional background**

In response to its Third Agenda Consultation, the International Accounting Standards Board (IASB) added to its reserve list a project on pollutant pricing mechanisms (PPMs), some of which include the use of carbon credits. The IASB has been performing research, including engaging with stakeholders, to assess the prevalence and significance of PPMs. The IASB expects to consider at a future meeting the results of its research and to decide whether to start a project on the accounting for PPMs before the next agenda consultation.

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

### **Findings and conclusion**

Evidence gathered by the Committee [to date] indicates 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.

## **Agenda decisions for the IASB's consideration**

### **Classification of Cash Flows related to Variation Margin Calls on 'Collateralised-to-Market' Contracts (IAS 7 *Statement of Cash Flows*)—Agenda Paper 4**

The Committee considered feedback on the **tentative agenda decision** published in the June 2024 IFRIC *Update* about how an entity presents, in the statement of cash flows, cash payments and receipts related to variation margin calls on contracts to purchase or sell commodities at a predetermined price at a specified time in the future. The contracts described in the submission are centrally cleared and 'collateralised-to-market' derivatives.

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 January 2025 meeting. If the IASB does not object to the agenda decision, it will be published in January 2025 in an addendum to this IFRIC *Update*.

## **Other matters**

### **IAS 29—Feedback—Agenda Paper 2B**

The Committee members provided input on applying IAS 29 and the usefulness of the information resulting from that application.

The staff will use the Committee's input when reporting to the IASB concerns about applying IAS 29 that were raised by stakeholders.

### **Statement of Cash Flows and Related Matters—Agenda Paper 5**

Committee members discussed the potential topics the IASB might explore in its Statement of Cash Flows and Related Matters project. In particular, Committee members provided input on the nature and prevalence of the perceived deficiencies, as well as any diversity in application of the requirements in IAS 7 *Statement of Cash Flows*.

The IASB will consider input from Committee members and other stakeholders on these matters.

### **Amortised Cost Measurement—Agenda Paper 6**

Committee members discussed the IASB's research project on Amortised Cost Measurement. In particular, Committee members provided input on whether the initial list of project topics is complete.

The IASB will consider input from Committee members and other stakeholders in deciding on the project direction.

### **Climate-related and Other Uncertainties in the Financial Statements—Agenda Paper 7**

Committee members provided input on the IASB's Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*.

The IASB will consider input from Committee members and other stakeholders on the Exposure Draft.

### **Agenda Decisions and IFRS 18—Agenda Paper 8**

The Committee received an update about some agenda decisions that refer to requirements in IAS 1 *Presentation of Financial Statements* that have not been brought forward unchanged to IFRS 18 *Presentation and Disclosure in Financial Statements*. Annotations will be added to the Bound Volumes for issued IFRS Accounting Standards 2025, to identify the relevant sections of the affected agenda decisions.

### **Work in Progress—Agenda Paper 9**

The Committee received an update on the status of open matters not discussed at its November 2024 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.

### **Classification of Cash Flows related to Variation Margin Calls on ‘Collateralised-to-Market’ Contracts (IAS 7 Statement of Cash Flows)—Agenda Paper 4**

*Published in February 2025<sup>1</sup>*

The Committee received a request about how an entity presents, in its statement of cash flows, the cash flows related to variation margin call payments made on contracts to purchase or sell commodities at a predetermined price and at a specified time in the future.

#### **Fact pattern**

The request describes a contract to purchase or sell commodities at a predetermined price and at a specified time in the future. An entity may enter into such a contract for different purposes and applies the relevant requirements in IFRS Accounting Standards accordingly. For example, the entity may use such a contract:

- a. to receive commodities in accordance with its expected usage requirements;
- b. to hedge against fluctuations in the prices of commodities; or
- c. for trading purposes.

Such a contract typically has a maturity of up to three years, can be settled physically or net in cash and is both:

- a. *centrally cleared*—that is, after a new contract is entered into, for the purpose of settlement via a central counterparty, the contract is novated by each counterparty to the central counterparty.
- b. *‘collateralised-to-market’*—that is, during the life of the contract, the counterparties make or receive daily payments based on the fluctuations of the fair value of the contract (variation margin call payments). These variation margin call payments represent a transfer of cash collateral (hence the contract is ‘collateralised to market’), rather than a partial settlement of the contract (as in ‘settled-to-market’ contracts).

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<sup>1</sup> In accordance with paragraph 8.7 of the *Due Process Handbook*, at its January 2025 meeting, the IASB discussed, and did not object to, this agenda decision.

The request asked how an entity presents, in its statement of cash flows, the cash flows related to variation margin call payments made on such a contract.

### **Conclusion**

Evidence gathered by the Committee did not indicate that the matter described in the request is widespread. 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.