
FASB | IASB Education Meeting

Date **5 June 2026**

Project **Amortised Cost Measurement**

Topic **Project Overview**

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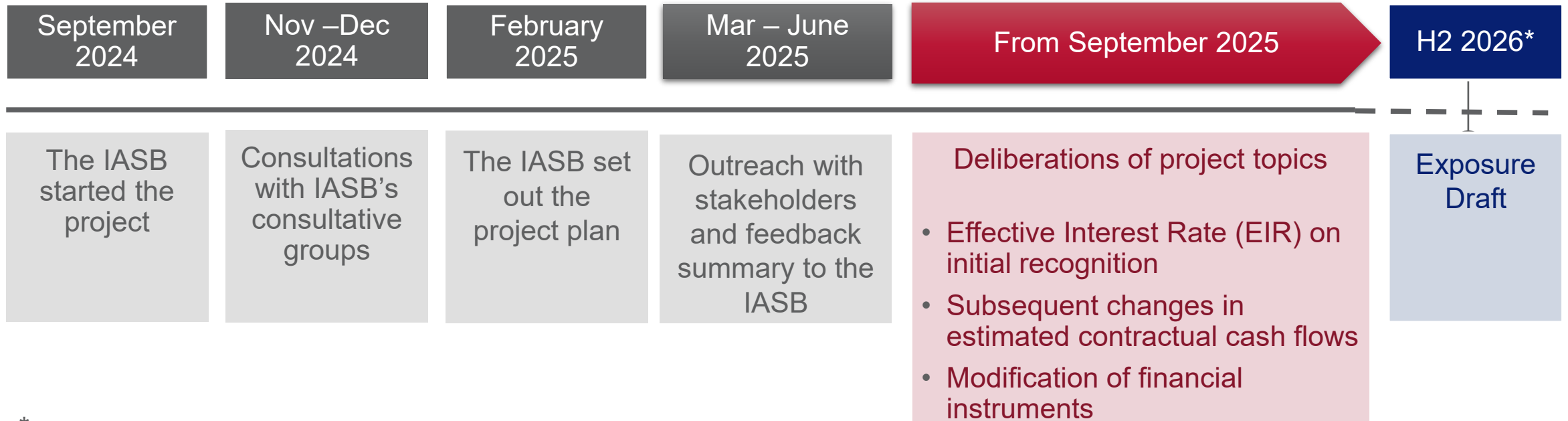
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Project overview

Objectives



- to **address challenges** with applying amortised cost measurement requirements in IFRS 9
- to **improve information** provided to **users** of financial statements about financial instruments measured at amortised cost



* Date subject to the project progressing as planned

Project topics

Key topics for IASB discussion

EIR on initial recognition

How to calculate the effective interest rate (EIR) for financial instruments with conditions linked to interest rates?

Discussion: [September 2025](#)

Outcome: [No standard-setting](#)

Re-estimation of contractual cash flows

Which re-estimations of contractual cash flows are accounted for by adjusting the EIR versus by recognising a catch-up adjustment?

Discussion: [April 2026](#)

Outcome: [Consideration for time value of money and credit risk adjust the EIR](#)

Modification of financial instruments

- What constitutes a 'modification' of a financial instrument?
- How to determine if a modification is substantial, resulting in derecognition?

Discussion: From [February 2026](#)

Outcome: June 2026

Interaction between modification, derecognition and impairment

How to distinguish between modification, derecognition versus impairment, including the sequence of applying these requirements?

Discussion: H2 2026

Outcome: TBD

Contingent settlement provisions

How to measure a financial liability arising from a contingent settlement provision, if classified as measured at amortised cost?

Discussion: H2 2026

Outcome: TBD

Other matters

What about other matters, such as accounting for transaction costs and fees?

Discussion: H2 2026

Outcome: TBD

Re-estimation of contractual cash flows

Current IFRS 9 requirements

Re-estimation of contractual cash flows arising from existing contractual terms

Is it reflective of movements in the market rates of interest?

Significant diversity in practice on how assessment is made

YES

NO

Adjust EIR

Update the EIR prospectively
No catch-up adjustment

Catch-up adjustment

Catch-up adjustment
Keep original EIR

Tentative decision

Re-estimation of contractual cash flows arising from existing contractual terms

Is it consideration for the time value of money or credit risk?

Uses established terms within IFRS 9

YES

NO

Adjust EIR

Update the EIR prospectively
No catch-up adjustment

Catch-up adjustment

Catch-up adjustment
Keep original EIR

What constitutes a modification?

Current IFRS 9 requirements

Financial liabilities

Paragraph 3.3.2 of IFRS 9 sets out requirements for modifications and exchanges with the same lender and describes modifications with reference to **modification of the terms** of an existing liability or a part of it (whether or not attributable to the financial difficulty of the debtor)

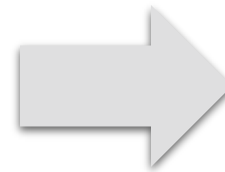
Financial assets

Paragraph 3.2.3 of IFRS 9 focusses on an assessment of contractual rights and provides specific requirements when an entity derecognises a financial asset. Additionally, paragraph 5.4.3 of IFRS 9 sets out requirements for modification of financial assets that do not result in derecognition, referring to **modification of contractual cash flows**

Tentative decision

Financial assets and liabilities

A modification of a financial asset or a financial liability is a change in contractual terms which **changes the nature, timing, amounts or uncertainty** of contractual cash flows



Approach for assessing modifications

Determine whether a modification is substantial...

...considering qualitative and quantitative indicators...

... account for a substantial modification as derecognition of the existing financial instrument and the recognition of a 'new' instrument.

To determine whether the **nature, timing, amounts, or uncertainty** of the cash flows under the original contractual terms are **substantially different** from those under the modified terms



An entity would be **required** to assess a modification using a **qualitative analysis** and, if outcome is inconclusive, supplement it with **quantitative analysis** (10% test)



Account for substantial modification by:

- derecognising the **existing** instrument
- recognising modified cash flows as a **'new'** instrument
- recognising a derecognition **gain or loss** in P/L

Same principle, applicable to both financial assets and financial liabilities

Qualitative indicators

The proposed approach would **require** analysis of **qualitative indicators** (ie any modification assessment must include a qualitative analysis; outcomes cannot be determined by quantitative analysis alone)

Potential application guidance—qualitative indicators

The IASB staff is considering the following **non-exhaustive list of factors**, each of which may indicate that a modification is substantial:

- a. a change in the **currency** in which the principal or interest is denominated;
- b. a change in the **borrower**, unless the new counterparty shares common control;
- c. a change in the cash flow characteristics of a financial asset (**solely payments of principal and interest**); and
- d. a change in contractual terms for commercial reasons that **effectively aligns the terms of the financial instrument to current market terms**. For example, extending the maturity or reducing the interest rate to align with prevailing market terms.

Quantitative indicator

The proposed approach would require a **supplementary** quantitative **10% test**, if the outcome of the qualitative analysis is inconclusive.

(ie a modification assessment might include the quantitative 10% test; however, outcomes cannot be determined by this test alone)

Potential application guidance—quantitative indicator

- The quantitative analysis would be in the form of the existing '**10% test**'—the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original financial instrument (B3.3.6 of IFRS 9).
- Entities would be required to apply a consistent basis for estimating contractual cash flows in comparing pre- with post- modification cash flows. Specifically, **consistent estimation assumptions** in considering terms such as:
 - potential extensions (ie whether an existing extension option would be exercised)
 - associated fees and costs (ie fees and costs incurred as part of modification are considered part of the modified cash flows)

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