
IASB[®] meeting

Date **October 2026**
Project **Amortised Cost Measurement**
Topic **Cover Paper**
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Purpose of paper

1. The purpose of this paper is:
 - (a) to provide an [overview of the paper for this meeting](#); and
 - (b) to set out the [next steps](#) in the project.
2. The paper has one appendix: [Appendix A—Summary of the IASB's tentative decisions](#).
3. We do not ask the IASB to make any decisions in this paper.

Overview of the paper for this meeting

4. At this meeting, the IASB will discuss measurement of financial liabilities arising from contingent settlement provisions. Agenda Paper 11A for this meeting provides stakeholders' feedback, staff analysis and a recommendation about how to measure a financial liability arising from contingent settlement provisions.

Next steps

5. At future IASB meetings, we plan to discuss the following topics:

- (a) interaction between modification, derecognition and impairment. We expect to begin deliberations on this topic in December 2026.
- (b) other matters, including review of disclosure requirements in light of the IASB's tentative decisions in the project. We expect to begin deliberations on this topic in Q1 2027.

Appendix A—Summary of the IASB’s tentative decisions

Topic	Staff condensed summary of the IASB’s tentative decisions
A full record of the IASB’s tentative decisions is available from the IASB updates in the project page	
Project direction	In June 2025, the IASB tentatively decided: - to add the project to its standard-setting work plan, under which any consultative document the IASB might later publish would be an exposure draft; and - not to set up a consultative group for the project.
Determining EIR at initial recognition	In February 2026, the IASB tentatively decided: - to clarify that a substantial modification of a financial asset, or a part of a financial asset, is accounted for as derecognition of the original financial asset and recognition of a new financial asset; and - to require that an entity apply a principles-based approach in assessing whether a modification of a financial asset or a financial liability is substantial and results in derecognition.
Subsequent changes in estimated cash flows (Subsequent changes through the EIR)	In April 2026, the IASB tentatively decided to amend paragraph B5.4.5 of IFRS 9 to require that an entity adjust the EIR to account for a re-estimation of the contractual cash flows of a financial asset or a financial liability that provides consideration for the time value of money or for the credit risk.
a. Definition of a ‘modification’ of financial instruments; and b. Determining whether a modification results in derecognition	In February 2026, the IASB tentatively decided: - to clarify that a substantial modification of a financial asset, or a part of a financial asset, is accounted for as derecognition of the original financial asset and recognition of a new financial asset; and - to require that an entity apply a principles-based approach in assessing whether a modification of a financial asset or a financial liability is substantial and results in derecognition.

Topic	Staff condensed summary of the IASB's tentative decisions
Modification of financial instruments—general approach	In June 2026, the IASB tentatively decided to propose that: a. an entity would determine whether modification of a financial asset or financial liability is substantial based on a holistic analysis of the changes in the contractual cash flows. The entity would consider qualitative and quantitative factors as part of this analysis. The '10 per cent test' as described in paragraph B3.3.6 of IFRS 9 could supplement the analysis but would not be the decisive factor in isolation. b. the factors an entity would consider in determining whether a modification is substantial include: i. a change in the currency in which principal or interest is denominated, which would suggest the modification is substantial. ii. a change in cash flow characteristics that alters the assessment of whether the cash flows are solely payments of principal and interest for a financial asset; or whether an embedded derivative is separated from the host contract for a financial liability. Such a change would suggest the modification is substantial. iii. a change in borrower counterparty, which would suggest the modification is substantial, unless the change is between entities under common control. iv. the reason for the modification. A commercial renegotiation to reset the financial instrument to current market terms would suggest the modification is substantial. Conversely, a modification attributable to the borrower's financial difficulty would suggest the modification is not substantial. c. the relevance and weighting of specific factors would depend on the type and characteristics of the financial instrument and general economic conditions. An entity would consider reasonable and supportable information available without undue cost or effort that is relevant to the financial instrument being assessed.

Topic	Staff condensed summary of the IASB's tentative decisions
Modification of financial instruments—other matters	In September 2026, the IASB tentatively decided to propose that an entity applying the 10-per-cent test to a financial asset or liability: a. considers all contractual terms of the financial instrument. b. determines the contractual cash flows of a financial instrument that includes an option or contingent term on the basis that the option is exercised—or that the contingent event occurs—at the earliest possible date specified in the contract. The probability or estimated timing of the option being exercised, or the contingent event occurring, has no effect on those cash flows. The IASB also tentatively decided to clarify that an entity applying the 10-per-cent test to a financial asset or financial liability that is a revolving credit facility determines the facility's contractual cash flows based on the contractual terms of the facility as a whole. In particular, the entity determines the contractual cash flows based on the maximum credit capacity over the remaining term of the facility, under the new and original contractual terms. Furthermore, the IASB tentatively decided to clarify that: a. for the purposes of an entity applying paragraphs 5.4.3 and B3.3.6A of IFRS 9, the term 'costs or fees incurred' includes: i. all fees and points paid or received between parties to the contract that are directly attributable to the modification of the financial instrument, including fees paid or received by either the borrower or the lender on the other's behalf; and ii. transaction costs and all other premiums or discounts that are directly attributable to the modification of the financial instrument. b. if the modification of a financial asset or financial liability does not result in derecognition, an entity continues to recognise any unamortised costs or fees at the time of the modification as part of the gross carrying amount of the modified financial asset or the amortised cost of the modified financial liability. Those costs or fees are amortised over the remaining term of the modified financial instrument.