
Islamic Finance Consultative Group meeting

Date	1–2 November 2022
Project	IFRS Interpretations Committee Update
Topic	Process
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This paper has been prepared for discussion at a public meeting of the Islamic Finance Consultative Group (IFCG). This paper does not represent the views of the International Accounting Standards Board (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*.

Why we support consistent application

Objective in supporting IFRS Accounting Standards

We...

help stakeholders obtain a **common understanding** of the requirements - ie what they are aiming for

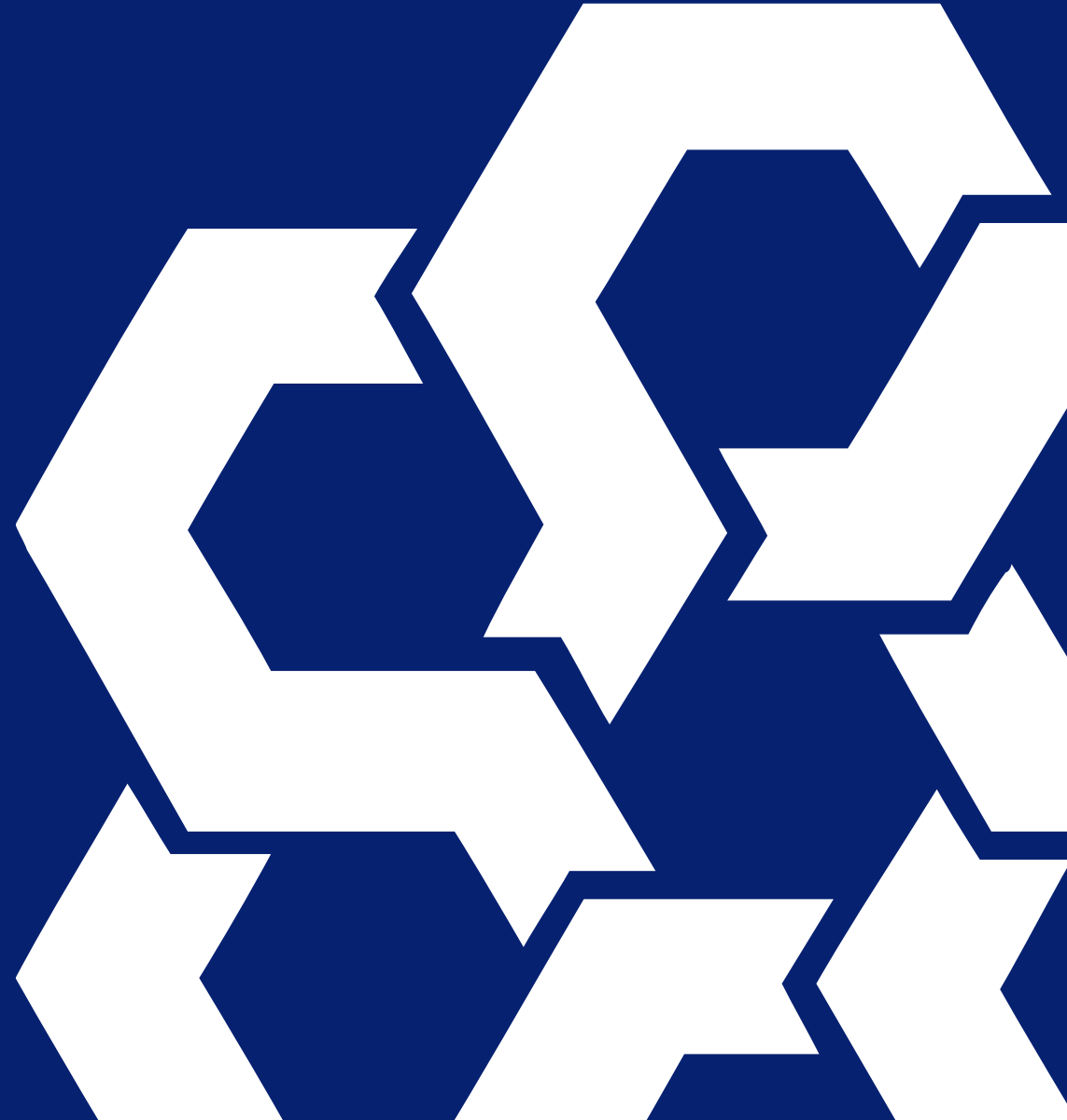
In order to...

support **consistent application** of IFRS Accounting Standards

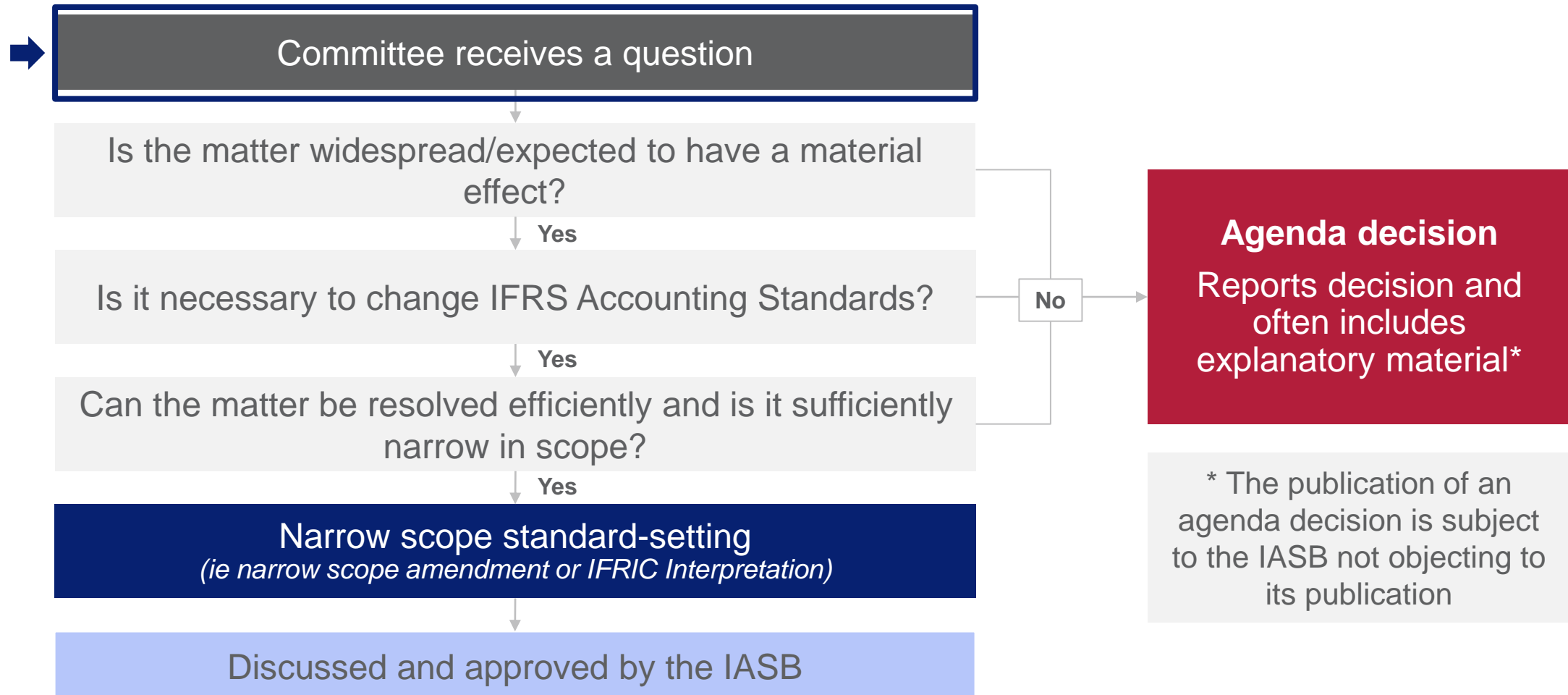
Because it...

protects IFRS Accounting Standards as a single set of **global Standards** for the benefit of investors

IFRS Interpretations Committee process



The Interpretations Committee's process



The Committee receives a question

The Committee's process is open to all

Any stakeholder can submit questions to the Committee, at any time

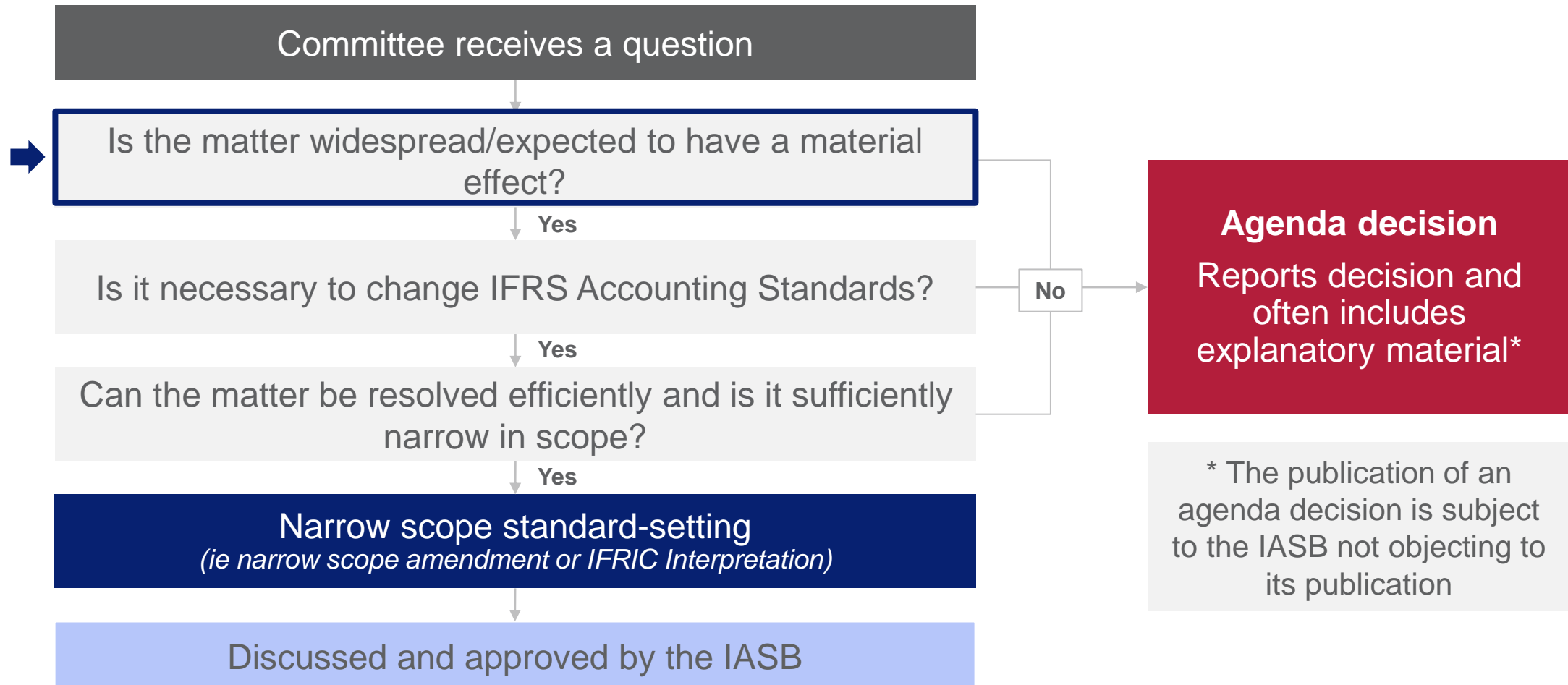
Reasons for new submissions

- **Application of new IFRS Accounting Standards**
eg Transfer of Insurance Coverage (IFRS 17)
- **Interaction between new and existing IFRS Accounting Standards**
eg Multi-currency Groups of Insurance Contracts (IFRS 17 and IAS 21)
- **Application of existing IFRS Accounting Standards to new transactions**
eg Negative Low Emission Vehicle Credits (IAS 37)
- **Submissions by regulators**
eg TLTRO III Transactions (IFRS 9 and IAS 20)

Submissions

- Explain why the Committee should address the matter
- Are available on the Committee's [pipeline projects](#) page

The Interpretations Committee's process



Is the matter widespread/material?

Prevalence of the matter

Initial outreach with stakeholders is often performed to determine whether the matter is:

Widespread

Fact pattern is relevant to many entities across industries/jurisdictions

Material

Matter is expected to have a material effect on those affected

**Committee's
assessment**

If this criterion is not satisfied,
no further work is performed

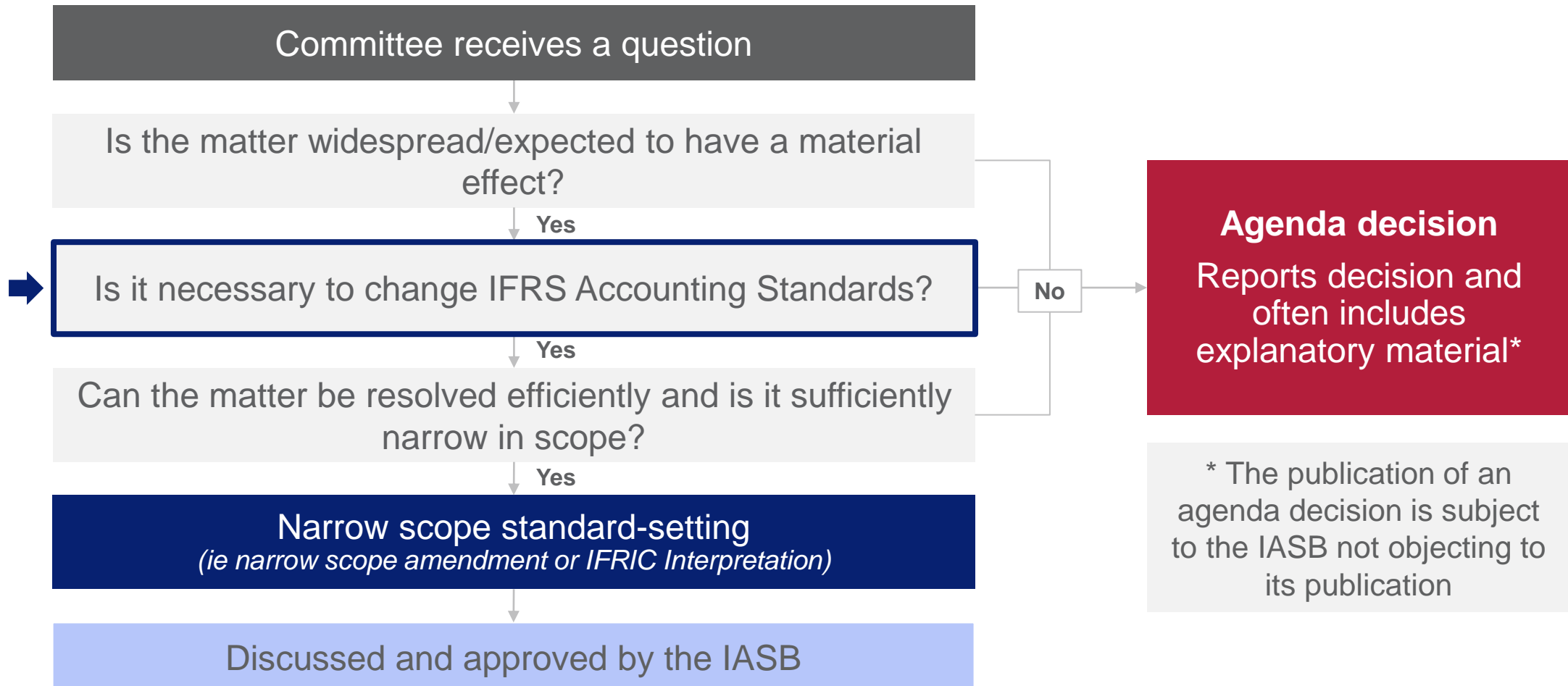
Stakeholders can comment on
prevalence when responding to a
tentative agenda decision

Including whether
there is diversity in
accounting

Recent Example

Non-refundable Value Added Tax on Lease Payments (IFRS 16)

The Interpretations Committee's process



Is it necessary to change IFRS Accounting Standards?

The Committee assesses the following:

Do the principles and requirements in IFRS Accounting Standards provide an **adequate basis for an entity to determine the required accounting?**

(Paragraph 5.16(b) of the Due Process Handbook)

The Committee may report concerns about existing requirements to the IASB

The Committee does not assess

- whether existing requirements result in **useful information**
- the **costs** of applying these requirements

If IFRS Accounting Standards provide an adequate basis to determine the accounting:

Committee publishes a **tentative agenda decision** including **explanatory material**



Explanatory material in agenda decisions aim to **improve consistent application**

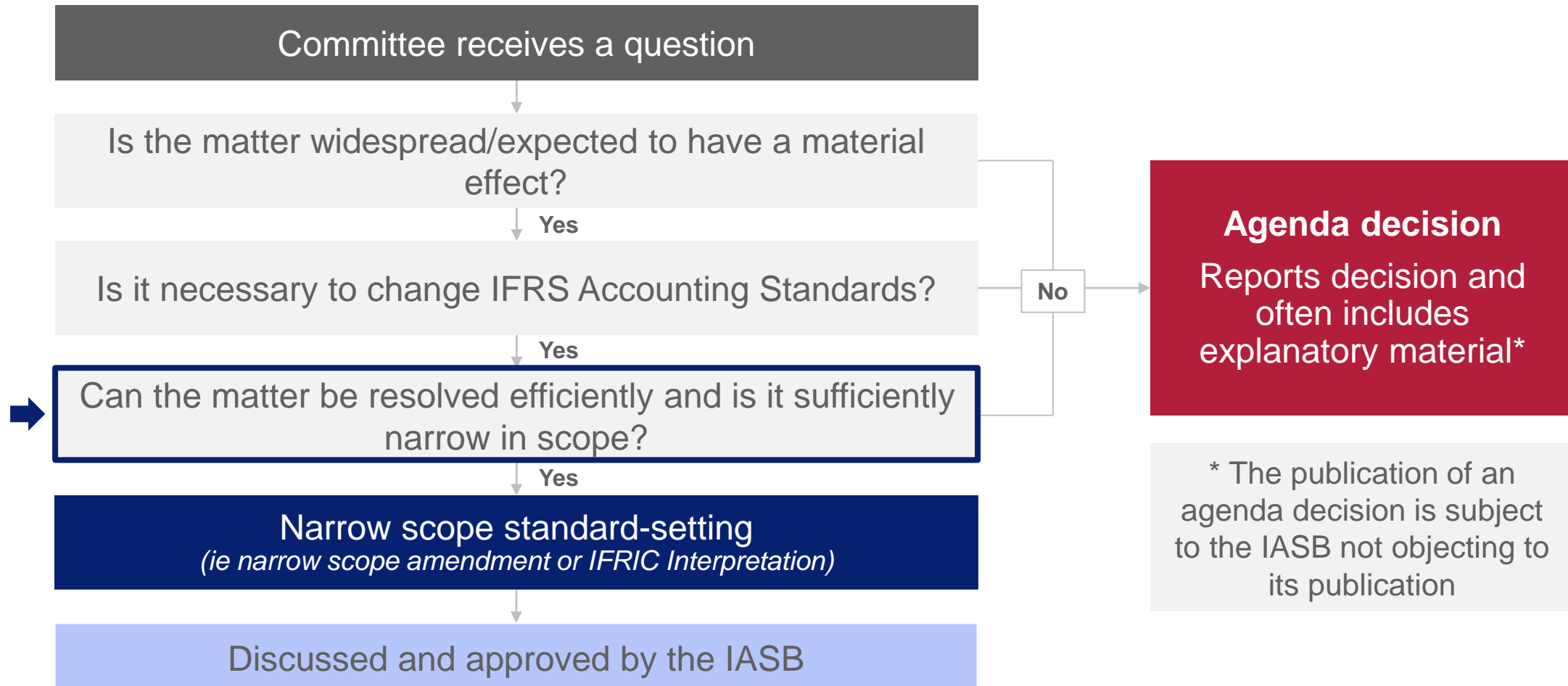


Explanatory material **cannot add or change** requirements in IFRS Accounting Standards

Recent Example

Negative Low Emissions Vehicle Credits (IAS 37)

The Interpretations Committee's process



Is the matter sufficiently narrow in scope?

How the Committee assesses whether a matter is narrow in scope?

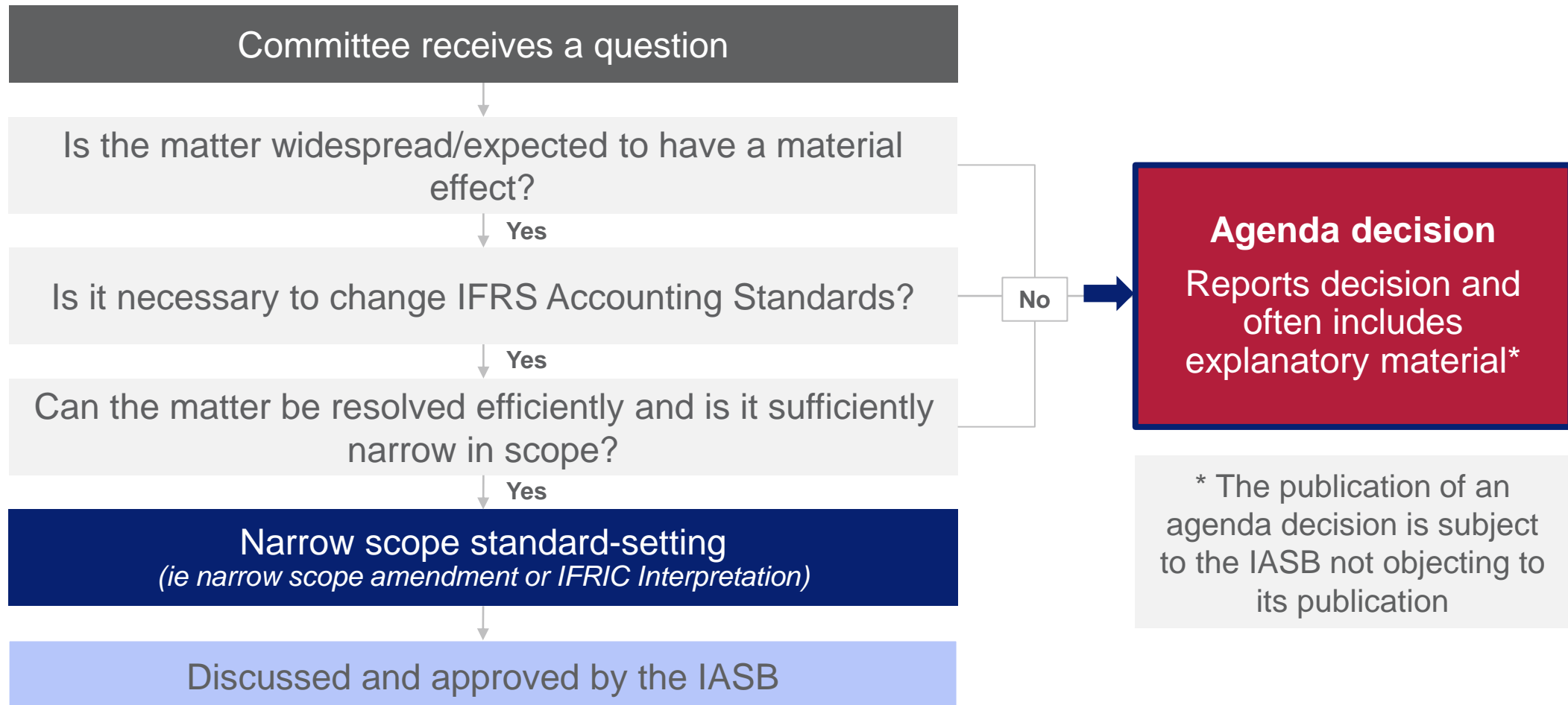
- Topics discussed by the Committee should be **narrow in scope**
- The Committee may add a standard-setting project to the work plan if both:
 - the matter **can be resolved *efficiently*** within the confines of existing IFRS Accounting Standards and the *Conceptual Framework*
 - the matter is **sufficiently narrow** in scope to be addressed in an efficient manner
- If the Committee concludes IFRS Accounting Standards do not provide an adequate basis but the matter is not sufficiently narrow in scope, **a project is not added to the work plan**

The Committee may report the matter to the IASB

Recent Example

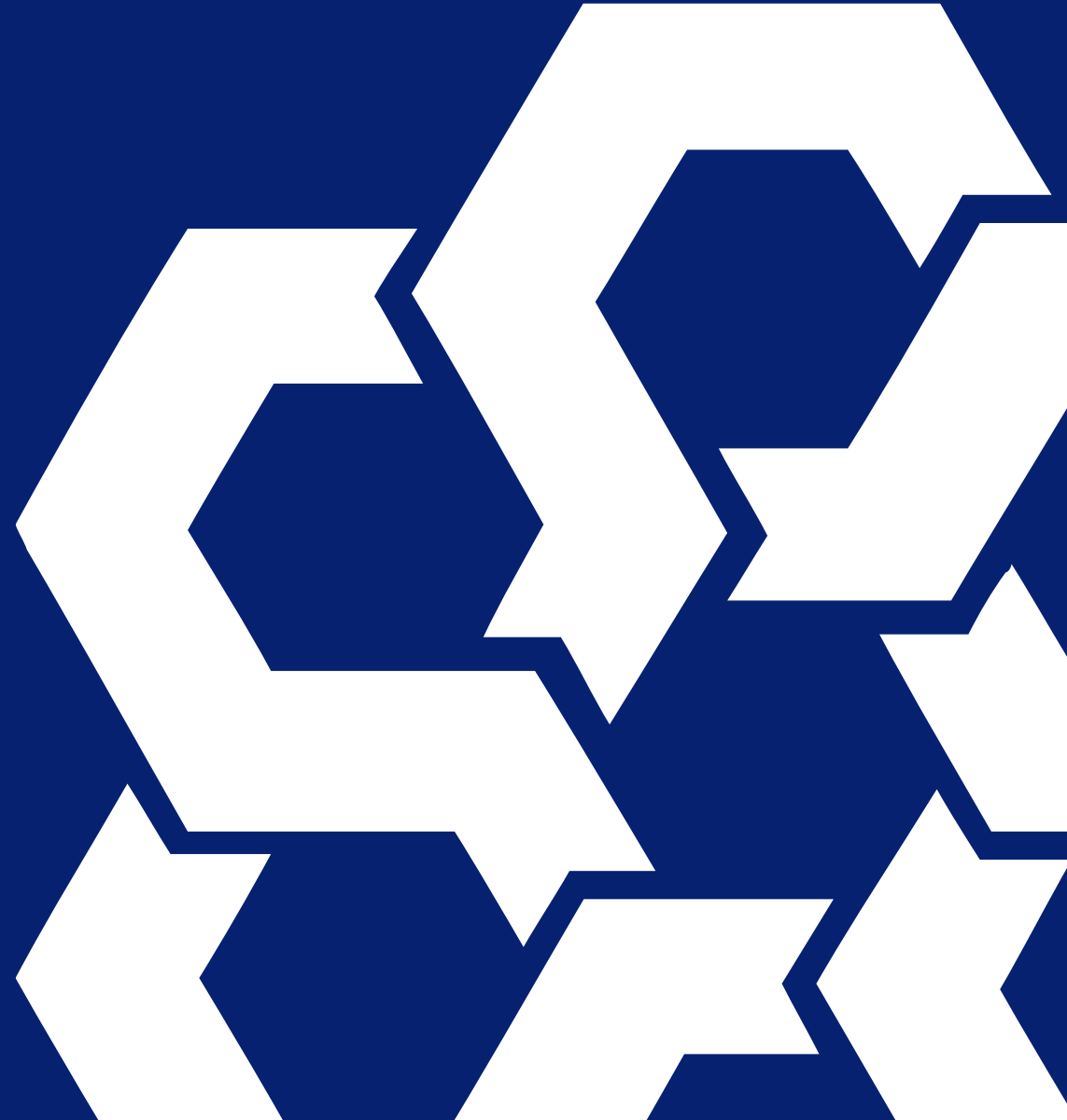
Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition (IAS 32)

The Interpretations Committee's process



Status and implementation of agenda decisions

*Changes to the Due Process Handbook in
2020*



Involvement of the IASB

The IASB's involvement in an agenda decision

Before it is finalised, the IASB is asked whether it **objects to an agenda decision**

Objective of the IASB's involvement

The objective is not for the IASB to redo the Committee's work, but to confirm that:

- a) The agenda decision does **not add or change requirements** in IFRS Accounting Standards
- b) A **standard-setting project should not be added** to the work plan

Objecting to an agenda decision

- If **four or more** Board members object, the agenda decision is not published
- The IASB then decides how to proceed

Status of agenda decisions

What is the status of agenda decisions?

Agenda decisions with explanatory material:

- explain how **applicable requirements in IFRS Accounting Standards** apply to the transaction or fact pattern described—they **cannot add to or change** these requirements
- derive their authority from **IFRS Accounting Standards** and the IASB is involved in their finalisation

Conclusion

Accounting practices not aligned with agenda decisions are **not compliant with IFRS Accounting Standards**

Implementing agenda decisions

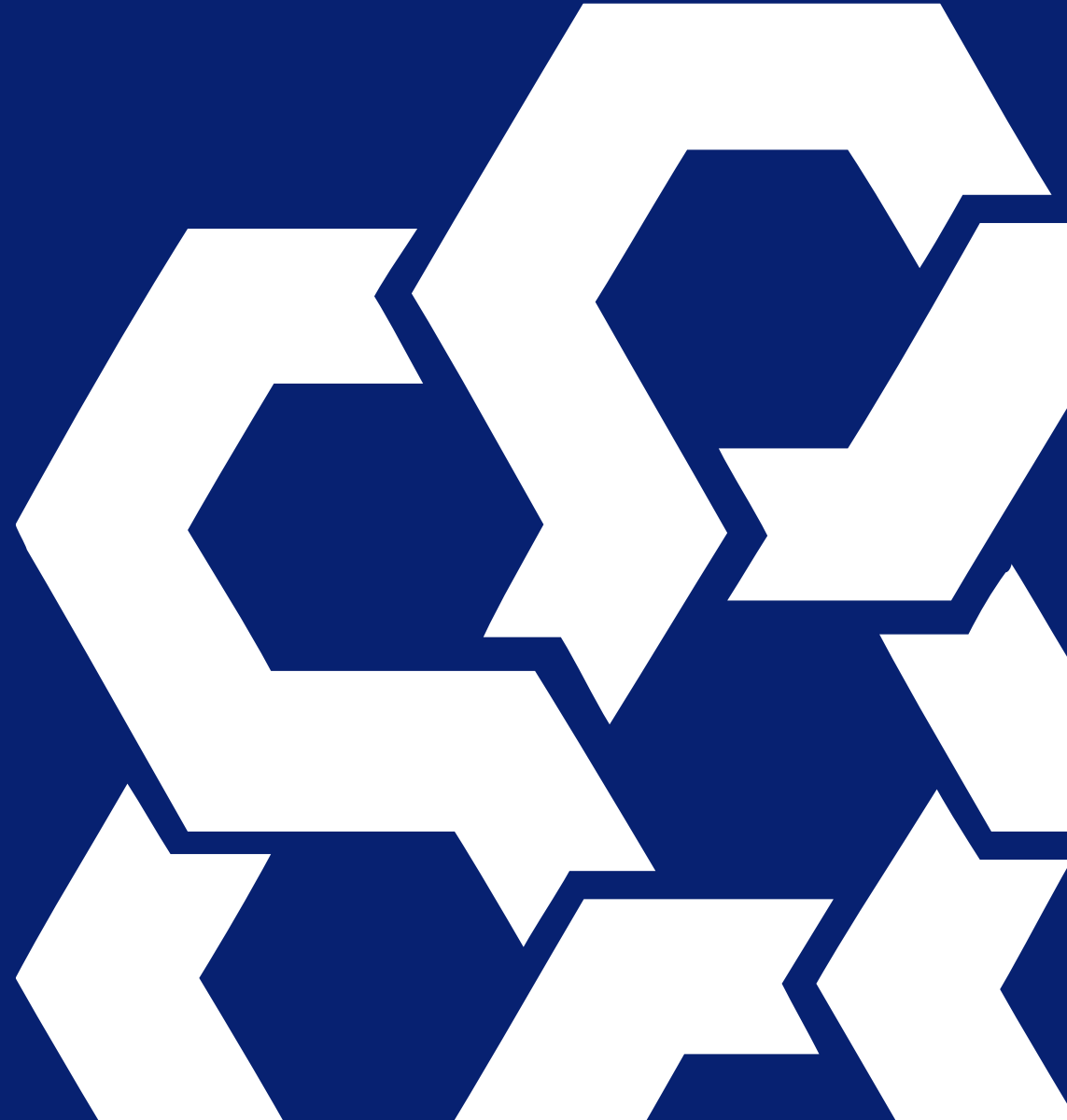
Sufficient time to implement an agenda decision

- Agenda Decisions may provide **additional insights** that might change an entity's understanding of the principles and requirements in IFRS Accounting Standards
- An entity might therefore determine that it needs to **change an accounting policy** as a result of an agenda decision
- Determining how much time is sufficient to make an accounting policy change is a **matter of judgement** that depends on **particular facts and circumstances**

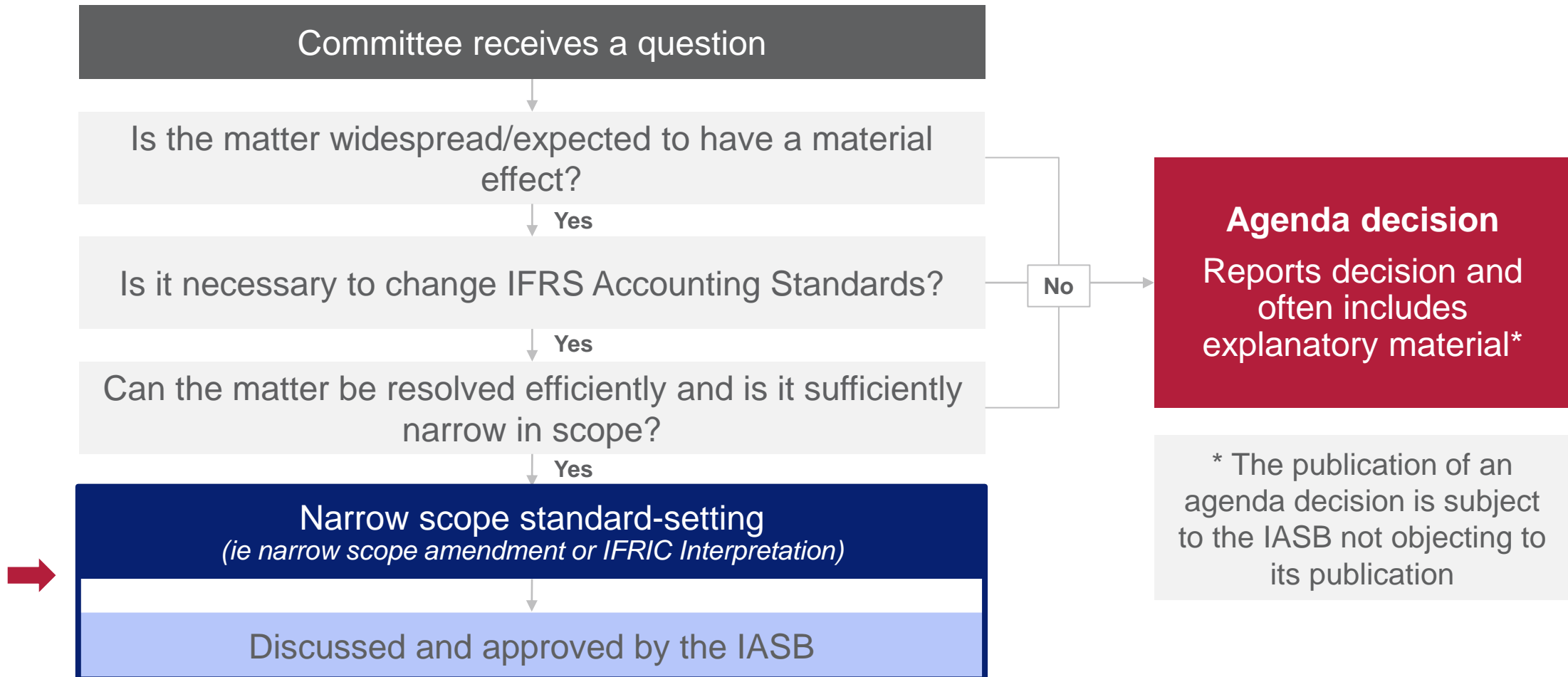
Paragraph 8.6 of the *Due Process Handbook*

*'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).'*

Narrow-scope standard-setting



The Interpretations Committee's process



Narrow-scope standard-setting

The following is a list of recent proposed and finalised narrow-scope amendments that started as application questions to the Committee:



ED Supplier Finance Arrangements
(IAS 7 and IFRS 7)

November 2021



ED Non-current Liabilities with Covenants
(IAS 1)

November 2021



ED Lack of Exchangeability (IAS 21)

April 2021



Lease Liability in a Sale and Leaseback (IFRS 16)

September 2022



Definition of Accounting Estimates (IAS 8)

February 2021



Deferred Tax related to Assets and Liabilities arising from a Single Transaction (IAS 12)

May 2021



Onerous Contracts—Cost of Fulfilling a Contract (IAS 37)

May 2020



Property, Plant and Equipment: Proceeds before Intended Use (IAS 16)

May 2020

Q&A



- The IFRS Interpretations Committee process
- Status and implementation of agenda decisions
- Narrow-scope standard-setting

Thank you

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