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Agenda paper 2

# Update on the IASB's activities

*April – September 2022*

IFRS Advisory Council  
October 2022

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# Update on the IASB's activities—contents

## Executive summary

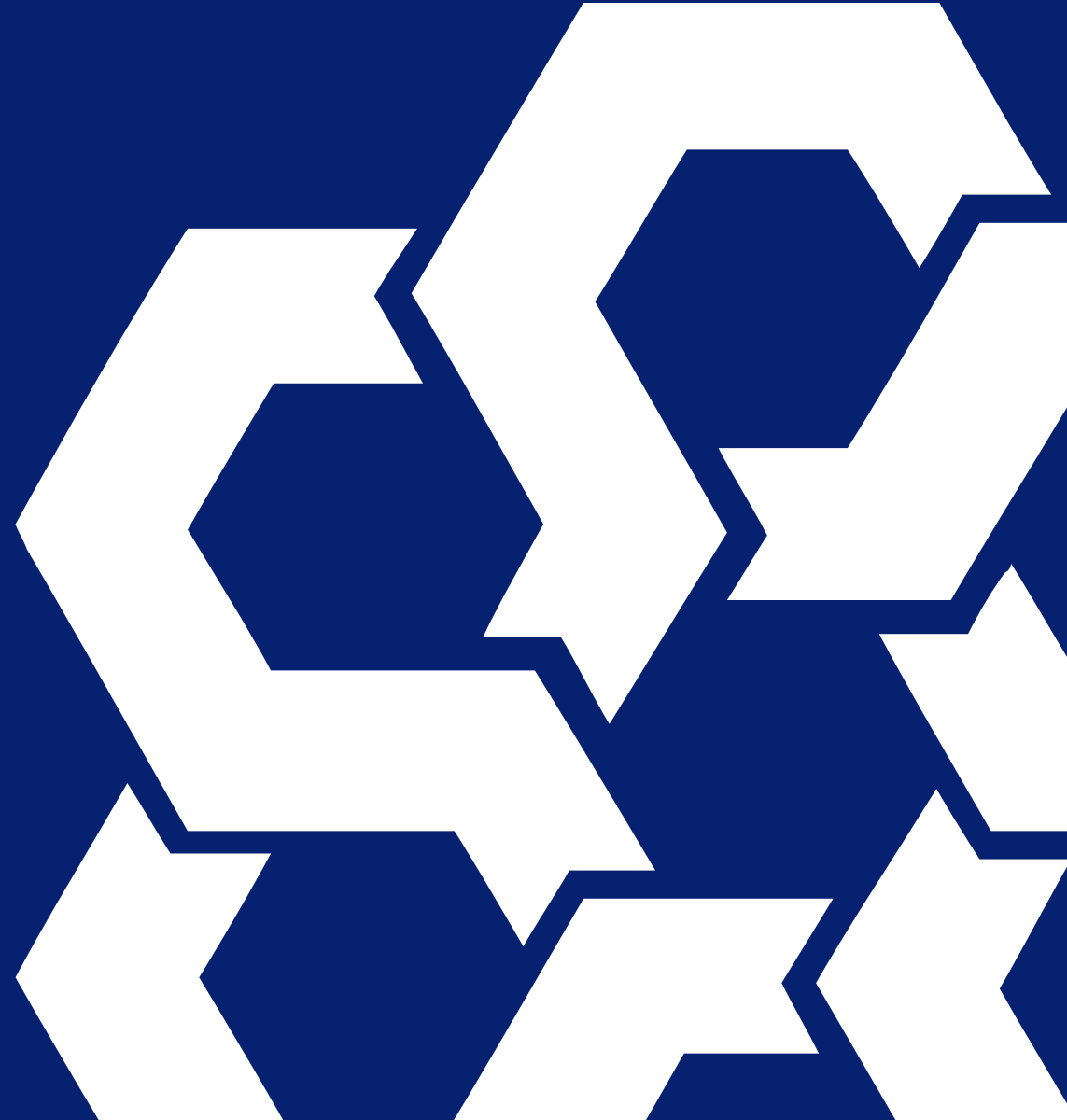
- Significant developments
- Snapshot of what's on the horizon

## Detailed descriptions

- Outcome of the Third Agenda Consultation
- Standard-setting projects
- Research projects
- Maintenance and consistent application

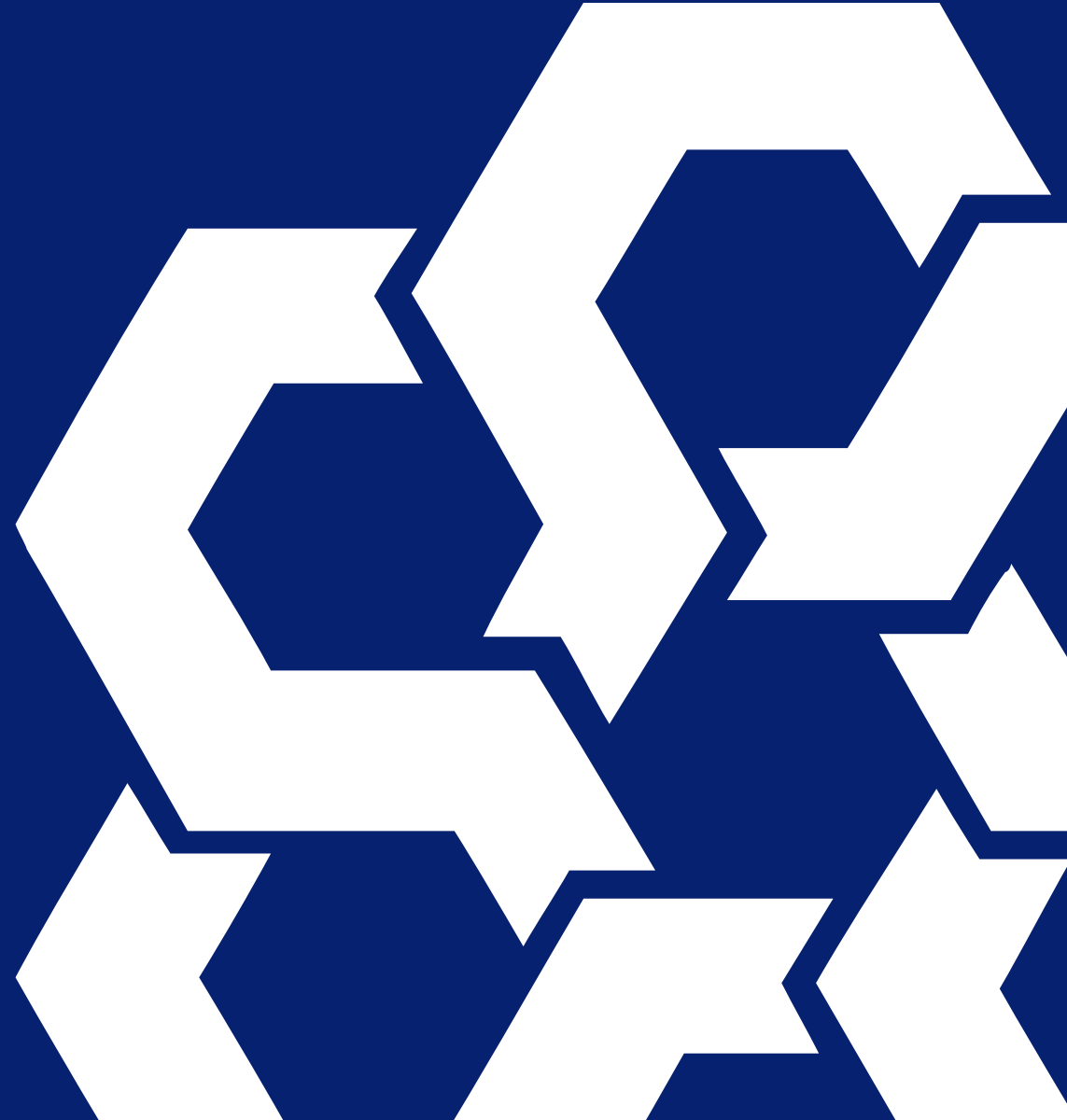
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# Executive summary



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# Significant developments



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## Significant developments (1/3)

### Final amendments issued

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

### Other documents published

- Project Summary *Pension Benefits that Depend on Asset Returns*
- Feedback Statement *Post-implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities*
- Feedback Statement *Third Agenda Consultation*

### Consultation documents published

- Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard* (comment period ending 7 March 2023)

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## Significant developments (2/3)

### Forthcoming publications

1. Amendments to IAS 1 on non-current liabilities with covenants (November 2022)
2. Feedback Statement on post-implementation review (PIR) of classification and measurement requirements in IFRS 9 *Financial Instruments* (December 2022)
3. Request for Information on PIR of IFRS 15 *Revenue from Contracts with Customers* (H1 2023)
4. Request for Information on PIR of impairment requirements in IFRS 9 (H1 2023)

### Changes to the work plan

1. From PIR on classification and measurement requirements in IFRS 9:
  - Added to work plan a maintenance project on contractual cash flows of financial assets, including questions on ESG-linked financial assets
  - Added to pipeline a maintenance project on amortised cost measurement
2. Moved project on Dynamic Risk Management from research to standard-setting.
3. Exploring possibility of standard-setting on electronic transfers of cash
4. Exploring need for standard-setting on OECD Pillar Two Model Rules on international taxation.

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## Significant developments (3/3)

### Engagement with other bodies

1. Working with International Sustainability Standards Board to facilitate connectivity with the IASB
2. Held hybrid IFRS Foundation Conference in June 2022 (with over 400 participants from nearly 60 jurisdictions)
3. Held in-person World Standard-Setters Conference (with on-line streaming) in September 2022 (with over 100 participants from over 60 organisations)
4. Held joint FASB-IASB educational meeting on 30 September 2022

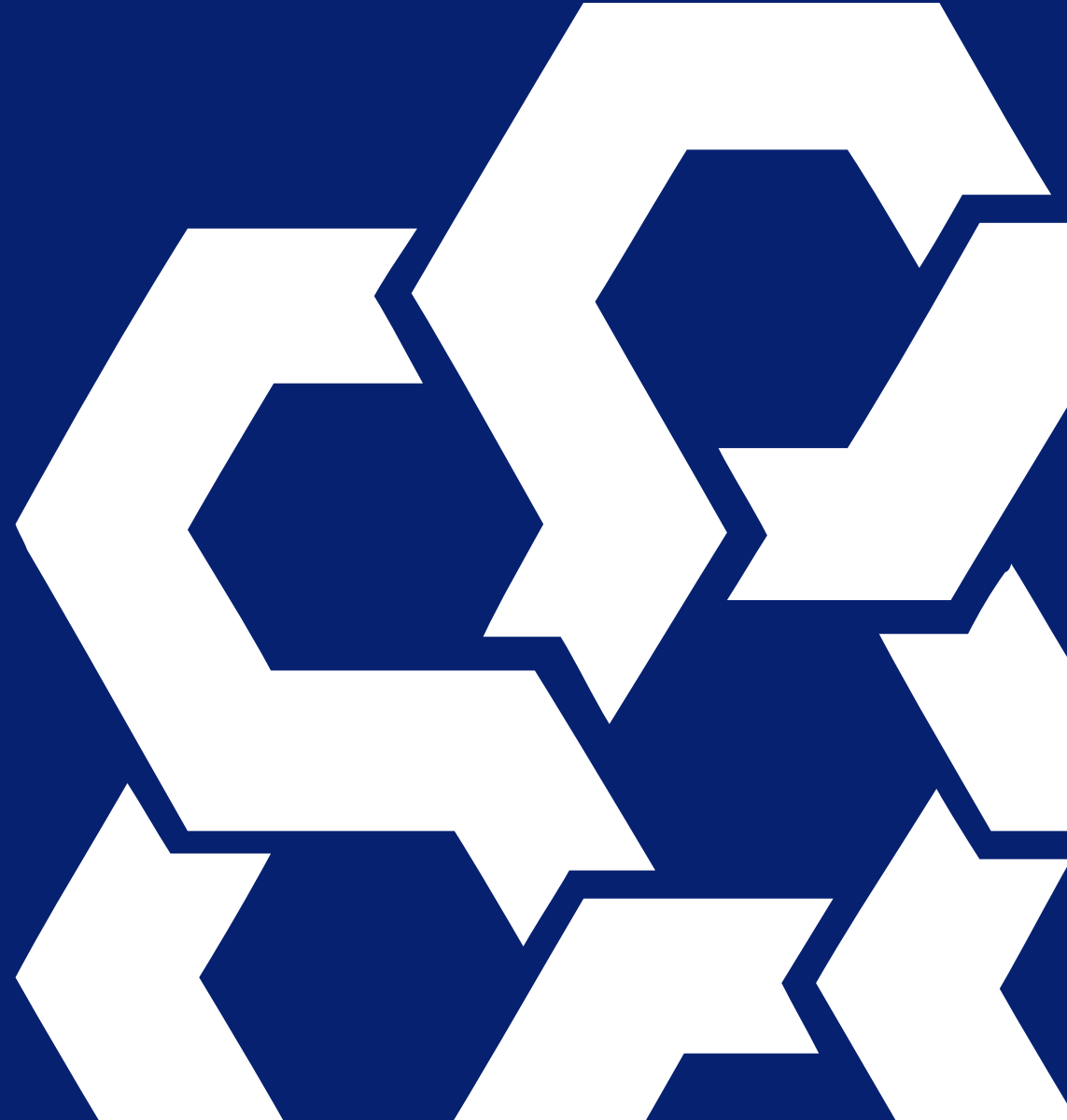
### Changes to the IASB\*

1. Mary Tokar (term ended on 31 August 2022)
2. Robert Uhl (term started 1 September 2022)
3. Linda Mezon-Hutter (term started 12 September 2022)

\* At 30 September, three of the 14 IASB member positions are vacant. Two new members announced and expected to start in coming months.

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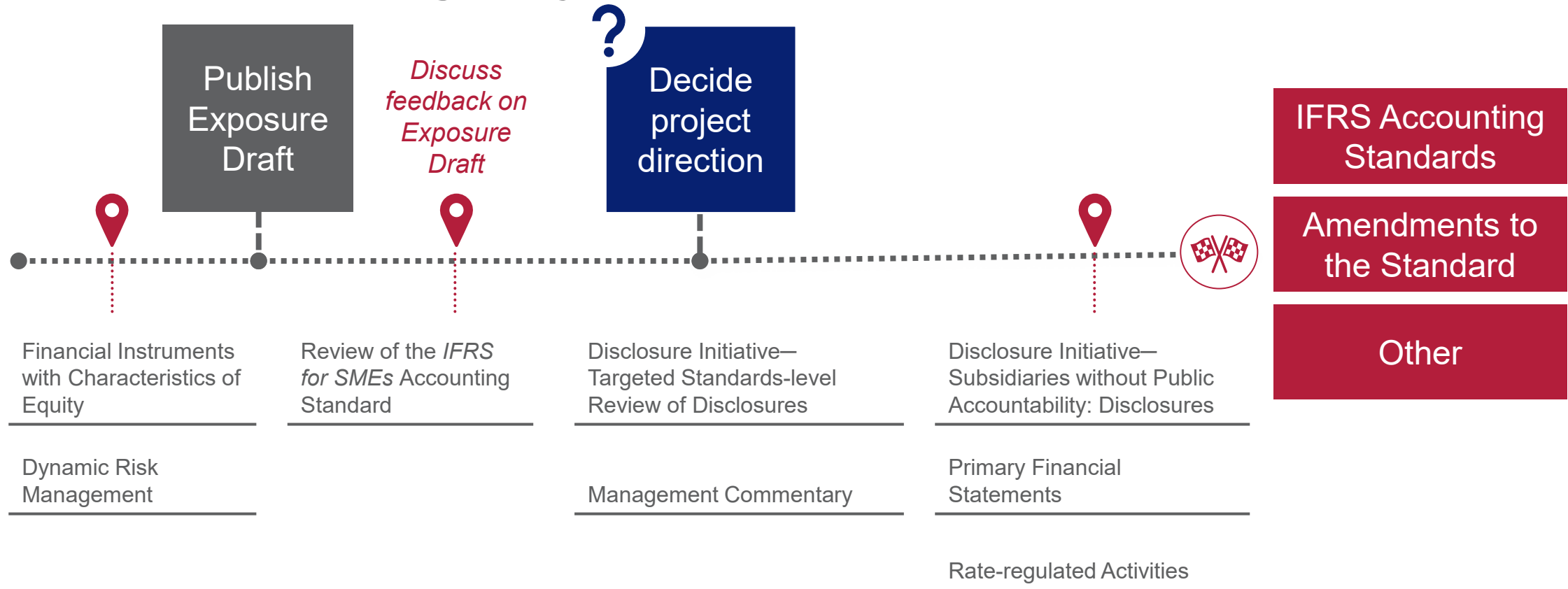
## Snapshot of what's on the horizon





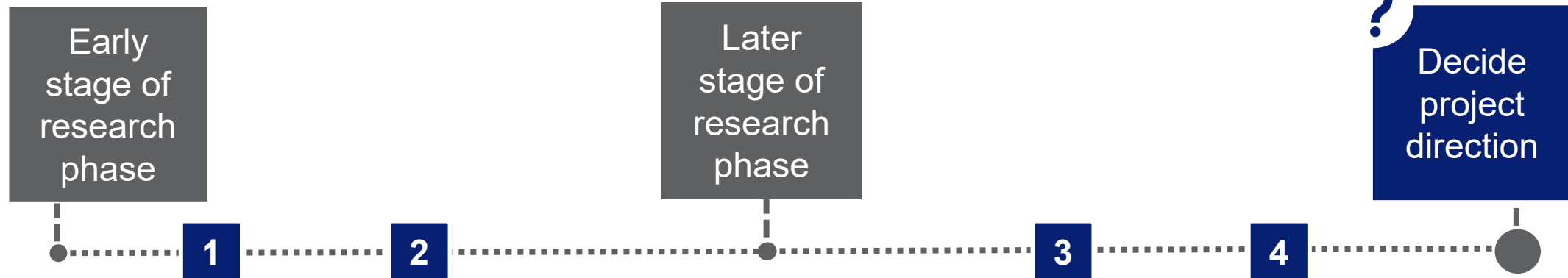
# Snapshot of what's on the horizon

## *Standard-setting projects*



# Snapshot of what's on the horizon

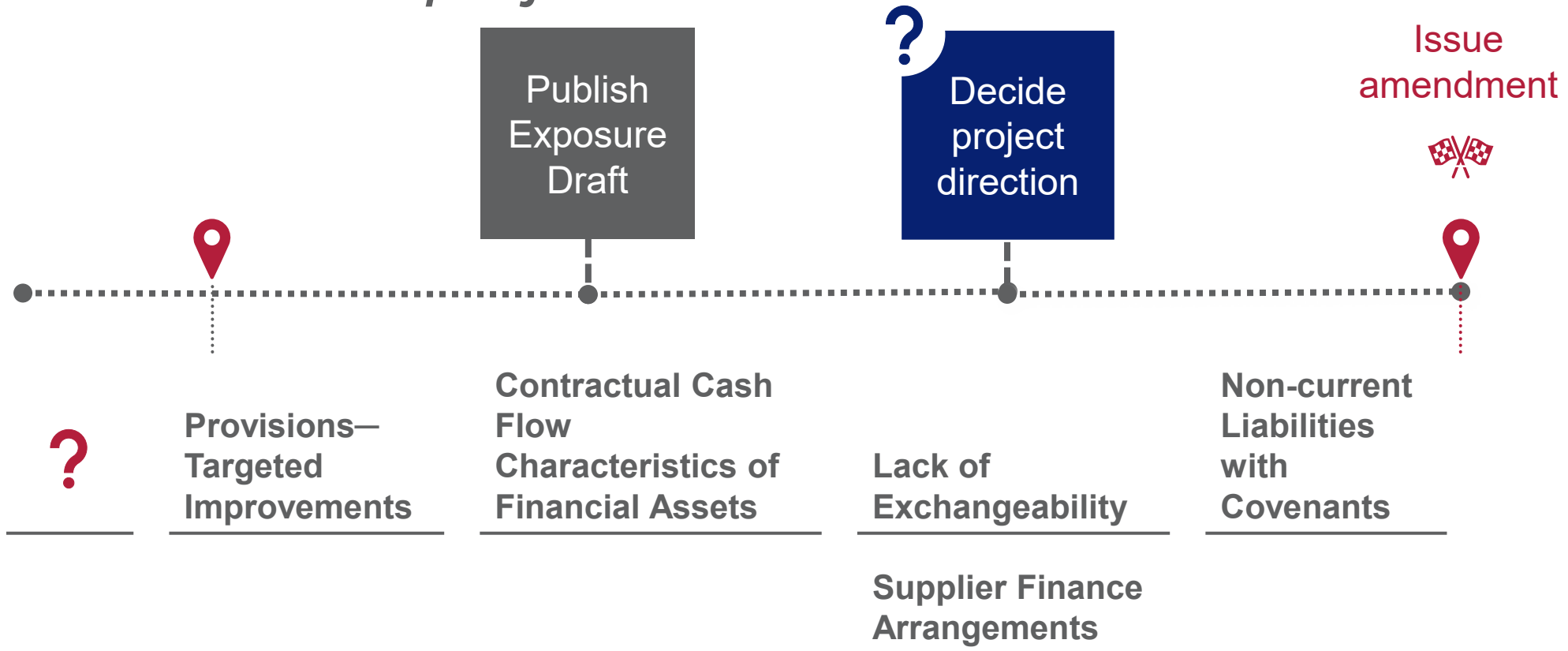
## *Research projects*



- 1** Equity Method
- 2** Extractive Activities
- 3** Business Combinations under Common Control
- 4** Goodwill and Impairment

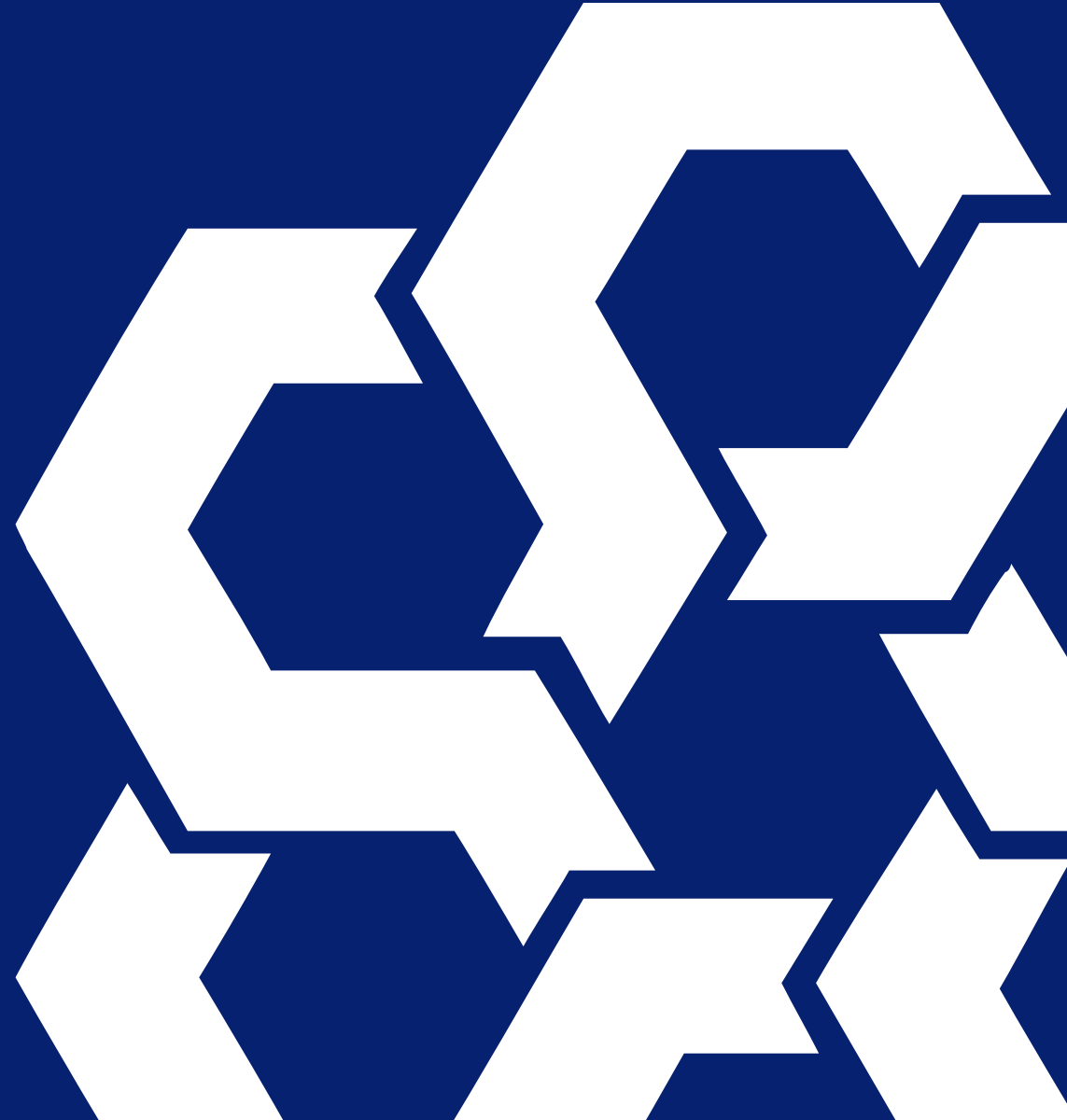
# Snapshot of what's on the horizon

## *Maintenance projects*



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## Outcome of the Third Agenda Consultation



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## Key messages obtained from our Agenda Consultation



The IASB obtained feedback through 74 outreach events and 124 comment letters on its consultation, reflecting positions from around the globe and all stakeholder groups.

### Key messages (in no particular order)

- ① Keep level of focus on activities, with slight increase in digital and understandability/accessibility
- ② Progress existing work programme
- ③ Continue/launch post-implementation reviews (Financial Instruments, Leases, Revenues)
- ④ Add new projects that respond to significant changes in the economic environment
- ⑤ Work with the ISSB

# Financial reporting issues to add to the IASB’s work plan



The IASB decided:

- to add two projects to the research project pipeline;
- to add a project to the maintenance project pipeline to investigate whether narrow-scope standard-setting is needed in relation to climate-related risks; and
- to create a reserve list of two projects that could be added to the work plan only if additional capacity becomes available.

## Research pipeline projects

Intangible assets



Statement of cash flows and related matters



## Maintenance and consistent application project

Climate-related risks



## Reserve list

Operating segments

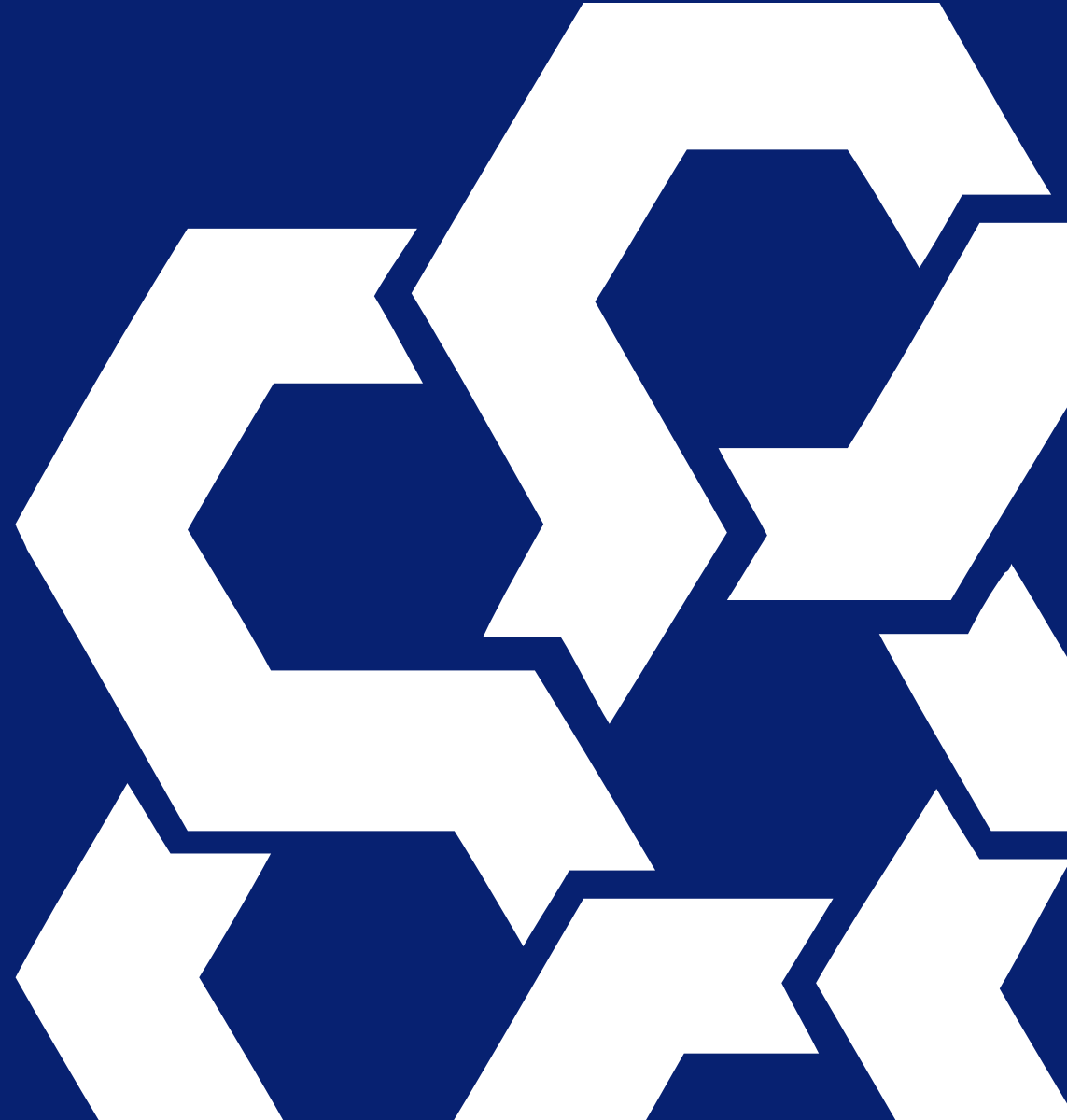


Pollutant pricing mechanisms



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## Standard-setting projects



# 1 Financial Instruments with Characteristics of Equity

## Objective

- ✓ Improve information companies provide in their financial statements about issued financial instruments
- ✓ Address challenges with applying IAS 32

## Project update

Between December 2021 and September 2022, the IASB made tentative decisions on classification for the following practice issues:

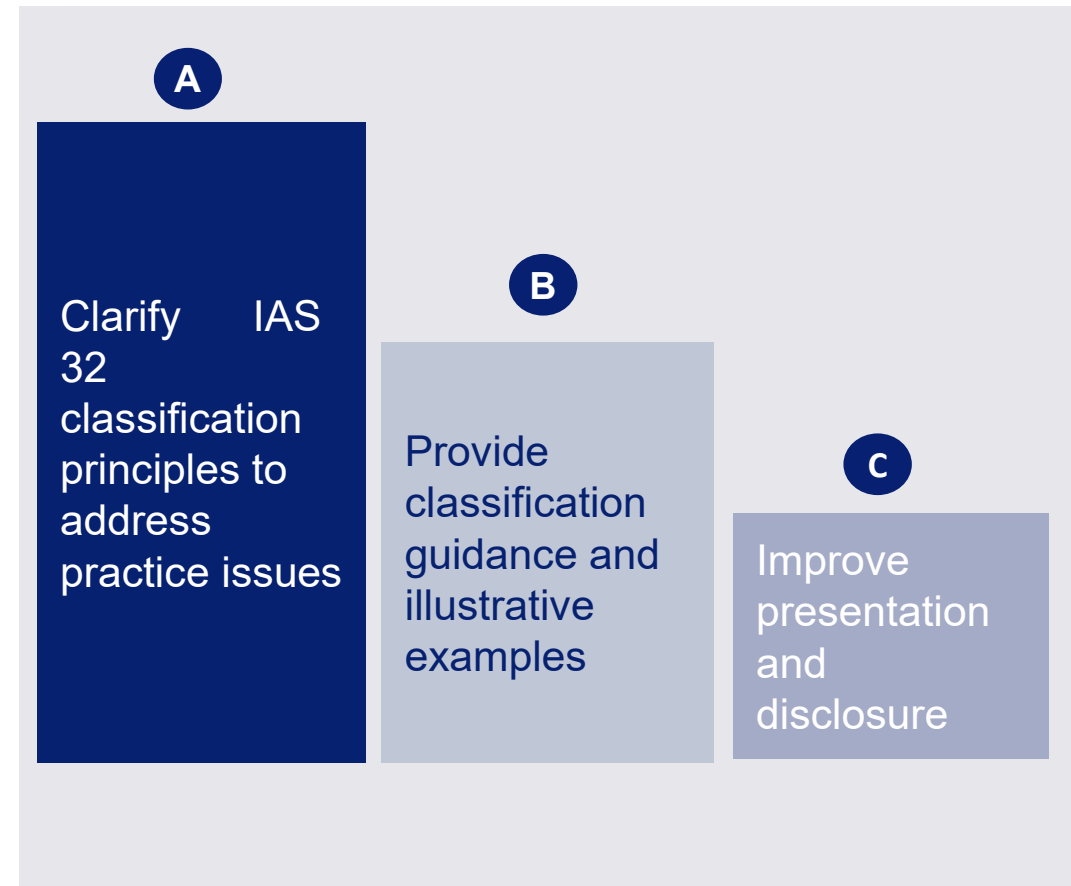
- ✓ financial instruments with contingent settlement provisions
- ✓ the effects of applicable laws on contractual terms
- ✓ financial instruments where settlement of the contractual obligation is at the discretion of the issuer’s shareholders
- ✓ reclassification of issued financial instruments
- ✓ financial instruments containing obligations to redeem own equity instruments

## Next steps

Discuss remaining topics in project plan with the aim to publish an Exposure Draft of amendments to IAS 32 and IFRS 7



## What is it about?





## 2 Dynamic Risk Management (DRM)

### Objective

Develop an accounting model to better reflect the effect of dynamic risk management in a company's financial statements

### Project update

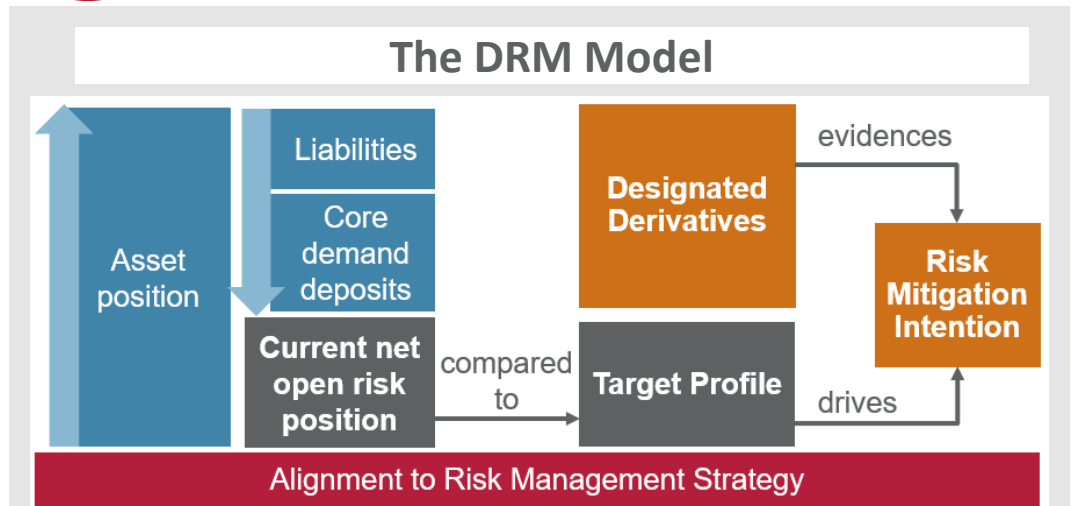
- ✓ The DRM project is moved from the research programme to the standard-setting programme
- ✓ No dedicated consultative group was formed

### Next steps

The IASB identified the topics to consider further as part of its development of the DRM model and will start the deliberation in Q4 2022



### What is it about?



A DRM adjustment is recognised in the statement of financial position to represent the extent to which the **designated derivatives** successfully mitigated the variability from the **risk mitigation intention**, and achieved the entity's **target profile**

## 3 Review of the *IFRS for SMEs* Accounting Standard

The IASB:

- is proposing to **update** the *IFRS for SMEs* Accounting Standard **to reflect some improvements that have been made in full IFRS Accounting Standards**
- will consider whether to amend the *IFRS for SMEs* Accounting Standard for new IFRS requirements for regulatory assets and regulatory liabilities and IFRS 16 in a future review



Comment period ends on  
**7 March 2023**



## 4 Targeted Standards-level Review of Disclosures

### Objective

Help address the **disclosure problem** by:

- improving the IASB's approach to developing and drafting disclosure requirements
- enabling preparers to improve the usefulness of disclosures in the notes

### Feedback on ED

**Support** for:

- early engagement with users and stakeholders
- using disclosure objectives

**Concern** that the proposed approach may:

- not solve the disclosure problem
- be costly to apply and difficult to operationalise and enforce.

### Initial thoughts on next steps

- Explore a **middle ground approach** to drafting disclosure requirements
- Reservations about proceeding with the proposed amendments to **IFRS 13** and **IAS 19**

### Next milestone

- Decide project direction

## 5 Management Commentary

Features of the proposals in the Exposure Draft	<b>A</b>	Focus on information needs of <b>investors</b> and <b>creditors</b>
	<b>B</b>	Disclosure objectives + supporting guidance
	<b>C</b>	Would bring together in one report information about <b>financial, sustainability</b> and <b>other</b> matters fundamental to entity's long-term prospects



### Feedback on Exposure Draft

<b>Next steps</b>	The IASB has discussed feedback to the Exposure Draft. It will next consider project direction, in light of the feedback and implications of the creation of the ISSB.
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## 6 Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures

Main features in the Exposure Draft	<b>A</b> Sets out <b>reduced disclosure requirements</b> for eligible subsidiaries
	<b>B</b> A <b>voluntary standard</b> forming part of the IFRS Accounting Standards
	<b>C</b> Would <b>reduce costs</b> for preparers and <b>maintain usefulness</b> of the financial statements





### Feedback on Exposure Draft


<b>Next steps</b>	The IASB has discussed feedback to the Exposure Draft and will progress towards developing a final standard.
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## 7 Primary Financial Statements

### Main proposals

 Require additional defined **subtotals** in the statement of profit or loss

 Require disclosures about **management performance measures**

 Strengthen requirements for **disaggregating** information

**Next steps** The IASB has completed a significant part of its redeliberations and will next engage in limited outreach to test some of its tentative decisions that differ from the exposure draft proposal.

### Proposals redeliberated...

Categories and required subtotals	Proposals for entities with specified main business activities
Associates and Joint Ventures	

Scope and definition	Aspects of disclosure including tax and NCI	Disclosure in a single location
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Presentation of operating expenses	Roles of primary financial statements and notes	Principles of aggregation and disaggregation
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Statement of Cash Flows

## 8 Rate-regulated Activities

### Main proposals



Require recognition of **regulatory assets, regulatory liabilities, regulatory income** and **regulatory expense**



Reflect **compensation** for goods or services supplied as part of a company's reported financial performance for the period in which it supplies those goods or services



Measure regulatory assets and regulatory liabilities using a **cash-flow-based** measurement technique

### Project update

The IASB started to consider topics for which significant concerns were raised

#### Scope

- existence and definition of a regulator

#### Total allowed compensation

- focus on helping to identify differences in timing
- when regulatory returns on assets not yet available for use are enforceable they should be reflected in profit or loss during the construction period of the assets

### Next steps

Consider feedback on other topics

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## Research projects





# 1 Equity Method

**Objective**

Assess whether application questions with the equity method as set out in IAS 28 can be addressed by identifying and explaining the principles of IAS 28

**Project update**

The IASB is discussing the application questions related to:

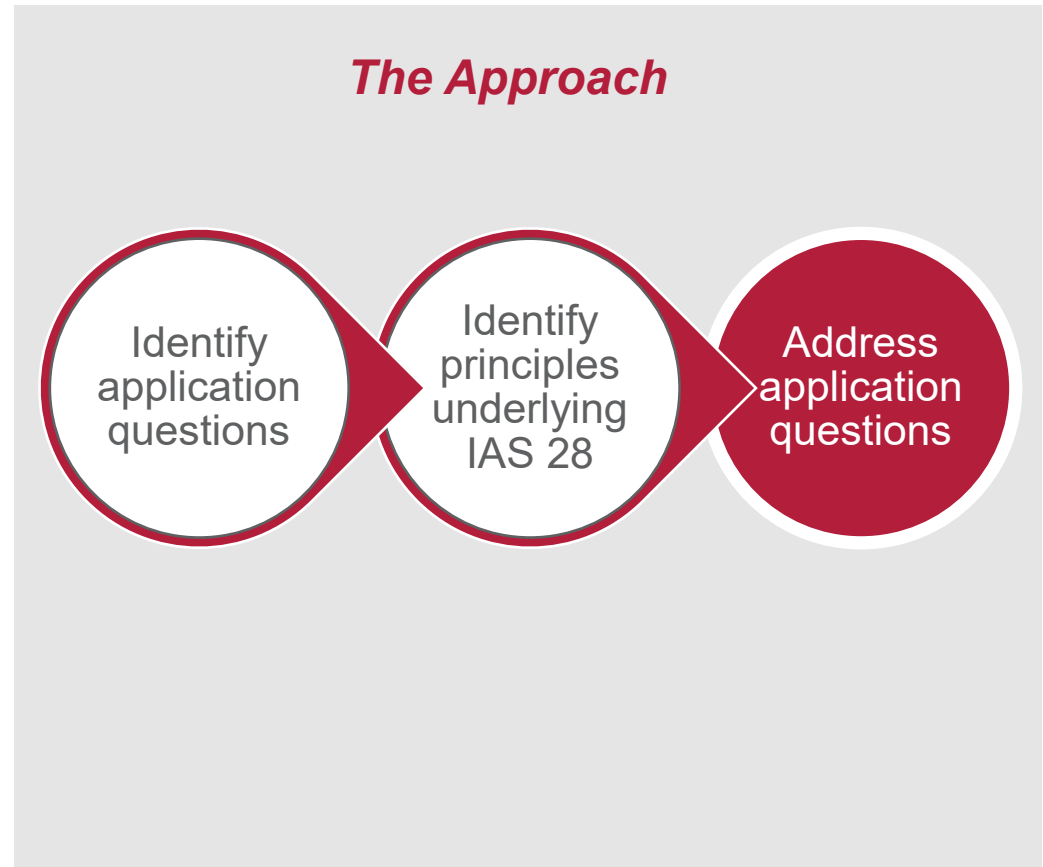
- changes in an investor’s ownership interest while retaining significant influence
- transactions between an investor and its associate

**Next steps**

- Decide project direction
- Continue discussion of other application questions

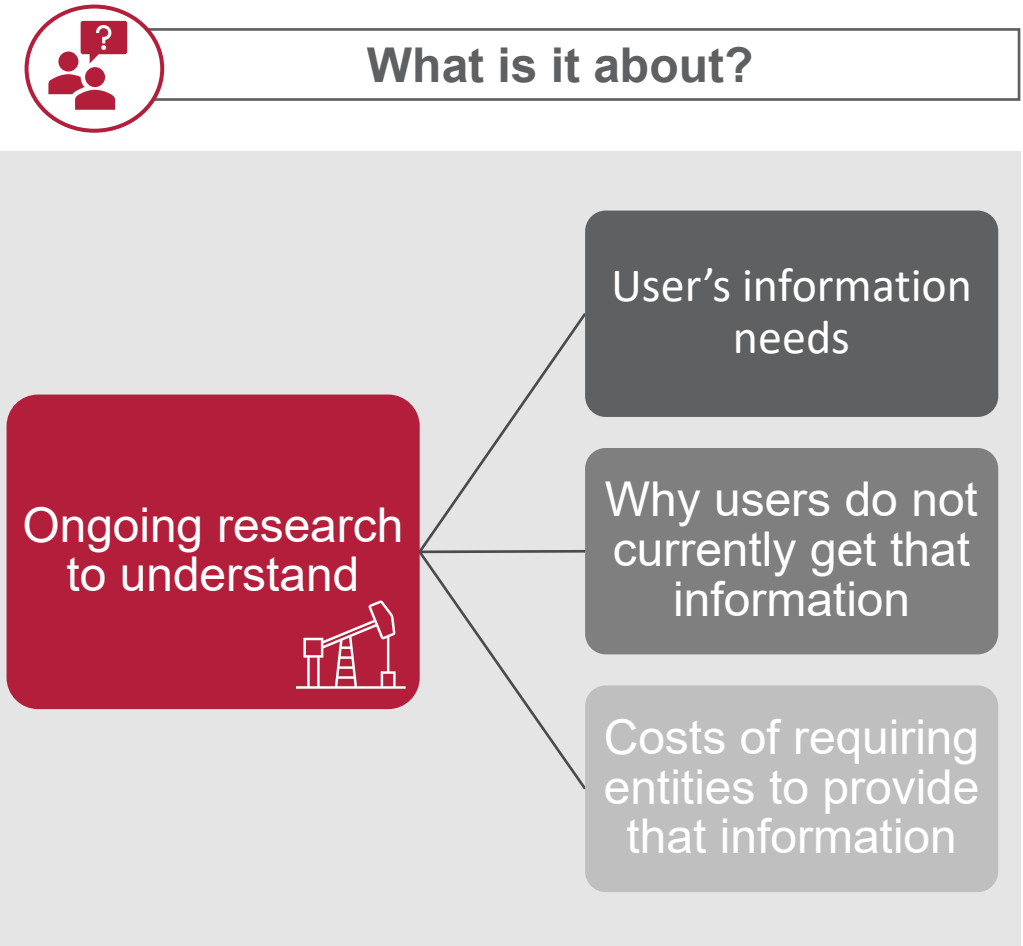


## What is it about?



## 2 Extractive Activities

<p><b>Objective</b></p>	<p>Provide more useful information about exploration and evaluation expenditure and activities accounted for applying IFRS 6</p>
<p><b>Project update</b></p>	<p>The IASB is exploring:</p> <ul style="list-style-type: none"> <li>• developing requirements or guidance to improve a company’s disclosures about its exploration and evaluation expenditure and activities</li> <li>• removing the temporary status of IFRS 6</li> </ul>
<p><b>Next steps</b></p>	<p>Conduct limited outreach</p>



### 3 Business Combinations under Common Control

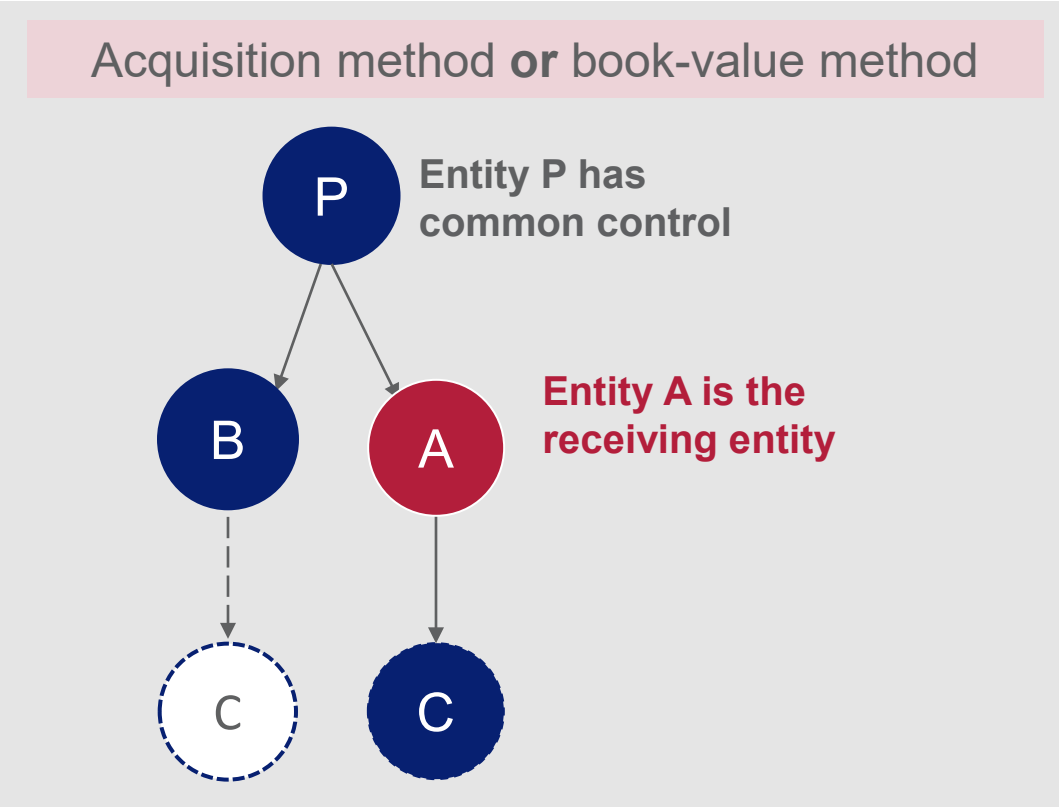
**Objective**  
Develop reporting requirements to reduce diversity in practice and improve transparency

**Project update**  
IASB decided not to expand the project scope in March 2022

**Next steps**  
Deliberate the selection of the measurement method(s)



#### What is it about?



## 4 Goodwill and Impairment

### Objective

Improve information companies provide about their acquisitions at a reasonable cost

### Project update

In September 2022 the IASB made tentative decisions as to whether, and how, to proceed with disclosures about business combinations

### Next steps

The IASB will decide on the following topics after consideration of the staff's additional research

Improving the accounting for goodwill

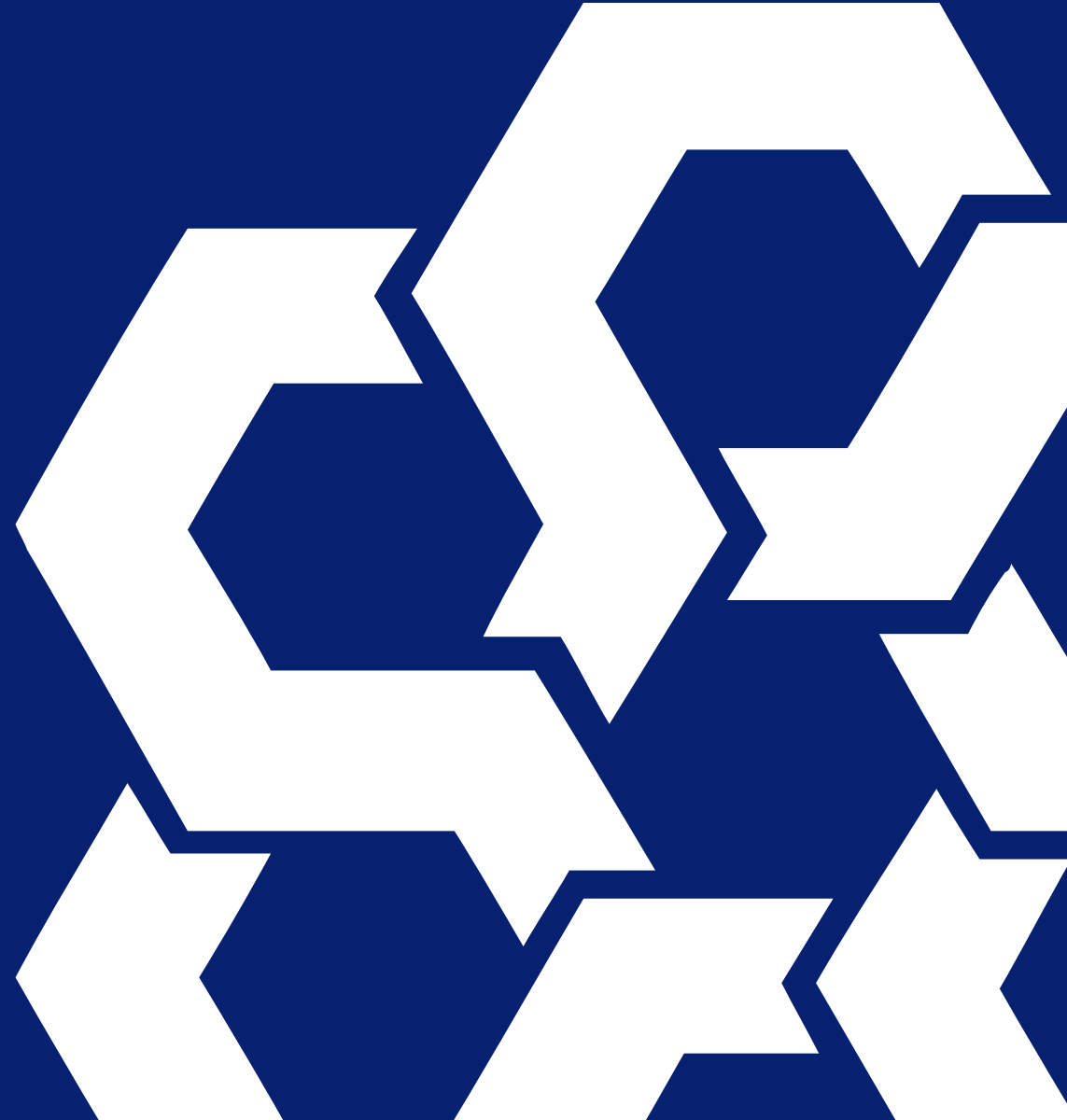
Whether to proceed with its preliminary view to retain the impairment-only model to account for goodwill

Moving to standard-setting

Whether to move the project from the research agenda to the standard-setting agenda

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## Maintenance and consistent application



# 1 Contractual Cash Flow Characteristics of Financial Assets

## Objective

- To clarify particular aspects of the IFRS 9 requirements for assessing a financial asset's contractual cash flow characteristics (SPPI requirements)

## Areas of focus

- Clarify the concept of a basic lending arrangement and the application of SPPI requirements to contractual terms that may change the amount or timing of contractual cash flows
- Provide a clear description of contractually linked instruments and the requirements applicable to the underlying pool of instruments

## Next milestone

- Publish Exposure Draft

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## 2 Supplier Finance Arrangements

### Objective

- Provide information that enable investors to assess the effects of supplier finance arrangements on a company's liabilities and cash flows

### Proposals

- Describe the arrangements for which the proposed disclosure would be required
- Add qualitative and quantitative disclosure requirements
- Highlight the required disclosure of liquidity risk and risk management and of non-cash changes in financing liabilities

### Next milestone

- Decide project direction

## 3 Lack of Exchangeability

### Objective

- Improve usefulness of information provided by requiring a consistent approach to determining whether a currency is exchangeable into another currency and the exchange rate to use when it is not

### Proposals

- Specify when exchangeability is lacking and how to make that assessment
- Estimate the spot exchange rate when exchangeability is lacking
- Disclose how the lack of exchangeability affects financial performance, financial position and cash flows

### Next milestone

- Decide project direction



## 4 Provisions—Targeted Improvements

### Objective

- Develop proposals for three targeted amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

### Proposals

- Align requirements for identifying liabilities with *Conceptual Framework*
- Clarify which costs to include in measure of a provision
- Specify whether discount rates used should reflect company's own credit risk

### Next milestone

- Decide project direction

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## 5 Non-current Liabilities with Covenants

### Objective

- Improve the information about liabilities with covenants provided through classification (as current or non-current) and disclosure in financial statements

### Proposals

- Specify that covenants with which an entity must comply after the reporting period do not affect classification of a liability as current or non-current at the reporting date
- Add disclosure requirements for non-current liabilities subject to covenants

### Next milestone

- Issue amendments to IAS

## 6 Lease Liability in a Sale and Leaseback

### Objective

- Improve the measurement requirements for sale and leaseback transactions —particularly those with variable payments

### The amendments to IFRS 16

- Specify subsequent measurement requirements for the lease liability in a sale and leaseback transaction
- Require retrospective application of the amendments applying IAS 8



#### Effective date

Annual reporting periods beginning on or after 1 January 2024, with earlier application permitted

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