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GPF meeting  
10 November 2023

## IASB Update

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This paper has been prepared for discussion at a public meeting of the Global Preparers Forum. 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*.

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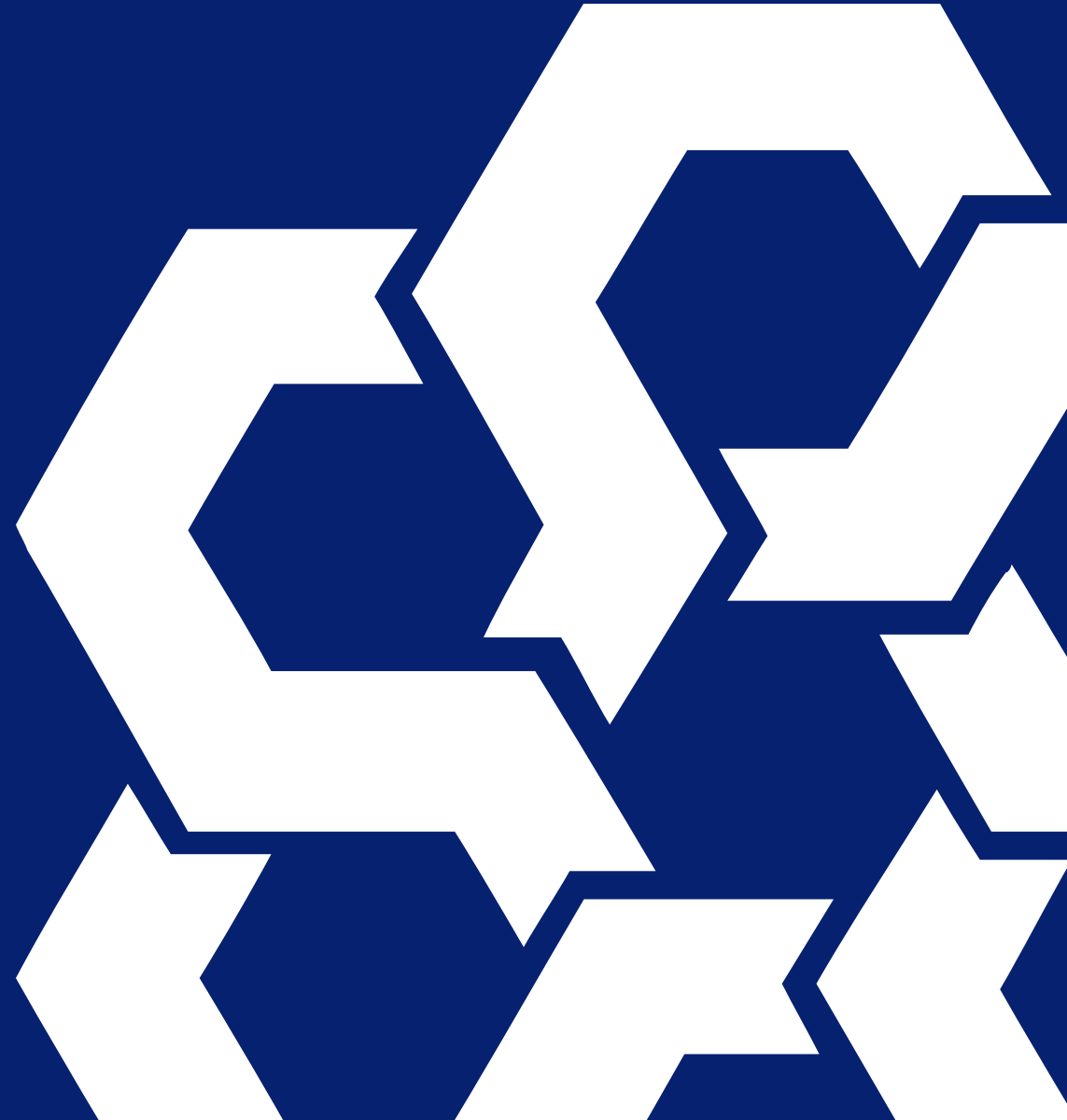
# Overview

This update is prepared as of 31 October 2023

- Update on current IASB work plan
- Update on Primary Financial Statements
- Update on Climate-related and Other Uncertainties in the Financial Statements
- Research project
- Other standard-setting projects
- Post-implementation reviews
- Other maintenance projects
- New requirements

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# Update on current IASB work plan



# Consultations

## Open for comments

Exposure Draft *Annual Improvements to IFRS Accounting Standards—Volume 11*

Comments due  
11 Dec 2023

Proposed Taxonomy update IFRS 2023-International Tax Reform —*Pillar Two Model Rules, Supplier Finance Arrangements and Lack of Exchangeability*

Comments due  
04 Dec 2023

## Forthcoming

- **H2 2023:** Exposure draft proposing amendments to IAS 32 (*Financial Instruments with Characteristics of Equity* project)
- **H1 2024:** Exposure draft proposing amendments to IFRS 3 and IAS 36 (*Business Combinations—Disclosures, Goodwill and Impairment* project)
- **H2 2024:** Exposure draft proposing amendments to IAS 28 (*Equity Method* project)

# New Standards and amendments

Recently issued



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

Non-current Liabilities with Covenants (Amendments to IAS 1)

International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

Lack of Exchangeability (Amendments to IAS 21)

International Tax Reform—Pillar Two Model Rules (Amendments to IFRS for SMEs Accounting Standard)

New IFRS Standards

## Expected in 1H 2024:

- ✓ Primary Financial Statements
- ✓ Subsidiaries without Public Accountability: Disclosures

Effective date - for annual reporting periods beginning on or after **1 January 2027**

Amendments to IFRS Standards

## Expected in 1H 2024:

- ✓ Amendments to the classification and measurement of financial instruments (IFRS 9)

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## Other developments since the joint CMAC-GPF meeting (1/3)

- The IASB granted permission to ballot for the Exposure Draft of the project Business Combinations – Disclosures, Goodwill and Impairment
- Expected date to issue - **first half of 2024**

Business Combinations –  
Disclosures, Goodwill and  
Impairment

- The IASB decided to explore targeted actions to improve the reporting of climate-related and other uncertainties in the financial statements

Climate-related and Other  
Uncertainties in the Financial  
Statements

- The IASB decided to stop the work on the Extractive Activities project and remove the “temporary” status of IFRS 6

Extractive Activities

## Other developments since the joint CMAC-GPF meeting (2/3)

- IASB **completed technical work** on two new IFRS Accounting Standards;
- Gained permission to **ballot**;
- Expected date to issue - **first half of 2024**;
- Effective date - for annual reporting periods beginning on or after **1 January 2027**.



Primary Financial  
Statements  
*[will replace IAS 1]*



Subsidiaries without Public  
Accountability: Disclosures

- **New maintenance project** at the IASB work plan;
- Objective – to explore potential for narrow-scope amendments to **better reflect PPAs** in IFRS FS.



Power Purchase  
Agreements

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## Other developments since the joint CMAC-GPF meeting (3/3)

Exposure Draft *Amendments to the Classification and Measurement of Financial Instruments*:

- the IASB discussed the feedback received on the Exposure Draft about contractual cash flow characteristics of financial assets

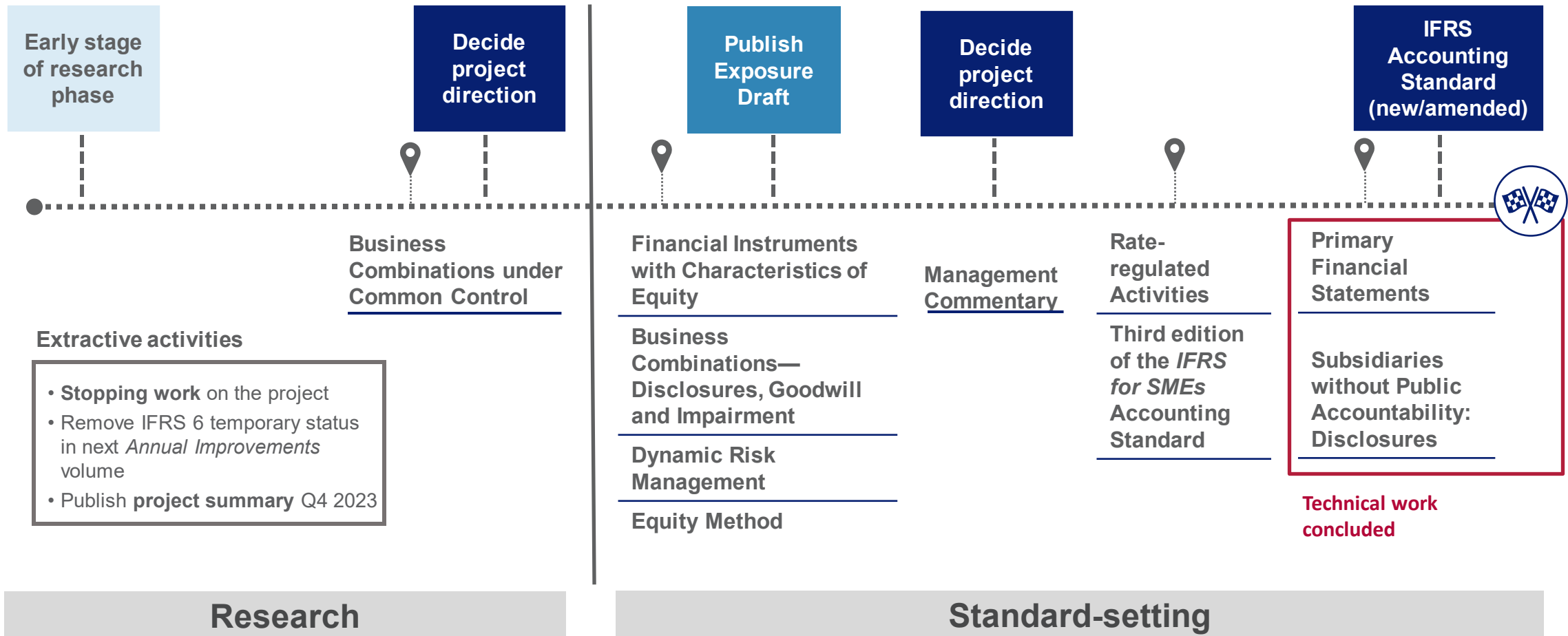
Amendments to IFRS 9 —  
Classification and Measurement

- The IASB decided that the decisions made to date for associates can be applied to other investments, such as those in joint ventures and subsidiaries, in the investor's separate financial statements

Equity Method

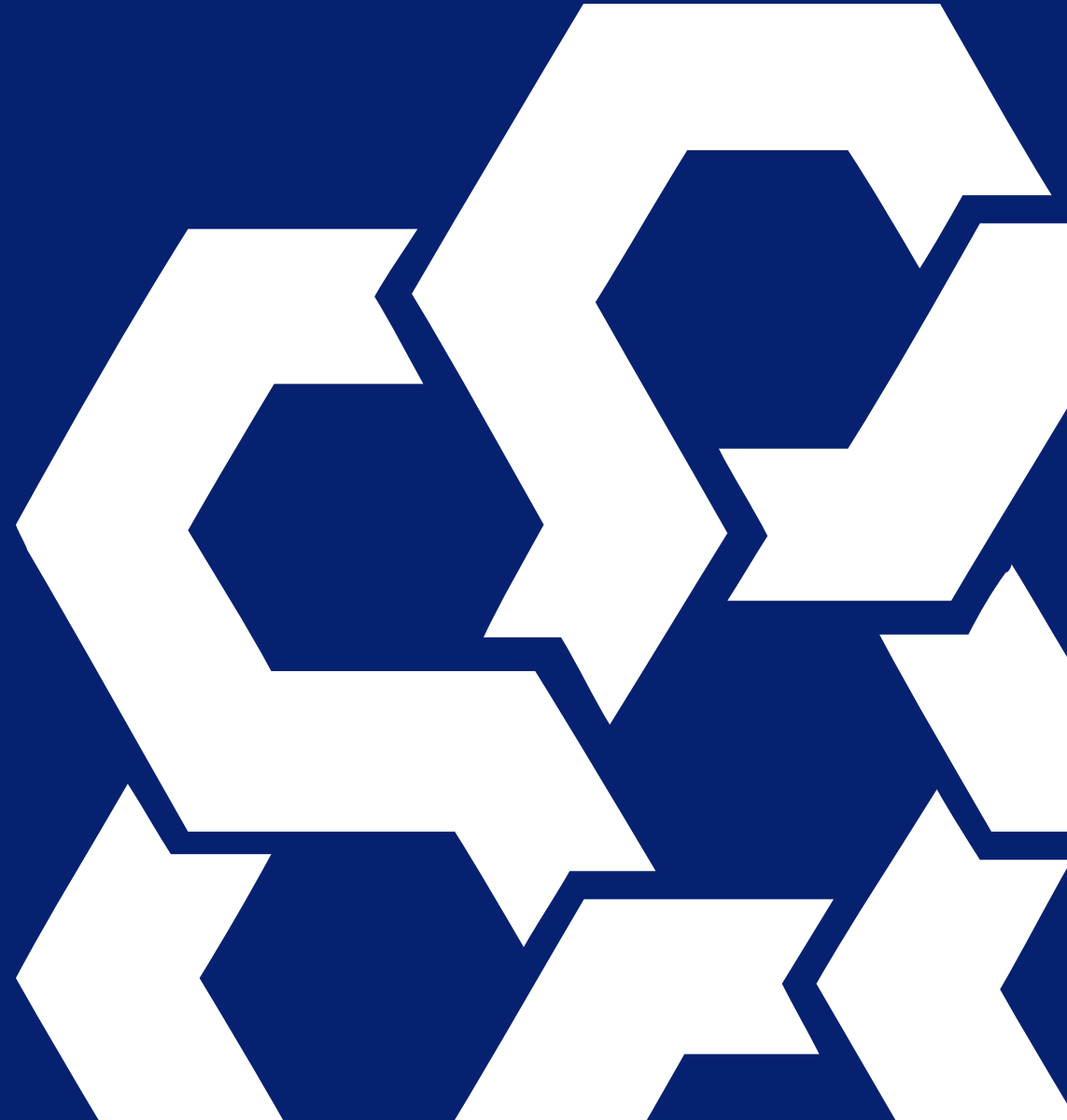


# Current projects are in different stages



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# Update on Primary Financial Statements



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# IFRS 18 – the new requirements



New required subtotals in statement of profit or loss, including ‘operating profit’



Disclosures about management-defined performance measures (MPMs)



Enhanced requirements on grouping of information (aggregation and disaggregation)

## **Better information for better decisions**

– increases comparability, transparency and usefulness of information



**Publication date:** Q2 2024

**Effective date:** 1 January 2027

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# IFRS 18 materials to be published

- Standard
- Basis for Conclusions
- Illustrative Examples
- Effects Analysis
- Project Summary
- Feedback Statement



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## Our work won't stop once IFRS 18 is issued

### **Support for implementation and consistent application needs to**

- be helpful and responsive
- evolve as needs change
- not unduly disrupt implementation



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# Implementation support

- **Education sessions and outreach**
- **Dedicated webpage**



Education materials



Webcasts and webinars



Implementation questions



Articles

**Support will be developed based on stakeholders' needs**

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# Update on Climate-related and Other Uncertainties in the Financial Statements



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# Project overview

## Project objective

Explore **targeted** actions to improve the reporting of **climate-related and other uncertainties** in the **financial statements**

[Link to project page](#)

March 2023

April–August 2023

September 2023



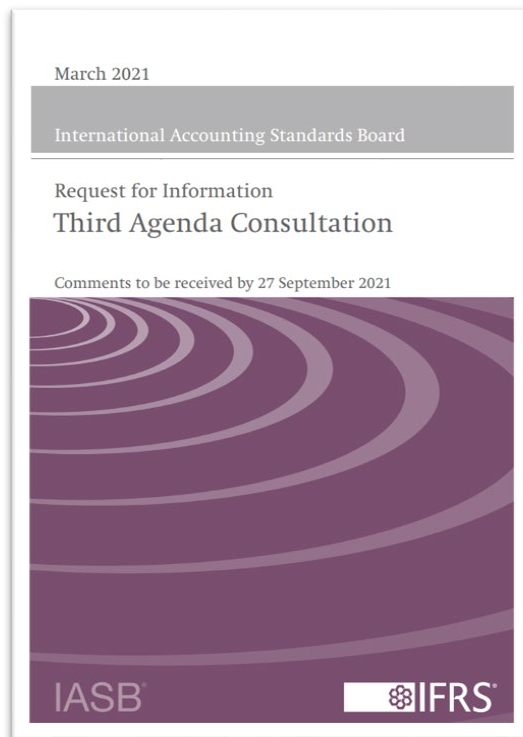
**Project starts**  
(slides 17–18)

**Research, outreach and analysis**  
(slides 19–20)

**Decisions and next steps**  
(slide 21)



# Origins of the project



- In the IASB's Third Agenda Consultation, respondents attributed **high-priority** to a project on climate-related risks in the financial statements
- Concerns that information about climate-related risks in financial statements is:
  - **insufficient**
  - **inconsistent** with information reported elsewhere by the company

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## Focus of the project



- **Targeted actions** such as:
  - examples and educational materials.
  - targeted amendments to IFRS Accounting Standards.



- This project will **not** seek to:
  - develop an Accounting Standard on climate-related risks;
  - broaden the objective of financial statements;
  - change the definitions of assets and liabilities; or
  - develop accounting requirements for pollutant pricing mechanisms.<sup>1</sup>

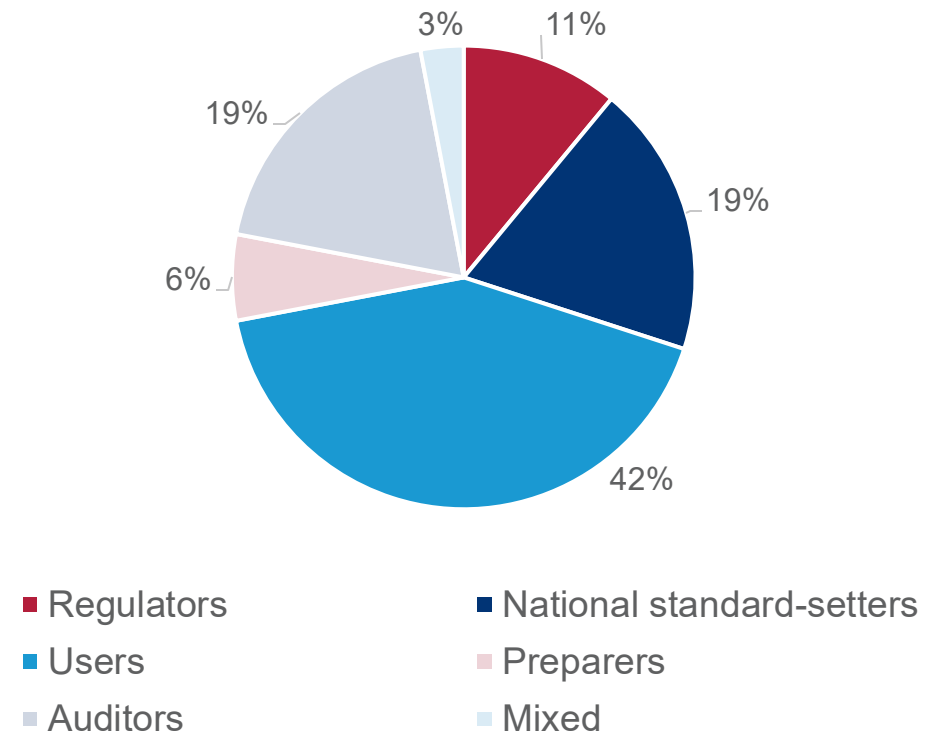
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<sup>1</sup> *Pollutant Pricing Mechanisms* is on a reserve list of projects that may be added to the IASB's work plan if stakeholders and the IASB have sufficient capacity.

# Summary of work

- **Engaged** with the IASB’s consultative bodies and other stakeholders.
- **Reviewed** academic research and other publications.
- **Analysed** IFRS Accounting Standards for:
  - potential gaps;
  - unclear requirements; or
  - limitations
 that may impede reporting on the effects of climate-related risks in the financial statements.

## Outreach by type of stakeholder



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# Summary of findings

## Concerns

- **Insufficient** information about the effects of climate-related risks in the financial statements
- **Inconsistencies** between the information about climate-related risks reported in the financial statements and elsewhere

## Standards generally sufficient

- Investor information needs might go beyond objective of financial statements
  - **Some information needs may be satisfied by sustainability-related financial disclosures**
- IFRS Accounting Standards generally sufficient in requiring useful information about effects of climate-related and other risks
  - However, there may be **challenges in application**

## Evolving area

- Some **improvements** in recent years
- As sustainability-related financial disclosures evolve, they may better inform and improve compliance with IFRS Accounting Standards

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# Decisions and next steps

## Educational material

Explore development of **examples** to help improve application of IFRS Accounting Standards

**Translate** and make more **visible** existing educational material

## Standard-setting

Explore **possible targeted amendments** to improve disclosures about estimates in financial statements

- estimates requires significant judgment
- IASB to assess whether standard-setting is feasible and helpful
- any amendments about uncertainties generally—not specific to climate<sup>1</sup>

**Other ongoing IASB projects** may also help address concerns about accounting for climate-related matters

## Interpretations Committee

Discuss:

- recognition of **liabilities** for climate-related commitments
- measurement of certain non-financial assets when testing for **impairment**

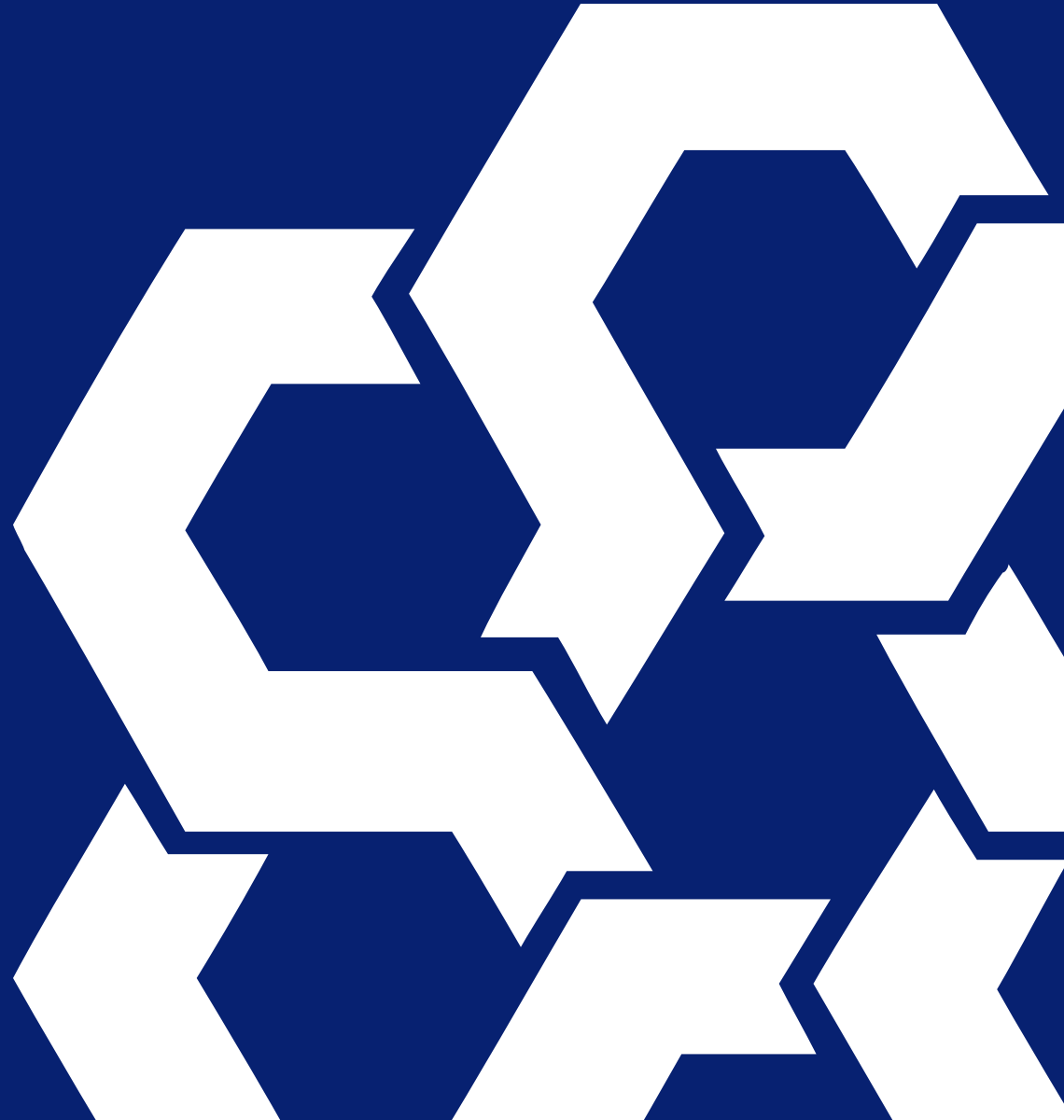
**IASB will continue to monitor developments**

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<sup>1</sup> Project objective has therefore been generalised to cover other uncertainties in addition to climate.

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# Research project



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# Overview: research projects



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**Business Combinations under Common Control**

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# Business Combinations under Common Control

## Objective

- Develop reporting requirements to reduce diversity and improve transparency

## Project update

- In September 2023 the IASB discussed feedback, staff's analysis of that feedback and staff's initial views on:
  - whether to change project direction; and
  - if so, whether to develop disclosure-only requirements or discontinue the project

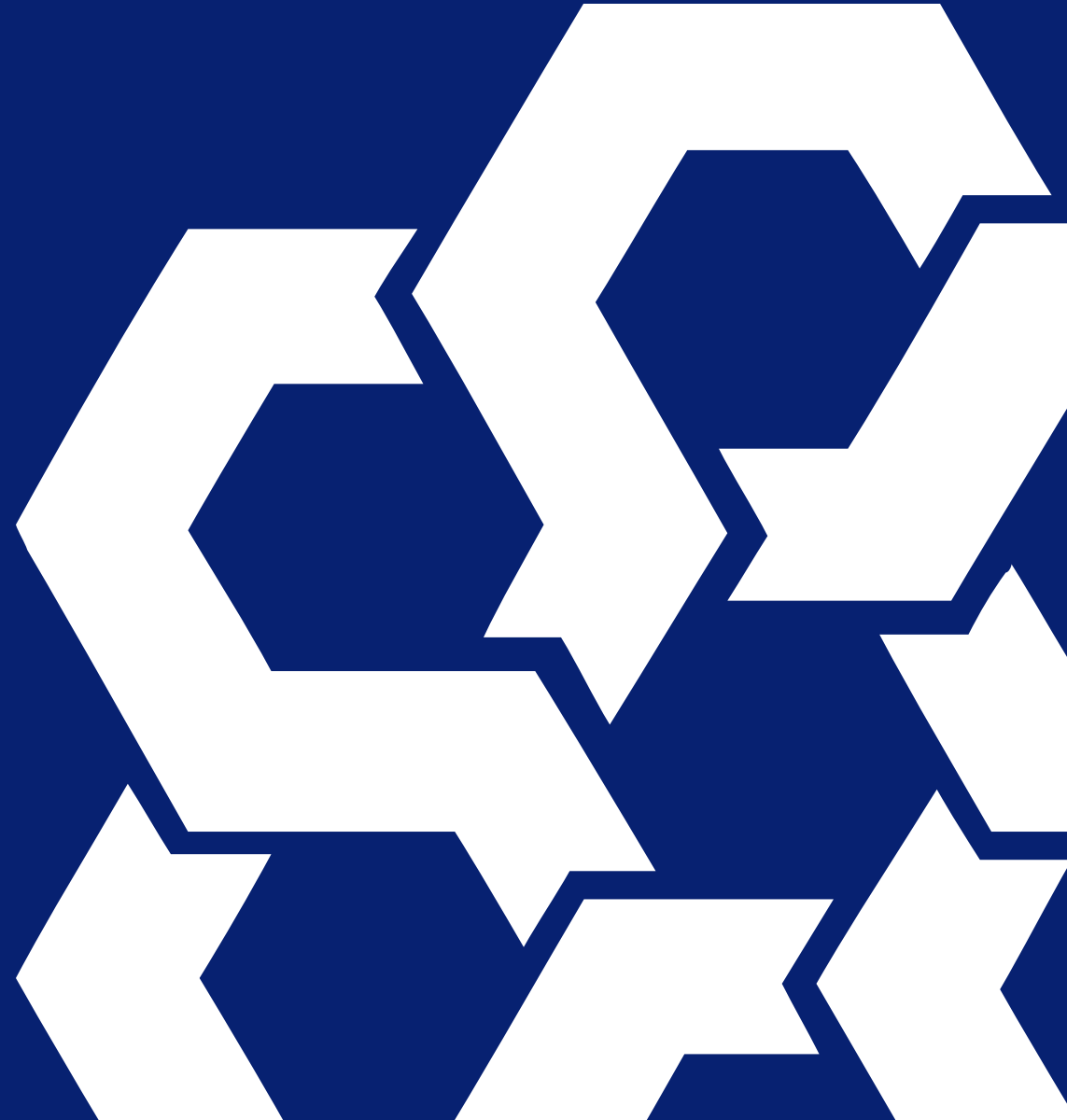
## Next steps

- Decide project direction—expected November 2023



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# Post-implementation reviews



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# Post-implementation reviews

Recently completed

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PIR of IFRS 9—Classification and Measurement

Feedback analysis

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PIR of IFRS 9—Impairment

PIR of IFRS 15 *Revenue from Contracts with Customers*

Out for comment

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PIR of IFRS 16 *Leases*

Forthcoming

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PIR of IFRS 9—Hedge Accounting

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## PIR of IFRS 15—*Revenue from Contracts with Customers*

### Objective

- Assess whether the effects of applying IFRS 15 on users of financial statements, preparers, auditors and regulators are as intended when the Standard was issued

### Request for information

Will examine:

- identifying the performance obligations
- determining the transaction price
- determining the timing of revenue recognition
- principal versus agent considerations
- licensing
- disclosure requirements
- transition requirements
- interaction with other IFRS Accounting Standards
- convergence with US GAAP Topic 606

### Next milestone

- Request for Information feedback

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## PIR of IFRS 9—*Financial Instruments*: Impairment

### Objective

- Assess the effects on stakeholders of applying the expected credit losses (ECL) requirements to financial instruments

### Request for Information

Examines:

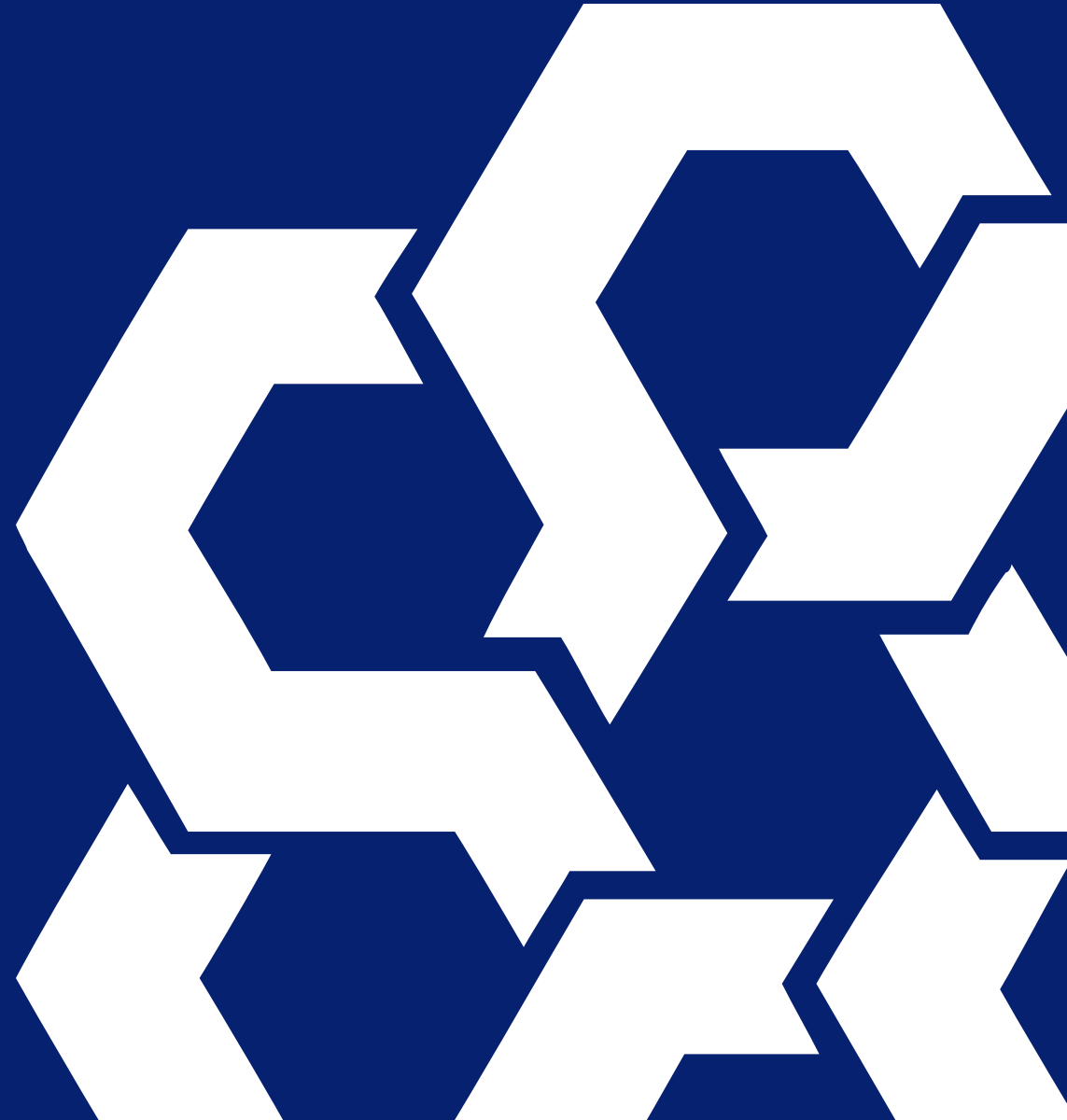
- general approach to recognition of ECL
- significant increases in credit risk
- measurement of ECL
- credit-impaired financial assets
- simplified approach
- loan commitments and financial guarantee contracts
- credit risk disclosures
- interaction with other requirements

### Next milestone

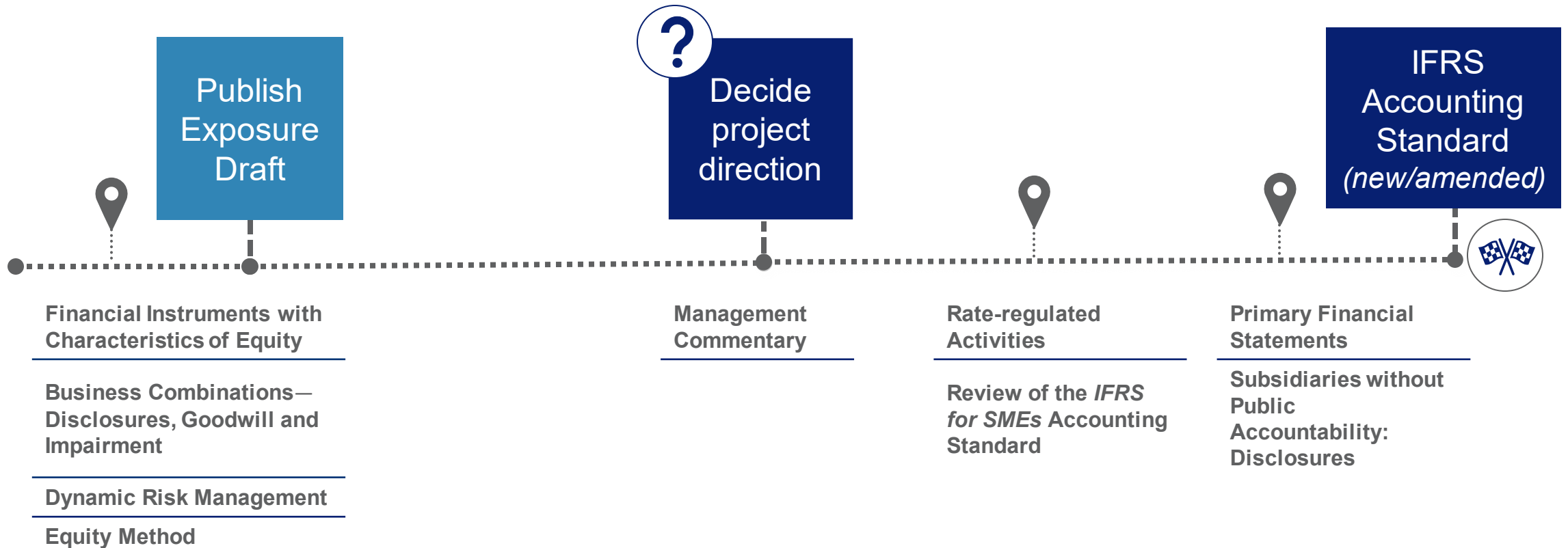
- Request for Information Feedback

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## Other standard-setting projects



# Overview: standard-setting projects



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# Financial Instruments with Characteristics of Equity

## Purpose

- Improve the information entities provide in their financial statements about financial instruments that they have issued
- Address challenges with applying IAS 32 *Financial Instruments: Presentation*

## Approach

- Clarify IAS 32 classification principles to address practice issues (for example, classification of financial instruments settled in an entity's own equity instruments)
- Improve presentation and disclosure
- Provide application guidance and illustrative examples

## Next milestone

- Publish Exposure Draft in Q4 2023

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# Business Combinations—Disclosures, Goodwill and Impairment

## Objective

- Improve information companies provide about their acquisitions at a reasonable cost

## Current focus

- A package of disclosure requirements about business combinations
- Changes to the impairment test of cash-generating units containing goodwill in IAS 36 *Impairment of Assets*

## Next milestone

- Publish Exposure Draft — expected in Q1 2024



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# Dynamic Risk Management

## Objective

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

## DRM model

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

## Next milestone

- Further discussions on the DRM model
- Publish Exposure Draft – expected in 2025

# Equity Method

## Objective

- To develop answers to application questions about the equity method, as set out in *IAS 28 Investments in Associates and Joint Ventures*, using the principles derived from IAS 28.

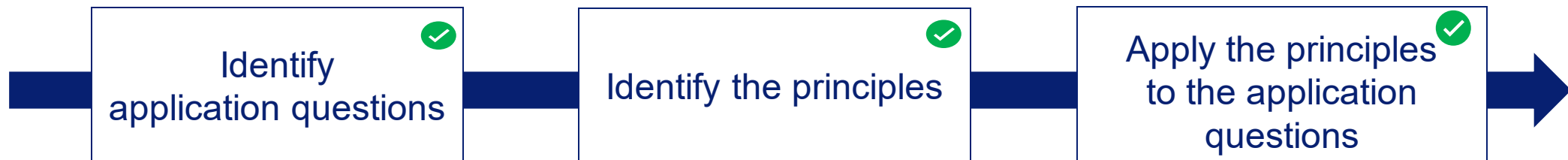
## Project update

- IASB has made tentative decisions on:
  - the application questions; and
  - improvements to disclosure requirements for associates.

## Next steps

- Discuss improvements to disclosure requirements for joint ventures and subsidiaries in separate financial statements.
- Discuss transitional provisions.

## Project approach



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# Management Commentary

## Objective

- Overhaul IFRS Practice Statement 1—building on innovations in narrative reporting and focusing on capital market needs

## Evolving landscape

- Feedback on ED indicated support for the project, in particular from investors
- Calls to work together with the ISSB—the consultation on ISSB’s agenda priorities closed in September 2023
- IASB discussed staff’s comparison with *Integrated Reporting Framework* and feedback on comparison

## Next milestone

- Decide project direction in H1 2024

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# Rate-regulated Activities

## Objective

- Provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on companies' financial performance and financial position

## Proposals

- In some cases, rate regulation creates differences in timing that arise when compensation for goods or services supplied in one period is included in the regulated rate charged in a different period
- Reflect compensation for goods or services in the period goods or services are supplied
- Require recognition of regulatory assets, regulatory liabilities, regulatory income and regulatory expense

## Next milestone

- Issue IFRS Accounting Standard – expected in 2025

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# Review of the *IFRS for SMEs* Accounting Standard

## Objective

- Update the *IFRS for SMEs* Accounting Standard to reflect improvements made in full IFRS Accounting Standards (in the scope of the second comprehensive review) while keeping the simplicity of the Standard

## Approach

- Apply ‘alignment approach’ to update the *IFRS for SMEs* Accounting Standard
- The alignment approach uses the principles of relevance to SMEs, simplicity and faithful representation, including the assessment of costs and benefits, to identify possible amendments

## Next milestone

- Continue redeliberating the proposals in the [Exposure Draft](#)
- The third edition of the *IFRS for SMEs* Accounting Standard is expected in 2024

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# Subsidiaries without Public Accountability: Disclosures

## Objective

- Simplify and reduce the cost of financial reporting for subsidiaries while maintaining the usefulness of their financial statements

## Proposal

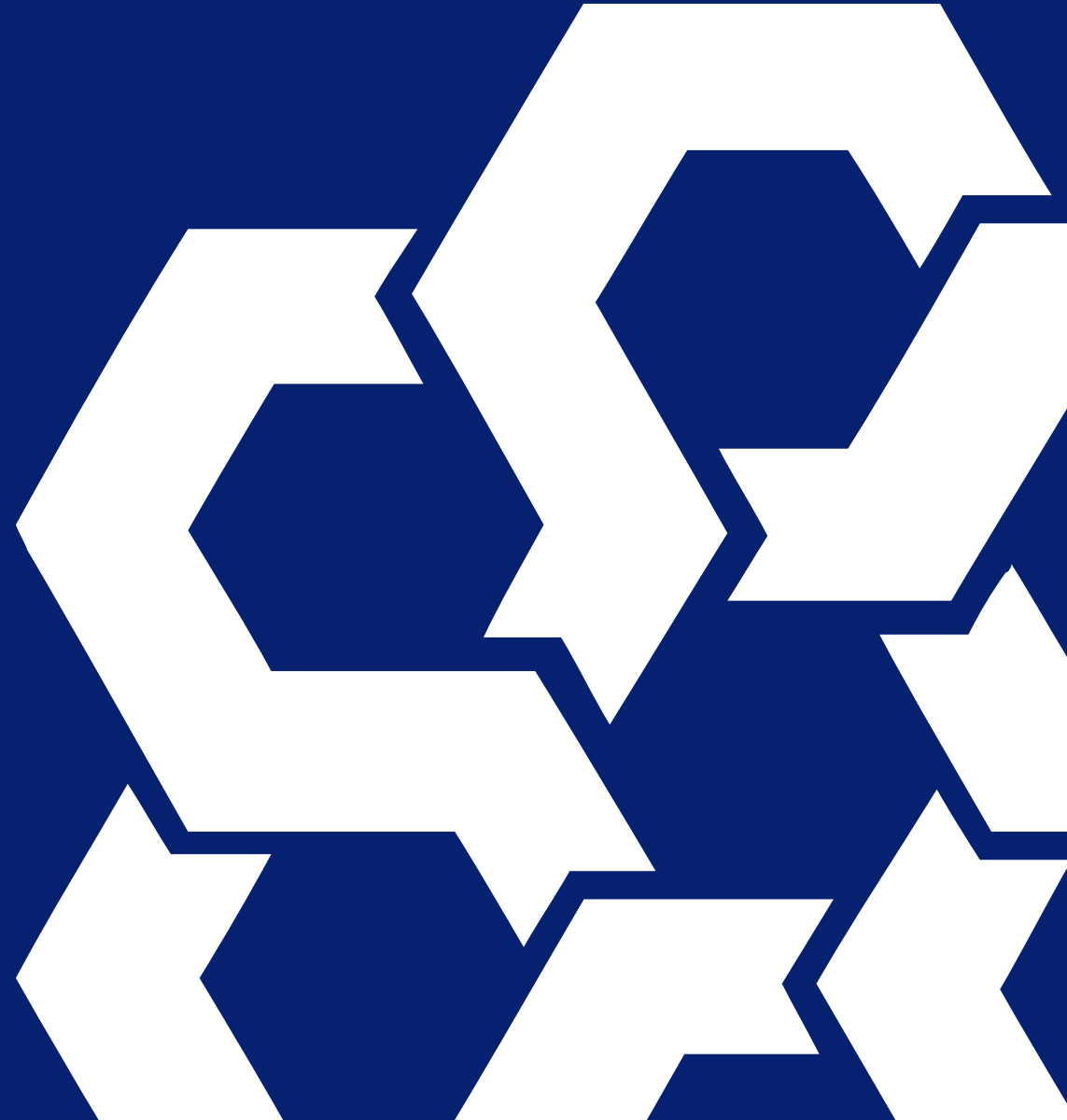
- Eligible subsidiaries apply IFRS Accounting Standards with reduced disclosure requirements

## Next milestone

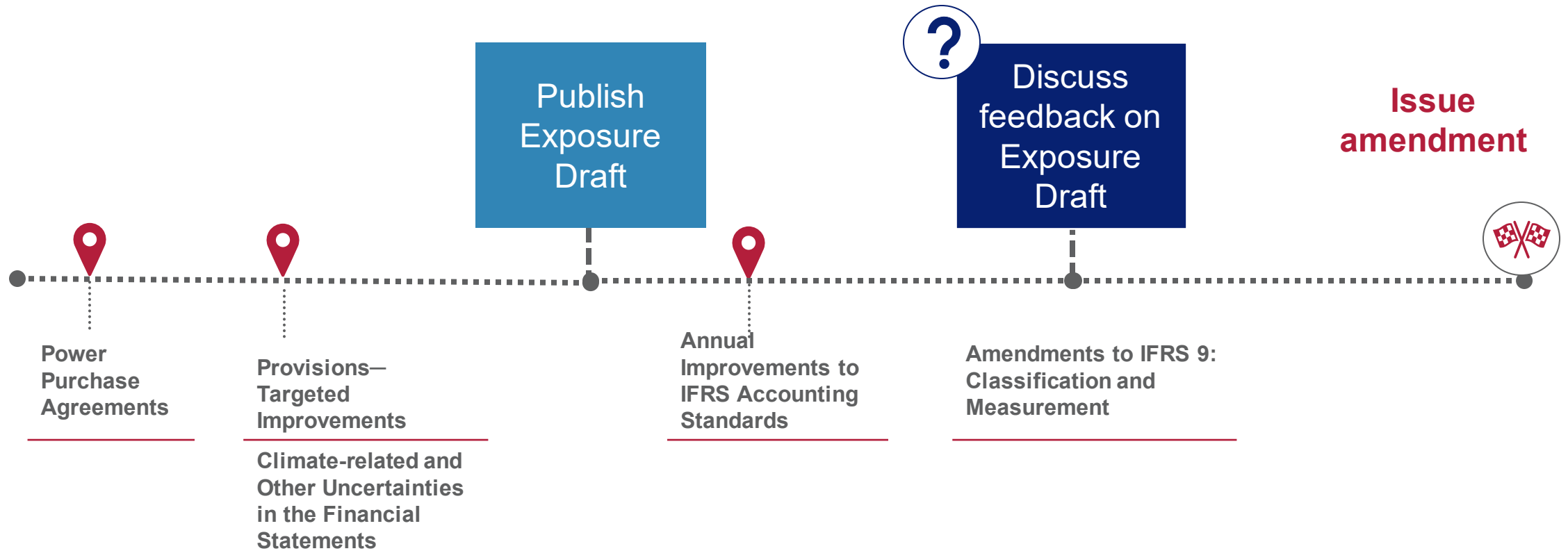
- Issue IFRS Accounting Standard in H1 2024

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## Other maintenance projects



# Overview: maintenance projects





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# Power Purchase Agreements (PPAs)

## Objective

- Explore whether narrow-scope amendments could be made to better reflect PPAs in financial statements

## Project scope

- Own-use requirements for physical PPAs
- Hedge accounting requirements for Virtual PPAs

## Next steps

- IASB will decide on project direction in H1 2024

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# Provisions—Targeted Improvements

## Objective

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

## Areas of focus

- Clarify whether and when an entity recognises provisions for obligations it could avoid through its future actions—using concepts from the *Conceptual Framework*
- Clarify which costs to include in measure of a provision
- Specify more precisely the rate to use to discount future cash flows to their present value.

## Next milestone

- Decide project direction in Q4 2023

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# Annual Improvements to IFRS Accounting Standards

## Objective

- Propose amendments to IFRS Accounting Standards that either:
  - clarify wording; or
  - correct relatively minor unintended consequences, oversights or conflicts between existing requirements

## In scope

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- IFRS 7 *Financial Instruments: Disclosures*
- IFRS 9 *Financial Instruments*
- IFRS 10 *Consolidated Financial Statements*
- IAS 7 *Statement of Cash Flows*

## Next milestone

- Comment period for Exposure Draft closes 11 December 2023

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# Amendments to IFRS 9: Classification and Measurement

## Objective

- Narrow-scope amendments in response to the Post-implementation Review of IFRS 9 *Classification and Measurement*

## Areas of focus

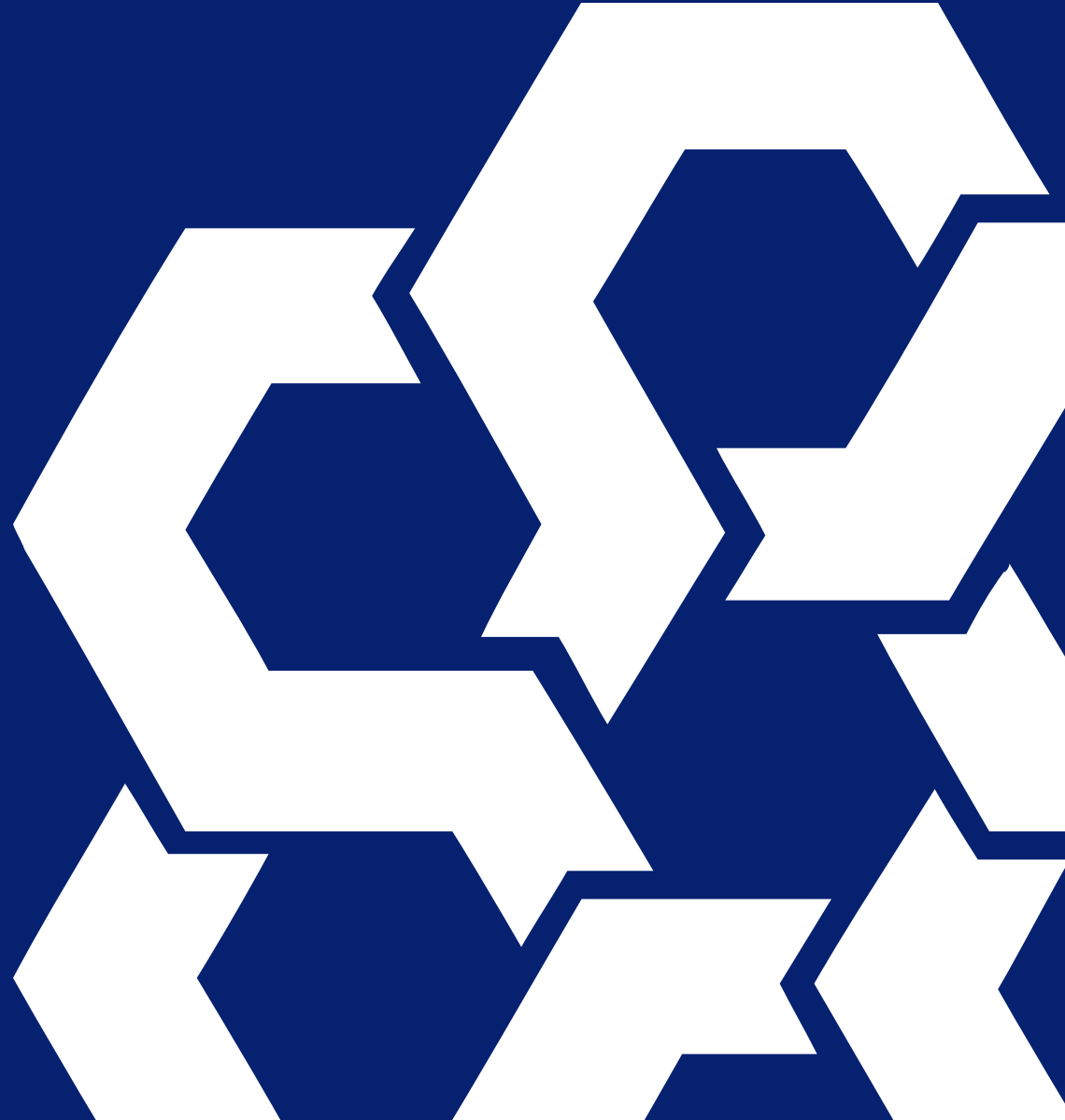
- Derecognition of financial liabilities settled through electronic cash transfers
- Contractual cash flow characteristics of financial assets
- Disclosure requirements for equity instruments for which fair value changes are presented in other comprehensive income

## Next milestone

- IFRS Amendment expected in H1 2024

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# New requirements



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# What is required when?

## 1 January 2023

- IFRS 17 *Insurance Contracts*
- *Definition of Accounting Estimates* (Amendments to IAS 1)
- *Disclosure of Accounting Policies* (Amendments to IAS 8)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12)
- *International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12 and to IFRS for SMEs)\**

\*Selected paragraphs are immediately effective upon issuance

## 1 January 2024

- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Non-current Liabilities with Covenants* (Amendments to IAS 1)
- *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)

## 1 January 2025

- *Lack of Exchangeability* (Amendments to IAS 21)

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# IFRS 17 *Insurance Contracts*



More useful and transparent  
information



Better information about  
profitability

- Requires **consistent accounting** for all insurance contracts
- Based on a **current measurement** model
- Provides useful information about the **profitability** of insurance contracts
- Presents **comparable** data across companies
- Assists investors to fulfil **stewardship** responsibilities



**Effective date**

Annual reporting periods beginning on or after 1 January 2023

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## *Definition of Accounting Estimates*

### Identified problem

- Companies can find it difficult to distinguish between a change in accounting policy and a change in accounting estimate, especially when it relates to a change in a measurement method

### The amendments to IAS 8

- Introduce a definition of ‘accounting estimates’
- Provide clarifications, such as
  - estimation techniques and valuation techniques are examples of measurement techniques used to develop accounting estimates
  - a change in accounting estimate that results from new information or new developments is not the correction of an error



**Effective date** Annual reporting periods beginning on or after 1 January 2023



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# *Disclosure of Accounting Policies*

## Identified problem

- Users say that accounting policy disclosures today are often not useful
- Stakeholders' views differ about 'significant' accounting policies required by IAS 1 *Presentation of Financial Statements*

## The amendments to IAS 1

- Amend IAS 1 to require companies to disclose their material accounting policy information rather than their significant accounting policies
- Clarify that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements
- Add guidance and examples to the materiality practice statement, which will explain how to apply the materiality process to identify material accounting policy information



**Effective date** Annual reporting periods beginning on or after 1 January 2023

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# Deferred Tax related to Assets and Liabilities arising from a Single Transaction

## Objective

- Clarify the deferred tax accounting for transactions for which an entity recognises, on initial recognition, both an asset and a liability, such as leases and decommissioning obligations

## The amendments to IAS 12

- Narrow the scope of the recognition exemption in IAS 12 so that it does not apply to transactions that give rise to equal amounts of taxable and deductible temporary differences
- Will result in all entities recognising deferred tax for leases and other transactions in the scope of the amendments, reducing diversity in reporting



Effective date

Annual reporting periods beginning on or after 1 January 2023

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# International Tax Reform—Pillar Two Model Rules

## Objective

Respond to concerns about the potential implications of the imminent implementation of the OECD's Pillar Two model rules for income tax accounting

## The amendments to IAS 12

- Introduce a temporary exception to the accounting for deferred taxes arising from the implementation of the rules
- Require targeted disclosures for affected companies



### Effective date

- The temporary exception is effective immediately
- The disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2023 (but not required for interim periods ending in 2023)

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# International Tax Reform—Pillar Two Model Rules

## Objective

Respond to concerns about the potential implications of the imminent implementation of the OECD's Pillar Two model rules for income tax accounting

## The amendments to the *IFRS for SMEs* Standard

- Introduce:
  - a temporary exception to the accounting for deferred taxes arising from the implementation of the rules; and
  - disclosure requirements when Pillar Two legislation is effective.
- Clarify that 'other events' in the disclosure objective for income tax includes the enactment (or substantive enactment) of Pillar Two legislation.



### Effective date

- The temporary exception is effective immediately
- The new disclosure requirements are effective for annual reporting periods beginning on or after 1 January 2023

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# 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

# Classification of Liabilities as Current or Non-current

Liability is classified as non-current only if a company has right to defer settlement for at least 12 months after reporting period



The amendments to IAS 1 clarify this criterion

## General clarifications

- Right to defer settlement must exist at end of reporting period\*
- Classification is unaffected by expectations about *whether* company will exercise its right

## Clarifications affecting convertible bonds

- Counterparty conversion option disregarded when assessing classification if recognised separately as equity component of compound financial instrument
- Any other obligation to convert liability is considered when assessing classification—ie conversion is regarded as settlement



### Effective date

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

\* *Non-current Liabilities with Covenants* include further amendments on the classification of liabilities with covenants.

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# Non-current Liabilities with Covenants

## Objective

- Improve the information about liabilities with covenants

## The amendments to IAS 1

- 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



Effective date

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

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# Supplier Finance Arrangements

## Objective

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

## The amendments to IAS 7 and IFRS 7

- 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



Effective date

Annual reporting periods beginning on or after 1 January 2024



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# Lack of Exchangeability

## Objective

- Improve the usefulness of information provided to investors and fill a gap in IFRS Accounting Standards related to the effects of changes in foreign exchange rates

## The amendments to IAS 21

- Require companies to apply a consistent approach in assessing whether a currency is exchangeable into another currency – and when a currency is not exchangeable, to estimate the spot exchange rate
- Provide disclosure requirements to enable investors to understand the financial statement effects of a currency not being exchangeable into another currency



Effective date Annual reporting periods beginning on or after 1 January 2025

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