

IFRIC *Update* September 2023

IFRIC *Update* is a summary of the decisions reached by the IFRS Interpretations Committee (Committee) in its public meetings. Past *Updates* can be found in the [IFRIC *Update* archive](#).

The Committee met on [12 September 2023](#) and discussed:

Committee's tentative agenda decisions

- [Payments Contingent on Continued Employment during Handover Periods \(IFRS 3 *Business Combinations*\)—Agenda Paper 2](#)

Agenda decisions for the IASB's consideration

- [Premiums Receivable from an Intermediary \(IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*\)—Agenda Paper 3](#)
- [Homes and Home Loans Provided to Employees—Agenda Paper 4](#)
- [Guarantee over a Derivative Contract \(IFRS 9 *Financial Instruments*\)—Agenda Paper 5](#)

Other matters

- [Work in Progress—Agenda Paper 6](#)

Related information

[The work plan](#)

[Supporting consistent application](#)

Committee's tentative agenda decisions

The Committee discussed the following matters and tentatively decided not to add standard-setting projects to the work plan. The Committee will reconsider these tentative decisions, including the reasons for not adding standard-setting projects, at a future meeting. The Committee invites comments on the tentative agenda decisions. Interested parties may submit comments on the [open for comment](#) page. All comments will be on the public record and posted on our website unless a respondent requests confidentiality and we grant that request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. The Committee will consider all comments received in writing up to and including the closing date; comments received after that date will not be analysed in agenda papers considered by the Committee.

Payments Contingent on Continued Employment during Handover Periods (IFRS 3 Business Combinations)—Agenda Paper 2

The Committee received a request about how an entity accounts for payments to the sellers of a business it has acquired if those payments are contingent on the sellers' continued employment during a post-acquisition handover period.

Fact pattern

In the fact pattern described in the request:

- a. an entity acquires a business and, as part of the acquisition agreement, requires the sellers to continue as employees of the acquired business. The sellers' continued employment is to ensure the appropriate transfer of knowledge from the sellers to the new management team (handover of the business).
- b. the sellers are compensated for their services at a level comparable to other management executives. The entity also agrees to make additional payments to the sellers contingent upon both the performance of the acquired business and, as described below, the continued employment of the sellers for a limited period after the acquisition to complete the handover of the business.
- c. the sellers are entitled to receive the additional payments if their employment is terminated due to specified circumstances—such as death or disability—or with the entity's agreement. The sellers forfeit the additional payments if their employment is terminated in any other circumstance.

Findings

Evidence gathered by the Committee [to date] does not indicate significant diversity in the accounting for payments contingent upon continued employment in fact patterns such as that described in the request. In these fact patterns, entities apply the accounting described in the agenda decision [Contingent payments to shareholders and continuing employment](#) (published in January 2013) and account for the payments as compensation for post-combination services rather than as additional consideration for the acquisition, unless the service condition is not substantive.

Conclusion

Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.

Agenda decisions for the IASB’s consideration

Premiums Receivable from an Intermediary (IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments)—Agenda Paper 3

The Committee considered feedback on the [tentative agenda decision](#) published in the March 2023 IFRIC *Update* about how an entity that issues insurance contracts (insurer) applies the requirements in IFRS 17 and IFRS 9 to premiums receivable from an intermediary.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation’s [Due Process Handbook](#), the International Accounting Standards Board (IASB) will consider this agenda decision at its October 2023 meeting. If the IASB does not object to the agenda decision, it will be published in October 2023 in an addendum to this IFRIC *Update*.

Homes and Home Loans Provided to Employees—Agenda Paper 4

The Committee considered feedback on the [tentative agenda decision](#) published in the March 2023 IFRIC *Update* about how an entity accounts for employee home ownership plans and employee home loans.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation’s [Due Process Handbook](#), the IASB will consider this agenda decision at its October 2023 meeting. If the IASB does not object to the agenda decision, it will be published in October 2023 in an addendum to this IFRIC *Update*.

Guarantee over a Derivative Contract (IFRS 9 Financial Instruments)—Agenda Paper 5

The Committee considered feedback on the [tentative agenda decision](#) published in the March 2023 IFRIC *Update* about whether, in applying IFRS 9, an entity accounts for a guarantee written over a derivative contract as a financial guarantee contract or as a derivative.

The Committee concluded its discussions on that agenda decision. In accordance with paragraph 8.7 of the IFRS Foundation’s [Due Process Handbook](#), the IASB will consider this agenda decision at its October 2023 meeting. If the IASB does not object to the agenda decision, it will be published in October 2023 in an addendum to this IFRIC *Update*.

Other matters

Work in Progress—Agenda Paper 6

The Committee received an update on the status of open matters not discussed at its September 2023 meeting.