
Emerging Economies Group meeting

Date	May 2024
Topic	IASB Technical Update
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This paper has been prepared for discussion at a public meeting of the Emerging Economies Group (EEG). 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*.

Highlights from April 2024

- The IASB published IFRS 18 *Presentation and Disclosure in Financial Statements*
- The effective date for the Standard is 1 January 2027

IFRS 18 *Presentation and Disclosure in Financial Statements*

- The IASB added a research project on its work plan on reviewing the accounting requirements for intangibles

Intangible Assets

- The IASB published a [project summary](#)

Business
Combinations under
Common Control

Highlights from March 2024

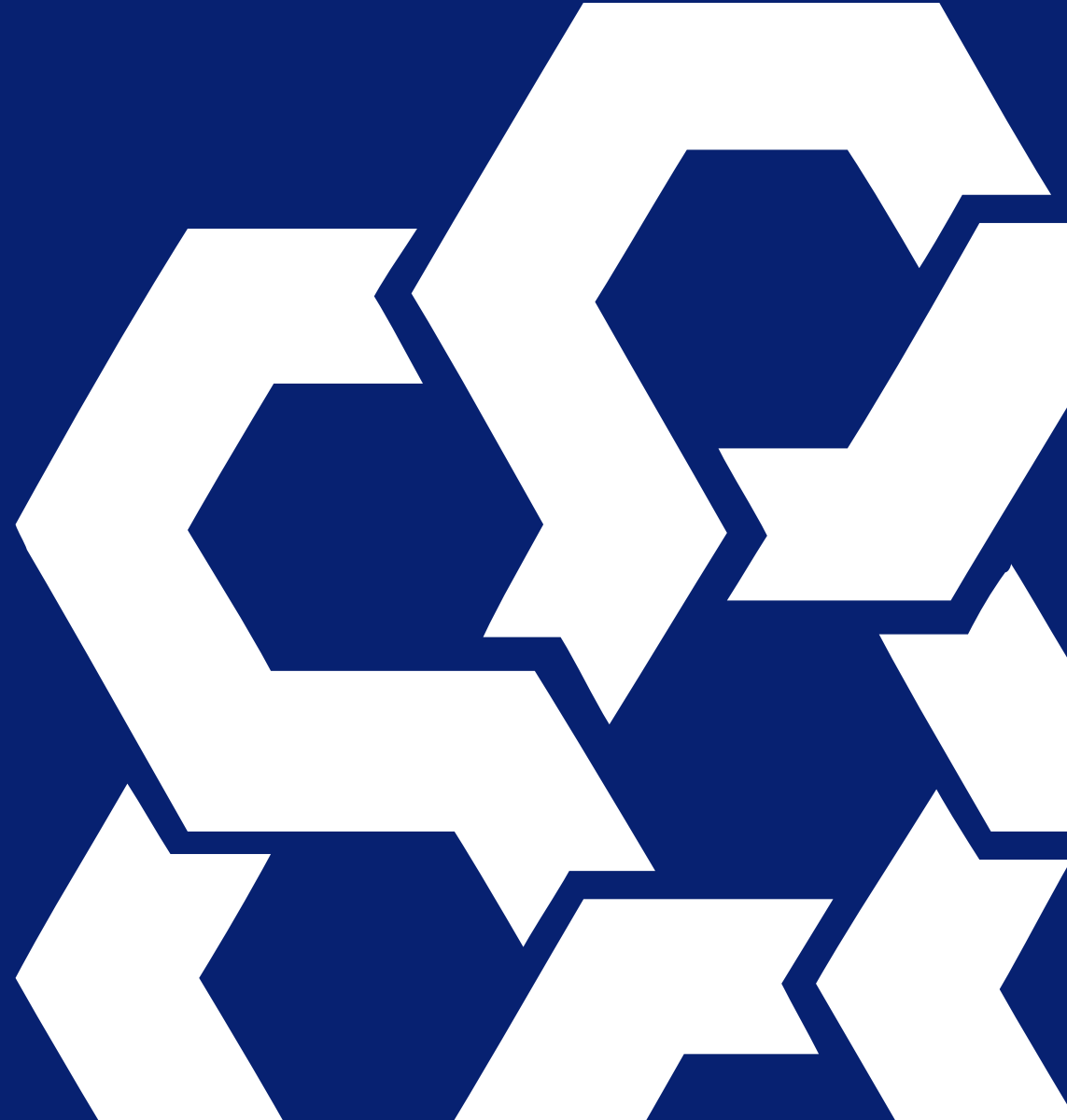
- Published Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment*
- Proposed amendments to IFRS 3 and IAS 36
- Comment period open until 15 July 2024

Business
Combinations—
Disclosures, Goodwill
and Impairment

- Decided to publish an Exposure Draft, expected in May 2024
- The comment period for the Exposure Draft will be 90 days
- The final amendments to IFRS 9 are expected to be published by the end of 2024

Power Purchase
Agreements (PPAs)

Update on current IASB work plan



Consultations

Open for comments 

Exposure Draft: *Business Combinations—Disclosures, Goodwill and Impairment*

Comments due 15 July 2024

Addendum to the Exposure Draft: *Third Edition of the IFRS for SMEs Accounting Standard*

Comments due 31 July 2024

Forthcoming in 2024 

- **May 2024:** Exposure Draft proposing narrow scope amendments to IFRS 9 *Financial Instruments* (*Power Purchase Agreements* project)
- **July 2024:** Exposure Draft updating the *Subsidiaries without Public Accountability: Disclosures* Standard
- **July 2024:** Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*
- **Q2 2024:** Proposed IFRS Taxonomy Update—*Primary Financial Statements*
- **Q3 2024:** Exposure Draft proposing amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- **H2 2024:** Proposed IFRS Taxonomy Update—*Subsidiaries without Public Accountability: Disclosures* and Amendments to IFRS 7 and IFRS 9
- **H2 2024:** Exposure Draft proposing amendments to IAS 28 (*Equity Method* project)
- **H2 2024:** Exposure Draft proposing clarifications to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

New Standards and Amendments

Issued in 2024

IFRS 18 Presentation and Disclosure in Financial Statements

New IFRS Standards

Expected in Q2 2024:

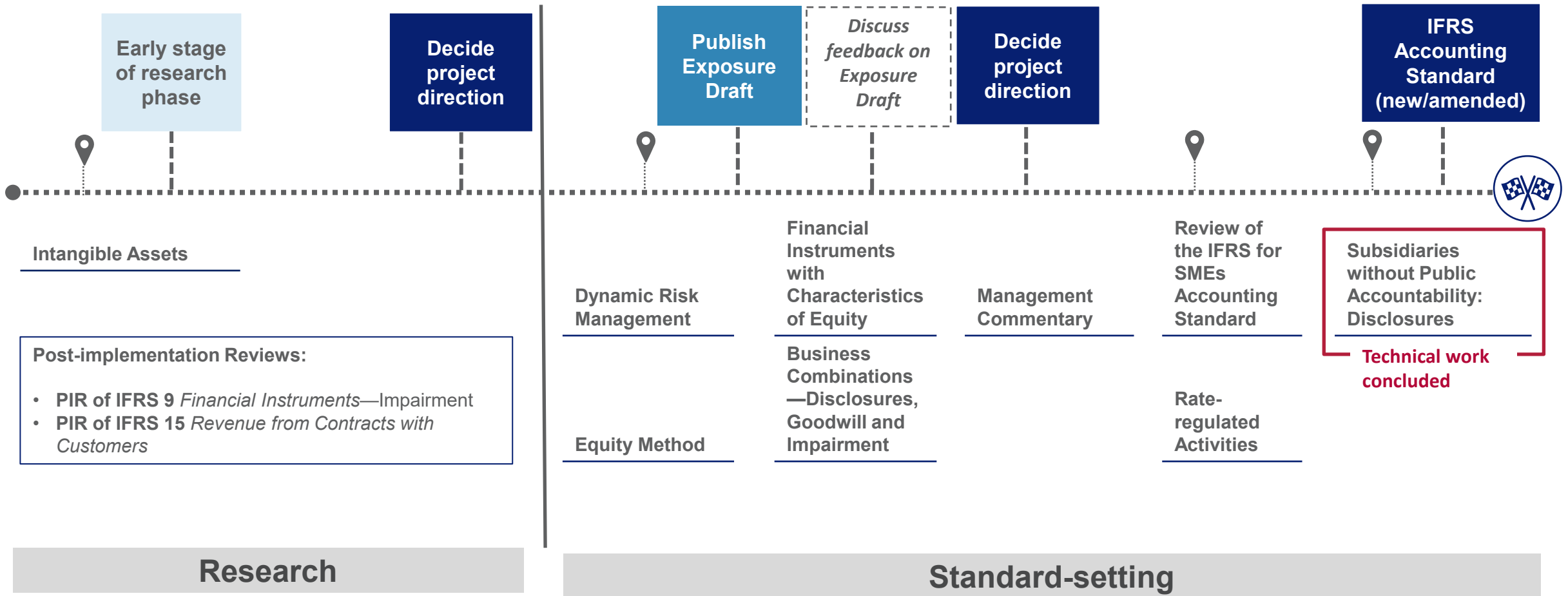
- ✓ **May:** Subsidiaries without Public Accountability: Disclosures

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

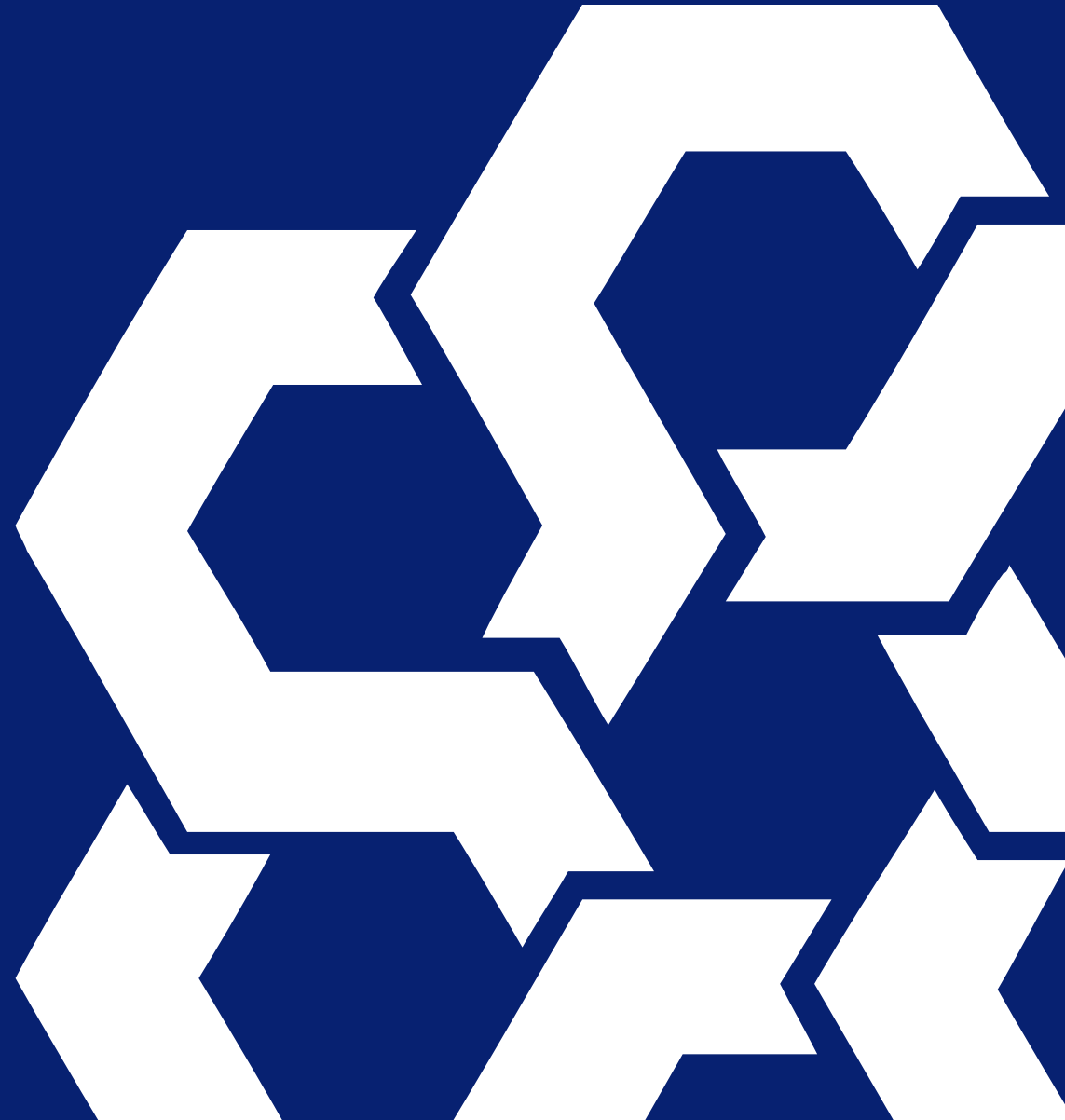
Amendments to IFRS Standards

- ✓ **May 2024:** Amendments to the classification and measurement of financial instruments (IFRS 9)
- ✓ **July 2024:** Annual Improvements to IFRS Accounting Standards

Current projects are in different stages



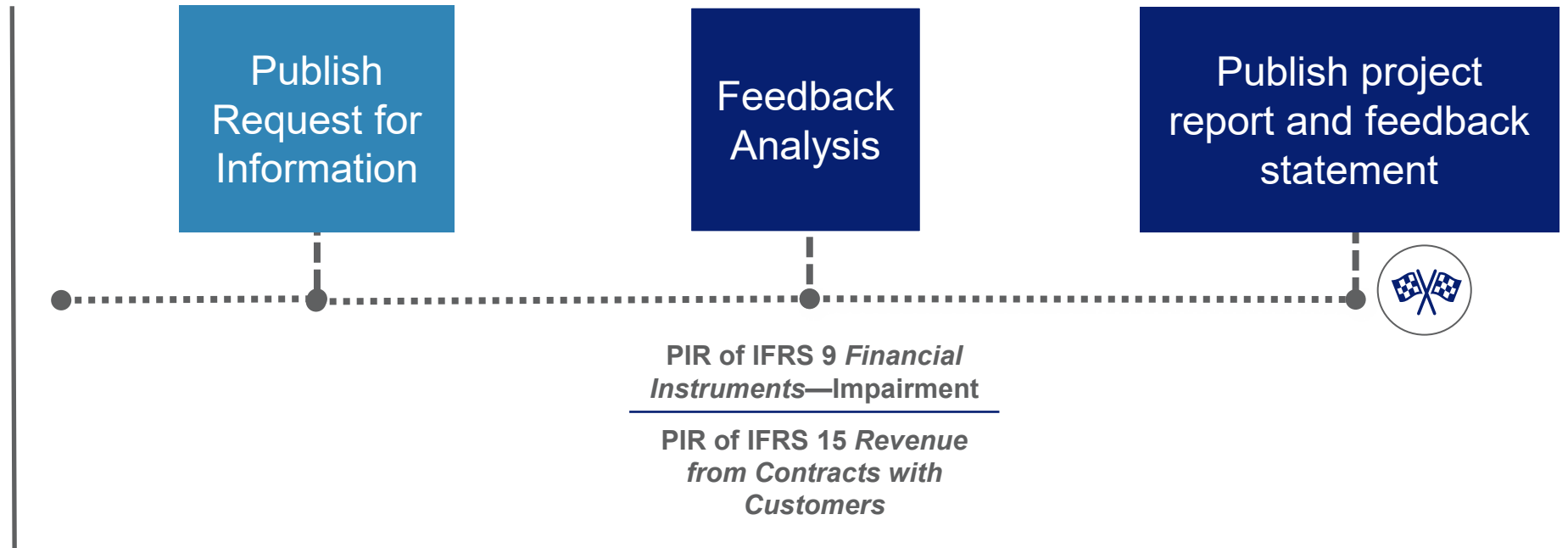
Post-implementation reviews



Overview: post-implementation review projects

Forthcoming post-implementation reviews:

- PIR of IFRS 16 *Leases*
- PIR of IFRS 9—Hedge Accounting



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 feedback

- Overall, the PIR feedback is positive. Almost all respondents said that the ECL requirements:
 - result in more timely recognition of credit losses compared to IAS 39; and
 - work as intended with no fundamental questions (‘fatal flaws’)
- Respondents however identify specific application challenges and suggest the IASB make targeted improvements to the requirements, including disclosure requirements

Next milestone

- The IASB expects to complete its deliberations by the end of Q2 2024 and publish feedback statement in Q3 2024

Will be discussed after the IASB Update session on Day 2 of the EEG meeting

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 feedback

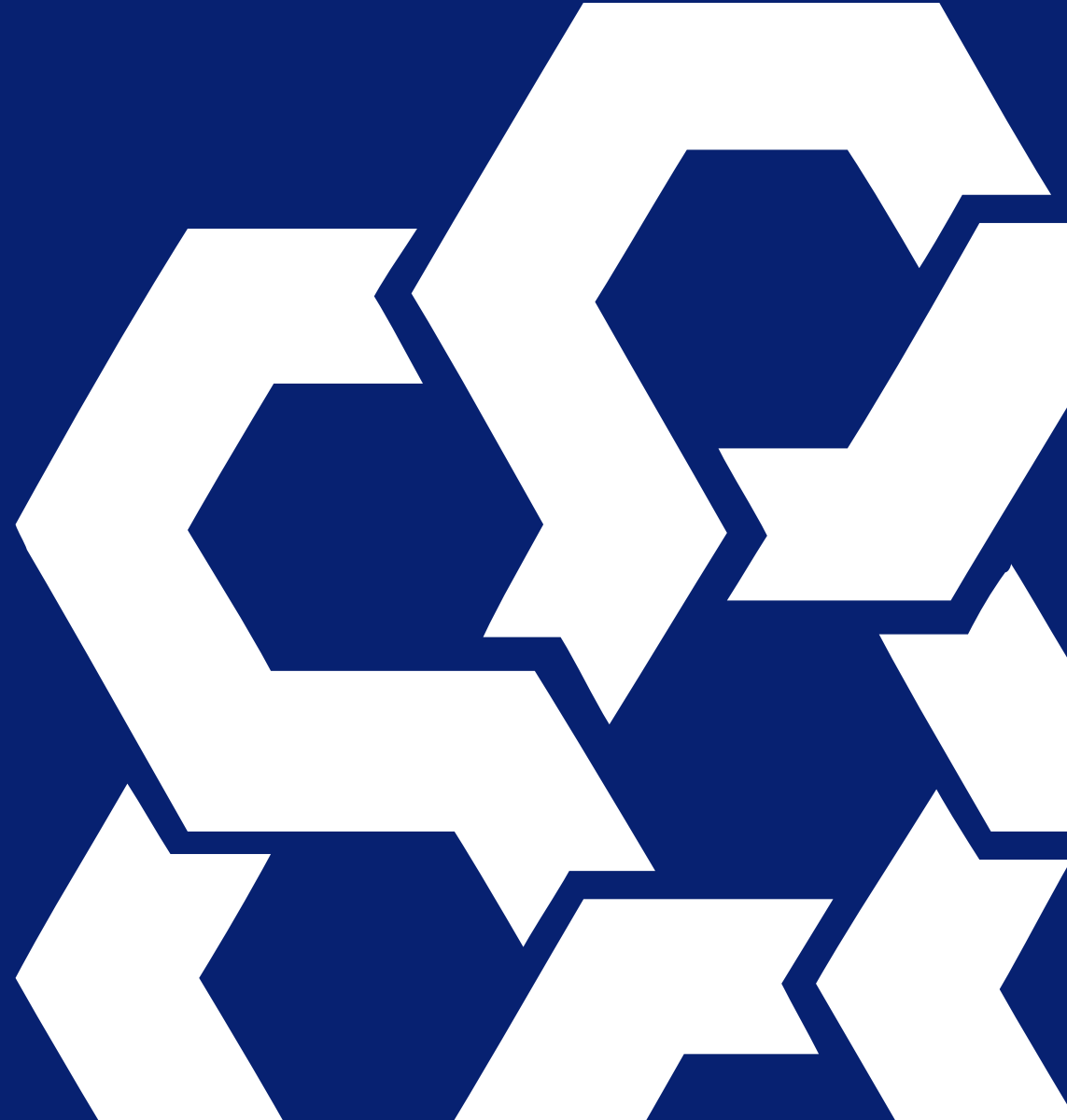
- Overall, the PIR feedback is positive:
 - IFRS 15 has achieved its objective and is working well;
 - the five-step model is suitable for analysing contracts of varying complexity; and
 - no fundamental questions about the objective and the core principle
- Respondents identified specific application challenges and for most of them suggested the IASB provide application guidance, illustrative examples and/or educational materials

Next milestone

- The IASB continues its deliberations of the feedback on the Request for Information
- The IASB expects to complete its deliberations and publish feedback statement in Q3 2024

Will be discussed after the IASB Update session on Day 2 of the EEG meeting

Research projects



Intangible Assets

Objective

- Comprehensively review the accounting requirements for intangibles
- Assess if the requirements of IAS 38 *Intangible Assets* remain relevant and continue to fairly reflect current business models or whether the IASB should improve the requirements

Areas of focus

- Initial research aims to define:
 - the scope of the project; and
 - how best to stage work to deliver timely improvements

Next milestone

- Review Research – expected in H2 2024

Intangible Assets: Third Agenda Consultation feedback



Stakeholders, especially users, rated a project on Intangible Assets as **high priority**

Users need better information about recognised and unrecognised intangible assets

IAS 38 is an **old accounting standard** that needs to be modernised for:

- increasing importance of intangible assets in **today's business models**
- new types of intangible assets (for example, cryptocurrencies) and new ways of accessing intangible assets (for example, software as a service (SaaS) arrangements) **not envisaged** when IAS 38 was developed

IAS 38 is **too restrictive** about when **internally generated** intangible assets are recognised and when intangible assets are measured at **fair value using the revaluation model**

Lack of comparability due to differing requirements for **internally generated and acquired** intangible assets

Academic and national standard-setter research findings



NSS and academic research found that financial statements do not provide sufficient information about **unrecognised internally generated intangible assets** and therefore do not reflect key drivers of how an entity creates value

However, some academic research argues that changes to accounting standards may not be necessary because the **income statement provides information about unrecognised internally generated intangible assets**

Mixed feedback on solutions

Recognition and measurement	Disclosure (most common starting point for solutions)
<ul style="list-style-type: none"> • Reconsider the recognition criteria in IAS 38 • Reconsider the prohibition in IAS 38 on the recognition of many internally generated intangible assets 	<ul style="list-style-type: none"> • Qualitative and KPI information about intangible items key to the entity’s business model • Disaggregation of expenses on intangible items (including future-oriented expenditure)

Intangible Assets: Possible project topics

- **Scope**
 - Financial statement elements only or broader?
 - Do IAS 38 scope exemptions remain appropriate?
 - Intangibles held for investing included (crypto and emissions rights)?
- **Definition**
 - What are properties of intangible assets?
 - Update for revisions to *Conceptual Framework*?
 - Develop consistent labels/terminology?
 - Reconsider application guidance (control)?
- **Recognition**
 - Review recognition criteria?
 - Reconsider prohibitions in IAS 38?
 - Should there be a recognition difference between acquired and internally generated?
- **Measurement**
 - Can cost be reliably measured?
 - Can amortisation periods be estimated?
 - Should the criteria for valuation (active market) be relaxed?
 - Can fair value be linked to a specific intangible asset (because work together with other assets)?
- **Presentation and Disclosure**
 - What information do investors need?
 - Recognised and unrecognised intangible assets?
 - Placement of information (FS vs MD&A)?
 - Provide information about intangible items that an entity creates value with (vs commercial sensitivity)?
 - Disaggregate expenses in Income Statement?
 - Connectivity with sustainability-related disclosures?

Intangible Assets: Possible project approaches

1 All-in-one

- Research all topics identified by stakeholders and consult on potential solutions in single consultation document

Pros and cons

- Less risk of not identifying improvements
- Easier to consider interactions between topics
- Significant time until improvements implemented
- Resource expended on some topics that ultimately do not result in improvements

2 Early Evaluation

- Assign priorities to topics at early stage and only explore further high-priority topics

Pros and cons

- Improvements made on a timely basis
- Efficient use of resources
- Not all concerns further researched – not meeting stakeholders' expectations of a comprehensive review
- Risk of not pursuing a topic that should be pursued
- Developing a ring-fenced solution could be complex

3 Phased

- Split into phases with separate consultation documents – for example, IASB could focus on improving disclosure requirements first

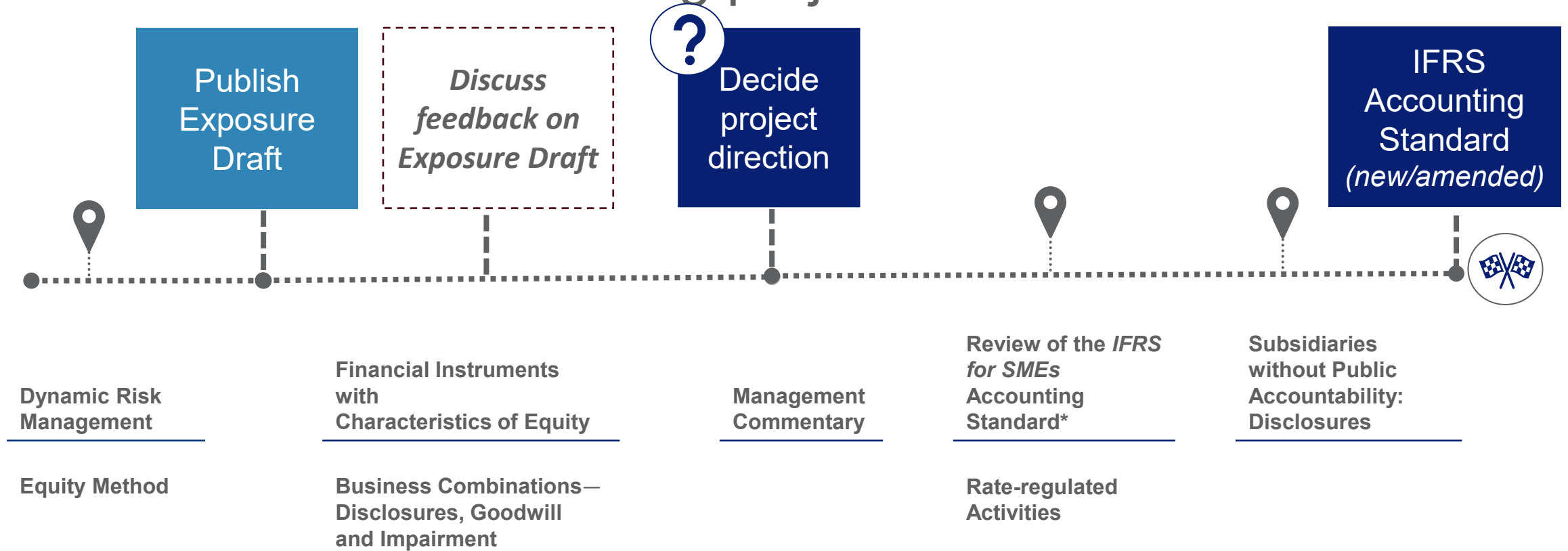
Pros and cons

- Improvements for first topic made on a timely basis and all topics eventually explored
- Whole project could take longer
- Stakeholders may disagree which topic to consider first
- Reiteration of first topic may be needed

Standard-setting projects



Overview: standard-setting projects



*A maintenance project was added for the addendum to the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard*.

Financial Instruments with Characteristics of Equity

Purpose

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

Approach

- Clarify IAS 32 classification principles to address practice issues:
 - fixed-for-fixed condition
 - effects of laws or regulations
 - obligations to purchase own equity instruments
 - contingent settlement provisions
 - shareholder discretion
 - reclassification
- Improve presentation and disclosure
- Provide application guidance and illustrative examples

Next milestone

- Discuss summary of feedback on the [Exposure Draft](#) in May 2024

Business Combinations—Disclosures, Goodwill and Impairment

Objective

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

Proposals

- A package of improved disclosure requirements in IFRS 3 *Business Combinations*
- Changes to the impairment test of cash-generating units containing goodwill in IAS 36 *Impairment of Assets*

Next milestone

- Comment period for the Exposure Draft closes on 15 July 2024

Will be discussed after the IASB Update session on Day 2 of the EEG meeting

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

- The DRM model addresses the challenges in applying the hedge accounting requirements to dynamic interest rate risk management activities
- Showing the effect of using derivatives to mitigate repricing risk on the current net open risk position
- Tentative decisions made about the mechanics of the DRM model and
- Next focus area is presentation and disclosure requirements

Next milestone

- Publish Exposure Draft – expected in H1 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

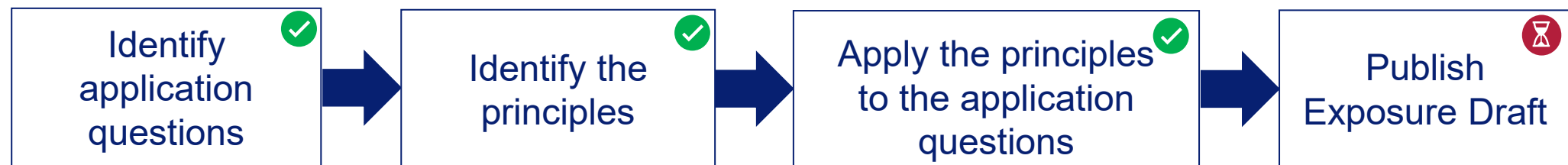
Project update

- The IASB has developed proposed answers to the application questions

Next steps

- Publish the Exposure Draft - expected in H2 2024

Project approach



Management Commentary

Objective

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

Evolving landscape

- Support for the project, in particular from investors
- Calls to work together with the ISSB—collaboration between the Boards can take various forms
- IASB discussed staff's comparison with *Integrated Reporting Framework* and feedback on comparison

Next milestone

- Decide project direction in Q2 2024

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

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 May 2024

Review of the *IFRS for SMEs* Accounting Standard

Objective

- To update the *IFRS for SMEs* Accounting Standard to reflect improvements that have been made in full IFRS Accounting Standards (in the scope of this review) while keeping the Standard simple

Approach

- The alignment approach uses the following principles to identify possible amendments:
 - relevance to SMEs;
 - simplicity; and
 - faithful representation, including the assessment of costs and benefits

Next milestone

- Discuss feedback on the [Exposure Draft](#) published in September 2022
- Gather feedback on the [Addendum to the Exposure Draft](#) - comment period closes 31 July 2024
- Issue the Third edition of the *IFRS for SMEs* Accounting Standard

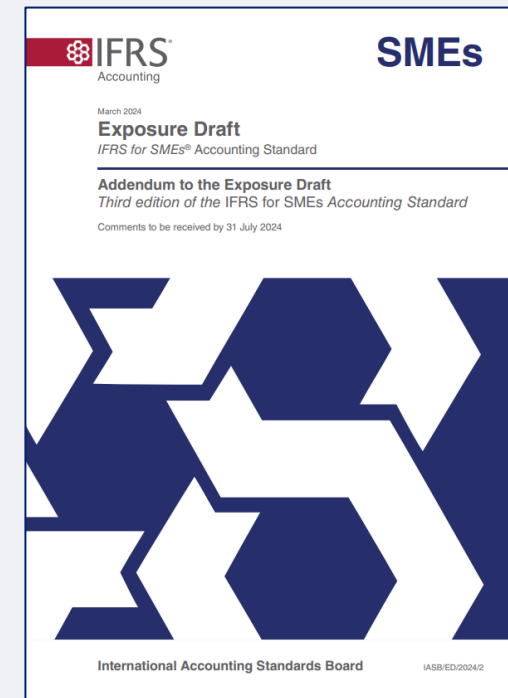
Addendum to the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard*

Submit a comment letter:

- Online at: <https://www.ifrs.org/projects/open-for-comment/>
- By email to: commentletters@ifrs.org



Use a [comment letter template](#)



To access the Exposure Draft, click [here](#)



Addendum ED: Summary of the proposals

Supplier finance arrangements



The supplementary amendments would require an SME to disclose for its supplier finance arrangements:

- their terms and conditions;
- the amount of the liabilities that are part of the arrangements, disclosing separately the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities are presented in the statement of financial position;
- the range of payment due dates; and
- the type and effect of non-cash changes.

Lack of exchangeability



The supplementary amendments would require an SME to apply a consistent approach in:

- assessing whether a currency can be exchanged into another currency; and
- estimating the exchange rate to use (and the disclosures to provide) when a currency cannot be exchanged into another currency.

Addendum ED: Who would be affected by the proposals?

Supplier finance arrangements



SME that, as a buyer, enters into one or more supplier finance arrangements (as described in the proposals), under which the SME, or its suppliers, can access financing for amounts the SME owes its suppliers.

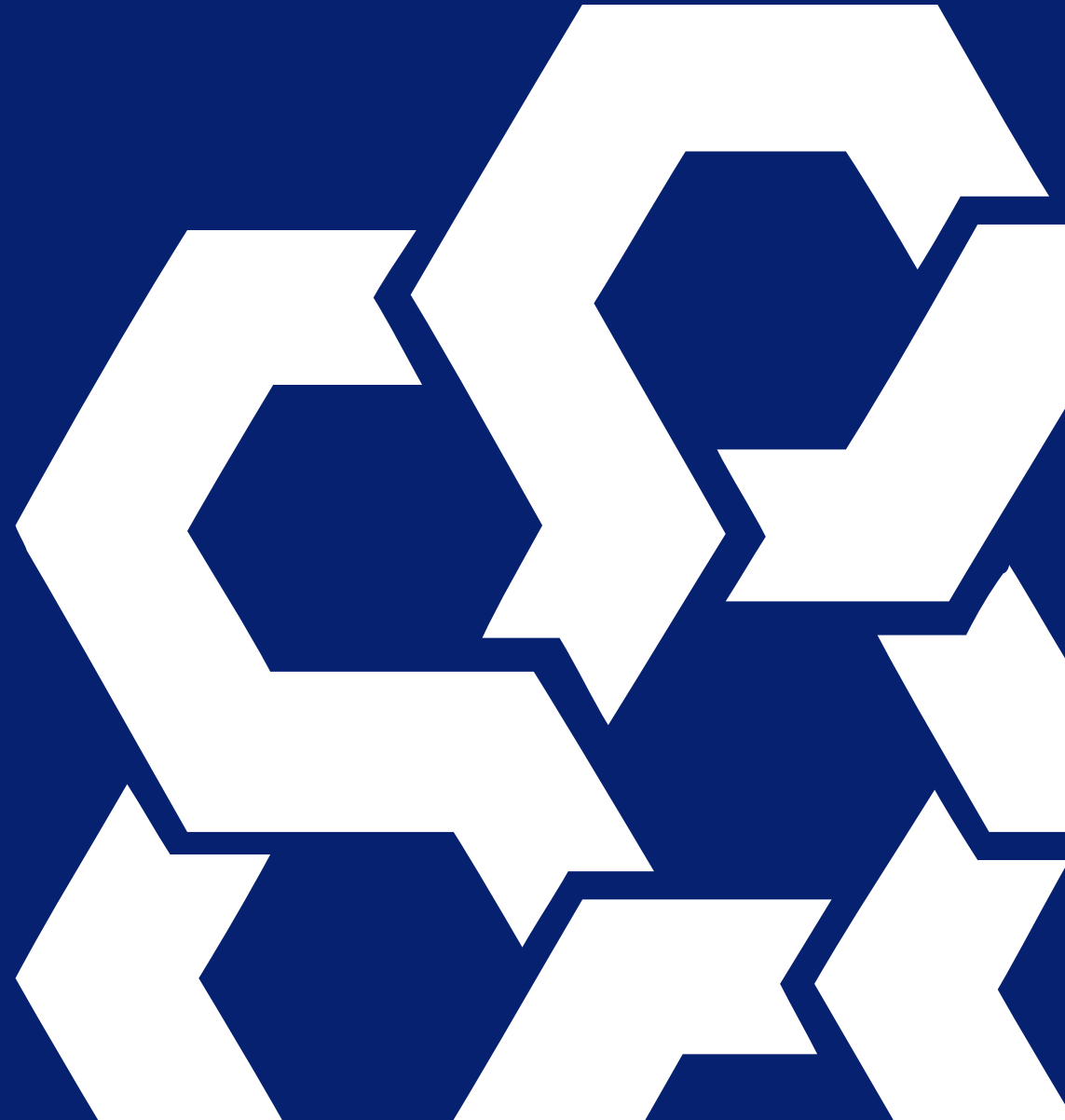
Lack of exchangeability



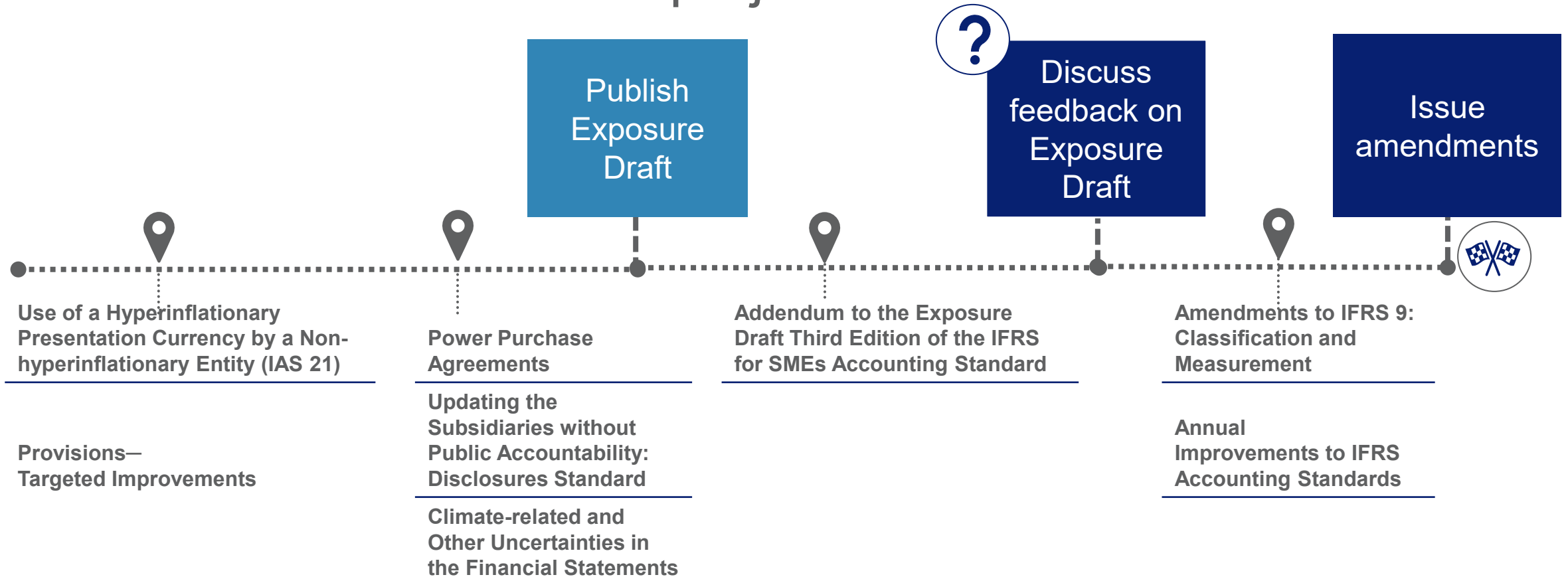
SME:

- that has transactions in non-exchangeable foreign currencies;
- that has a foreign operation with a non-exchangeable functional currency; or
- whose presentation or functional currency is non-exchangeable.

Maintenance projects



Overview: maintenance projects



Power Purchase Agreements (PPAs)

Objective

- The IASB's objective with this project is to better reflect the effects of these contracts in entities' financial statements

Project scope

- The proposed amendments apply to contracts for renewable electricity with specified characteristics
- Includes considerations for a purchaser when applying the own-use requirements
- Includes designation and measurement requirements of the hedged item if an entity uses a contract for renewable electricity as a hedging instrument
- Introduces new disclosure requirements

Next steps

- Publish Exposure Draft – expected in May 2024

Updating the Subsidiaries without Public Accountability: Disclosures Standard

Objective

- Propose amendments to the forthcoming Subsidiaries without Public Accountability: Disclosures Standard

Project scope

- Develop reduced versions of any disclosure requirements in IFRS Accounting Standards that were added or amended after 28 February 2021

Next steps

- Publish Exposure Draft – expected in July 2024

Climate-related and Other Uncertainties in the Financial Statements

Objective

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

Areas of focus

- Explore development of examples to help improve application of IFRS Accounting Standards
- Explore targeted amendments to improve disclosures about estimates in the financial statements
- Work with the ISSB technical staff to ensure both boards' work is connected

Next milestone

- Publish Exposure Draft – expected in July 2024

Discussed as a part of the Climate Day -
Day 1 of the EEG meeting

Amendments to IAS 21: Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity

Objective

- Narrow-scope amendments to IAS 21 to improve the usefulness of the financial information reported by entities that present financial statements in a hyperinflationary currency.

Areas of focus

- To provide a relevant translation method applicable to entities whose functional currency is the currency of a non-hyperinflationary currency but whose financial statements are presented in a currency of a hyperinflationary economy.

Next milestone

- Publish Exposure Draft – expected in Q3 2024

Provisions—Targeted Improvements

Objective

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

Areas of focus

- Amend requirements supporting the ‘present obligation’ recognition criterion—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

- Publish Exposure Draft – expected in H2 2024

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

- Final amendments to IFRS 9 expected May 2024

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

- Final amendments to IFRS Accounting Standards expected in July 2024

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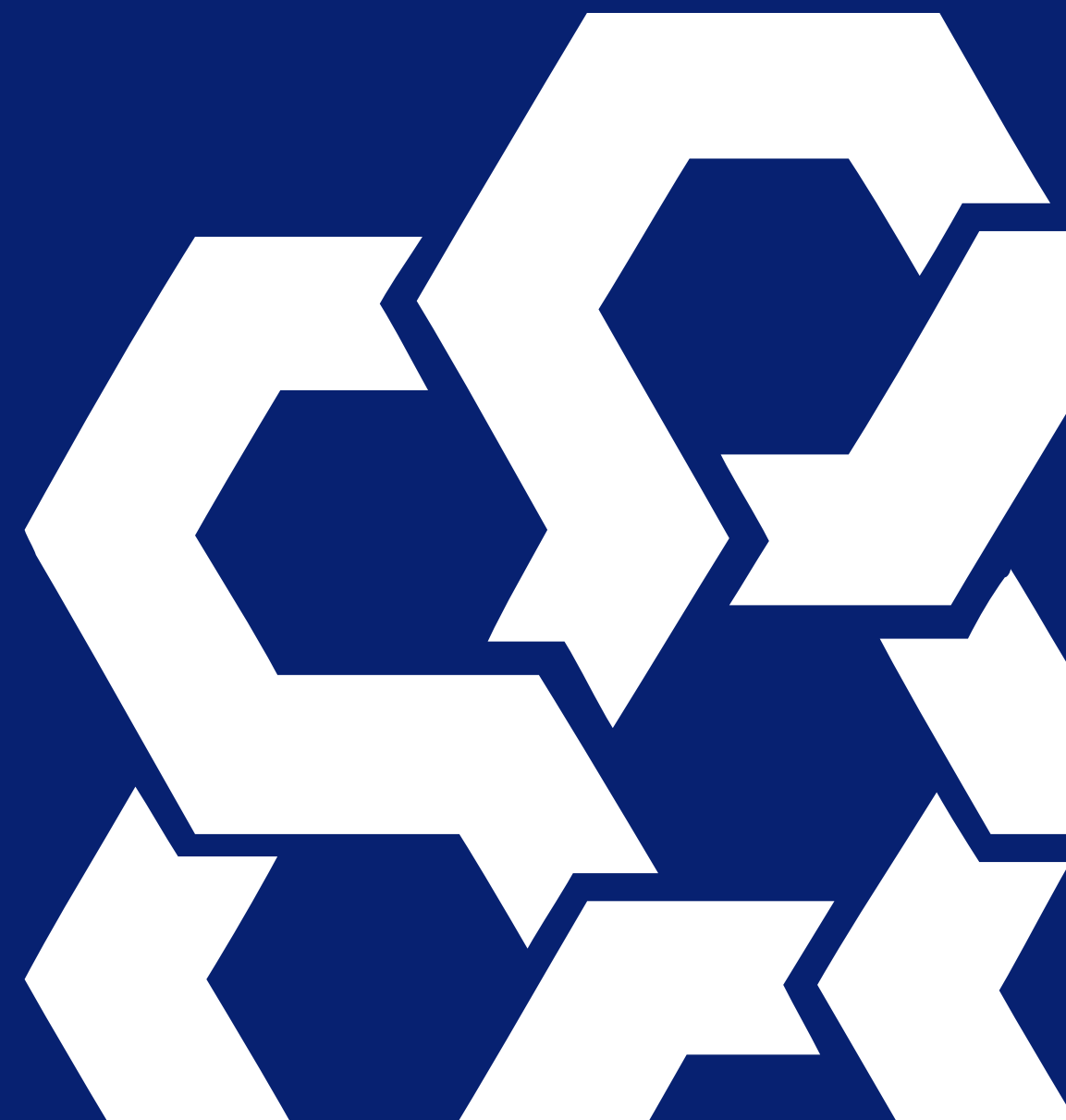
 [ifrs.org](https://www.ifrs.org)

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 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [International Accounting
Standards Board](https://www.linkedin.com/company/ifrs-foundation)

Appendix 1: New requirements



What is required when?

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)

1 January 2027

- IFRS 18 : *Presentation and Disclosure in Financial Statements*

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.

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

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

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

IFRS 18: *Presentation and Disclosure in Financial Statements*

Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

Requirements

- New required subtotals in statement of profit or loss including 'operating profit'
- Disclosures about management-defined performance measures (MPMs)
- Enhanced guidance on grouping of information (aggregation and disaggregation)



Effective date Annual reporting periods beginning on or after 1 January 2027

Appendix 2: Helpful materials

Resources available on our website

Supporting materials sorted by Standard

Website
www.ifrs.org



IFRS
Accounting
Standards

IFRS IC
Interpretations

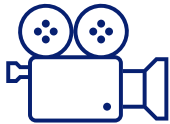
Cross-cutting
materials

News and
events



For example, for IFRS 9 *Financial Instruments*:

Videos



Webinars



Articles

Leaflet



Transition
Resource
Group



Agenda decisions

Supporting IFRS
Accounting
Standards

IFRS Accounting Standards and their annotated equivalents



IFRS Accounting Standards

The IFRS[®] Accounting Standards Required 2024

The IFRS[®] Accounting Standards Issued 2024
(Available March 2024 onwards)

IFRS Accounting Standards + extensive cross-references + annotations

The Annotated IFRS[®] Standards Required 2024

The Annotated IFRS[®] Standards Issued 2024
(Available March 2024 onwards)

Annotated IFRS Accounting Standards also available in Spanish