
Capital Markets Advisory Committee Global Preparers Forum

Date **14 June 2024**

Topic **IASB Update**

Contacts **Nick Anderson**

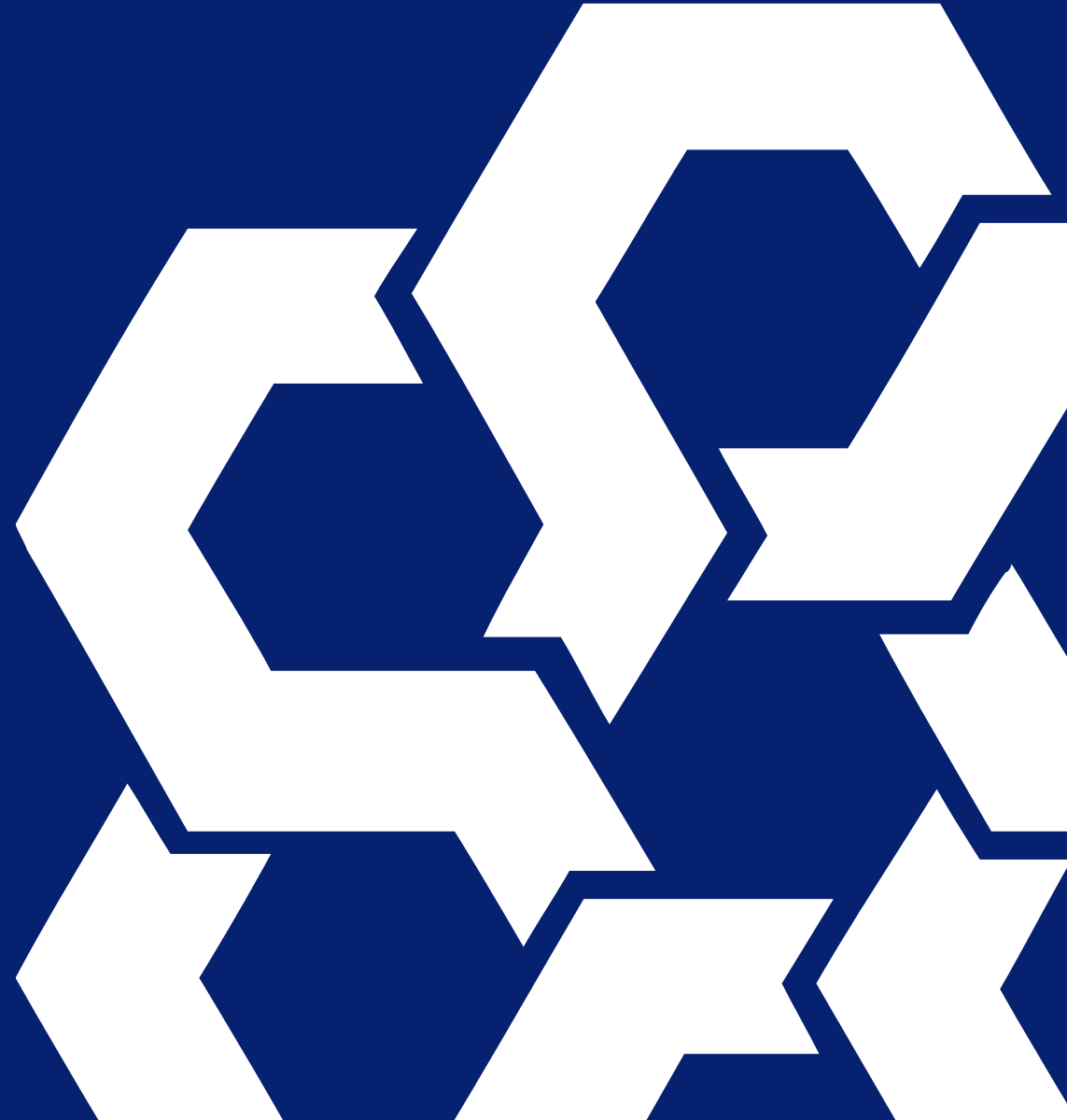
This paper has been prepared for discussion at a public meeting of the Capital Markets Advisory Committee (CMAC) and the Global Preparers Forum (GPF). This paper does not represent the views of the International Sustainability Standards Board (IASB) or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

Overview


- Update on current IASB work plan
- Update on Financial Instruments with the Characteristics of Equity
- Other highlighted projects
- Post-implementation reviews
- Research projects
- Standard-setting projects
- Maintenance projects
- New requirements


This update is prepared as of 31 May 2024

Update on current IASB work plan



Consultations

Open for comments 	Comments due
Exposure Draft: <i>Business Combinations—Disclosures, Goodwill and Impairment</i>	15 July 2024
Addendum to the Exposure Draft: <i>Third Edition of the IFRS for SMEs Accounting Standard</i>	31 July 2024
Exposure Draft: <i>Contracts for Renewable Electricity</i>	07 August 2024
Proposed IFRS Taxonomy Update— <i>Primary Financial Statements</i>	03 September 2024

Forthcoming in 2024 
<ul style="list-style-type: none"> • July 2024: Exposure Draft updating the <i>Subsidiaries without Public Accountability: Disclosures Standard</i> • July 2024: Exposure Draft <i>Climate-related and Other Uncertainties in the Financial Statements</i> • Q3 2024: Exposure Draft proposing amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> • H2 2024: Proposed IFRS Taxonomy Update—<i>Subsidiaries without Public Accountability: Disclosures and Amendments to IFRS 7 and IFRS 9</i> • H2 2024: Exposure Draft proposing amendments to IAS 28 (<i>Equity Method project</i>) • H2 2024: Exposure Draft proposing clarifications to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>

New Standards and Amendments

Issued in 2024

IFRS 18 *Presentation and Disclosure in Financial Statements*

IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Amendments to IFRS Standards

- ✓ **Published in May 2024:** Amendments to the classification and measurement of financial instruments (IFRS 9 and IFRS 7)
- ✓ **Expected in July 2024:** Annual Improvements to IFRS Accounting Standards

Other developments

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

Intangible Assets

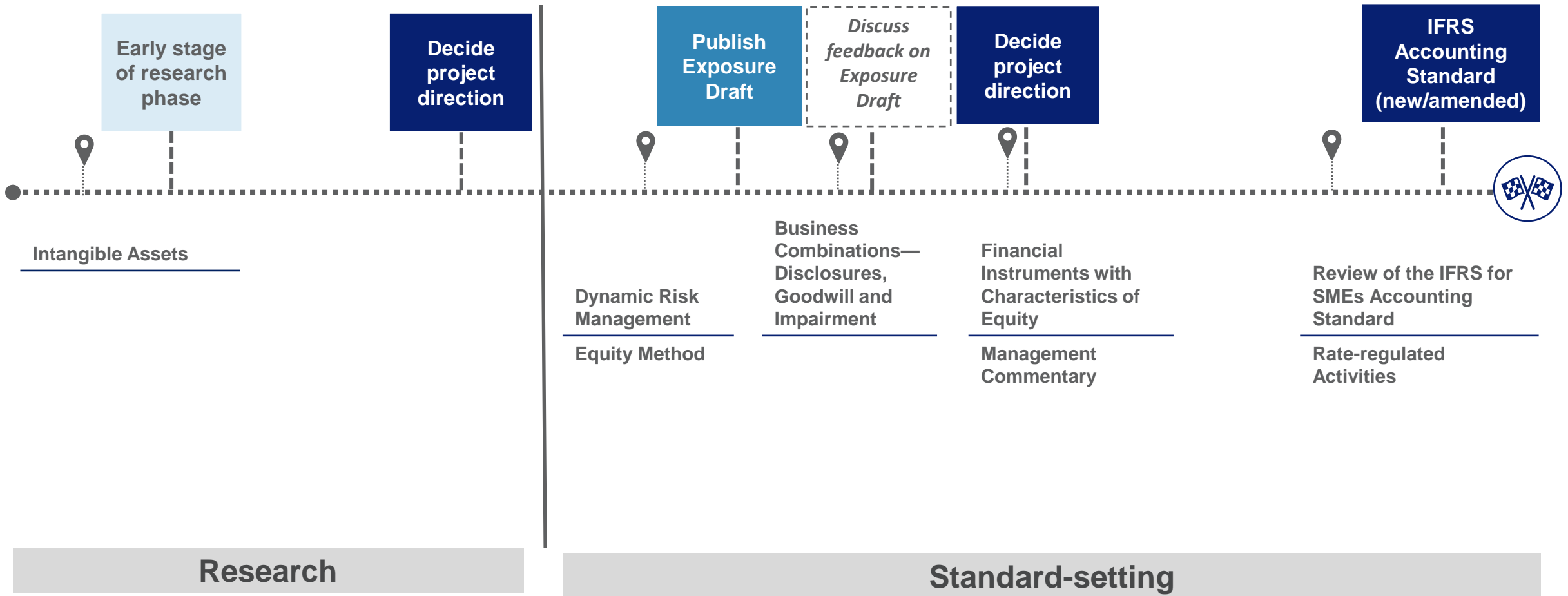
- Overall, generally positive feedback from stakeholders
- Project added to research pipeline to make targeted improvements to IFRS 7 disclosures about credit risk

Post-implementation
Review of IFRS 9—
Impairment

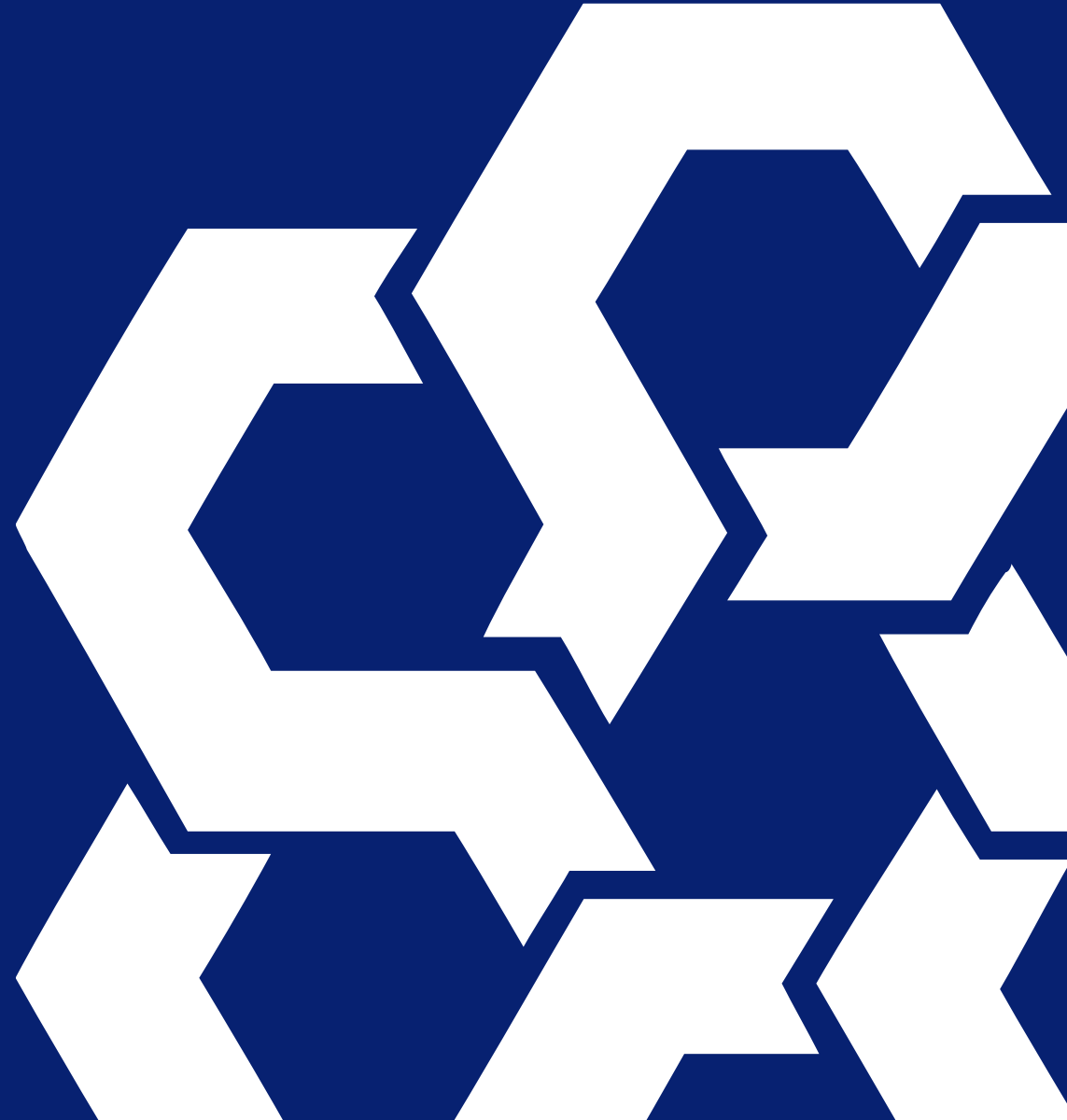
- The IASB received a summary of the feedback on the Exposure Draft proposals
- Detailed analysis to follow as specific topics are considered at future IASB meetings

Financial Instruments
with the
Characteristics of
Equity

Current projects are in different stages



Financial Instruments with the Characteristics of Equity



Overview of the project



Improve information entities provide in their financial statements about financial instruments that they have issued

Approach:

- Improve presentation and disclosure
- Address practice issues by clarifying underlying classification principles
- Provide application guidance and illustrative examples



Exposure draft comment ended:
29 March 2024

Address challenges in applying IAS 32:

- The effects of relevant laws or regulations
- Fixed-for-fixed condition for derivatives
- Obligation to purchase an entity's own equity instruments
- Contingent settlement provisions
- Shareholder discretion
- Reclassification of financial liabilities and equity instruments

General comments

- General acknowledgement of the challenge to distinguish between financial liabilities and equity and need for additional guidance
- General support for:
 - the efforts made by the IASB, including the intent and objective of the proposed amendments
 - the approach to clarify some classification requirements in IAS 32 *Financial Instruments: Presentation* to reduce diversity in practice and address known practice issues; and
 - the addition of presentation and disclosure requirements to improve understandability and comparability for investors

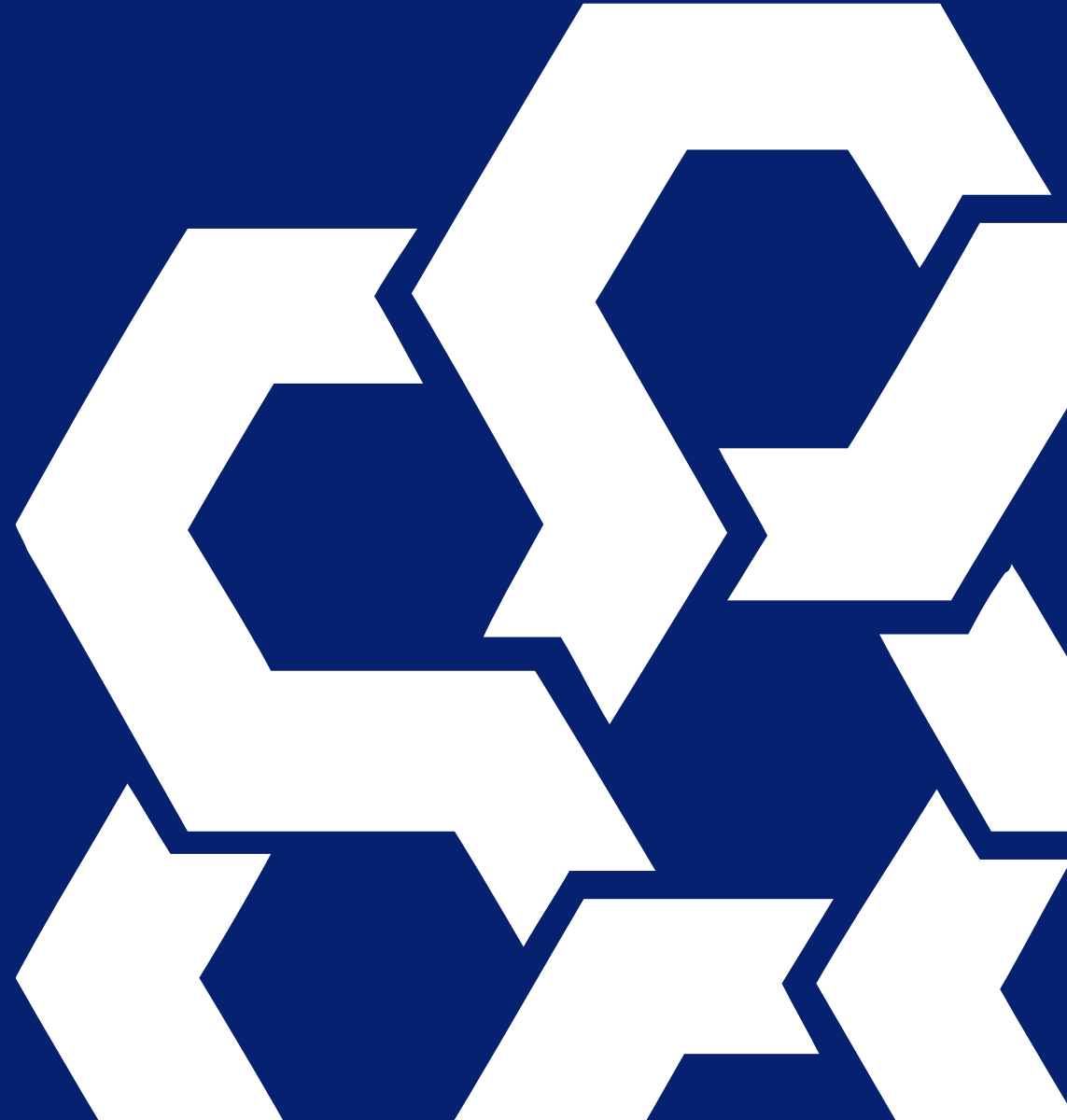
BUT

- Although stakeholders agreed with a number of aspects, there was also disagreement on some of the proposals
- Various concerns about the impact on specific instruments issued in some jurisdictions (eg changes in classification outcomes) or potential for new interpretation issues to arise
- Requests for additional guidance/clarifications/examples on how to apply principles in practice

Overview of feedback

Topic	Feedback
Effects of relevant laws or regulations	
Fixed-for-fixed condition	
Obligations to purchase own equity instruments	
Contingent settlement provisions	
Shareholder discretion	
Reclassification of financial liabilities and equity instruments	
Disclosures	
Presentation of amounts attributable to ordinary shareholders	
Transition	
Disclosure requirements for subsidiaries without public accountability	

Other highlighted projects



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 June 2024

Climate-related and Other Uncertainties in the Financial Statements

Objective

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

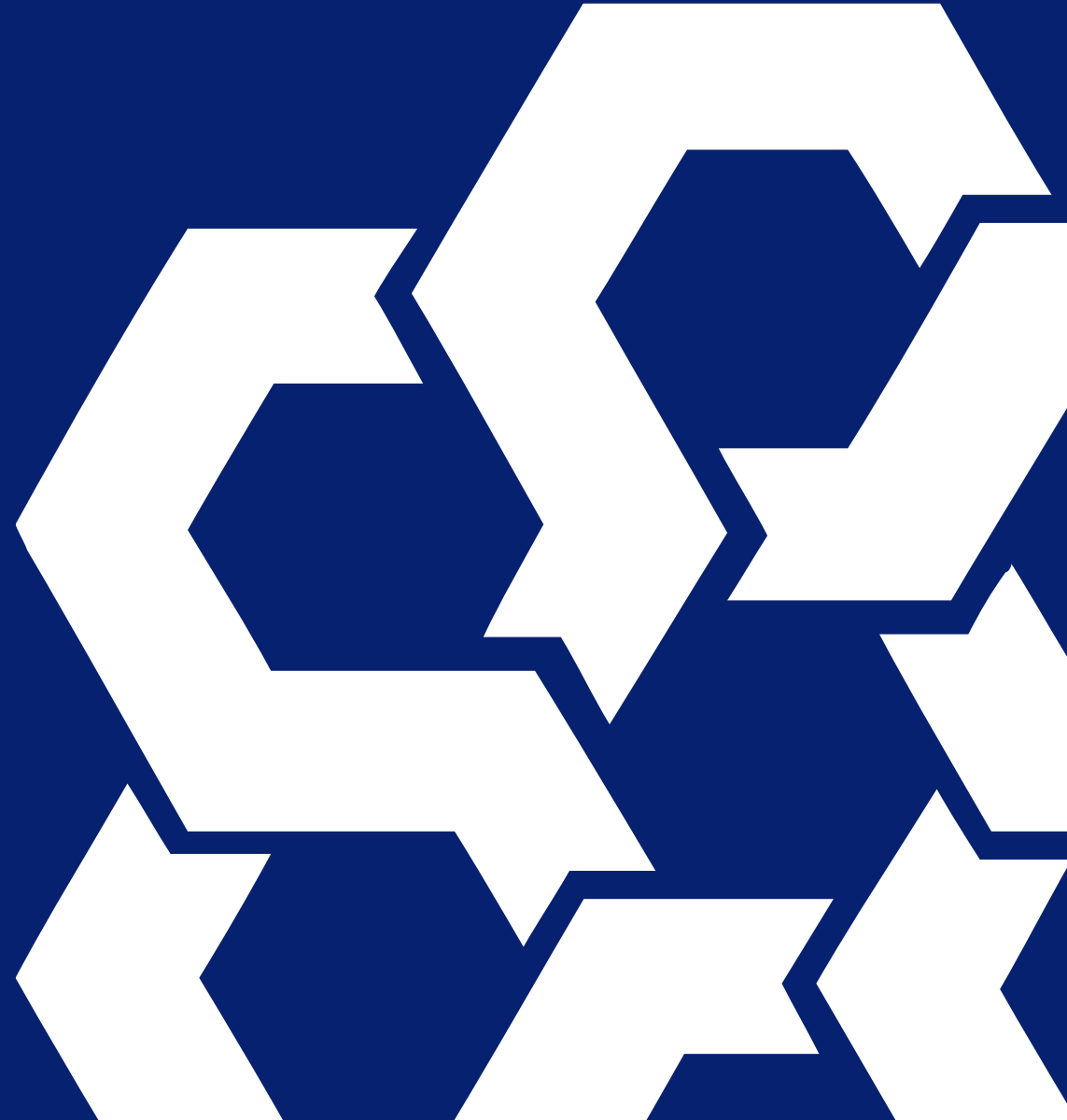
Areas of focus

- Improve application of IFRS Accounting Standards, including by developing illustrative examples
- Explore targeted amendments to improve disclosures about estimates in the financial statements
- Explain the objective and scope of financial statements
- Raise awareness of the requirements in IFRS Accounting Standards
- Work with the ISSB to ensure the work of both Boards is connected

Next milestone

- Publish Exposure Draft – expected in July 2024

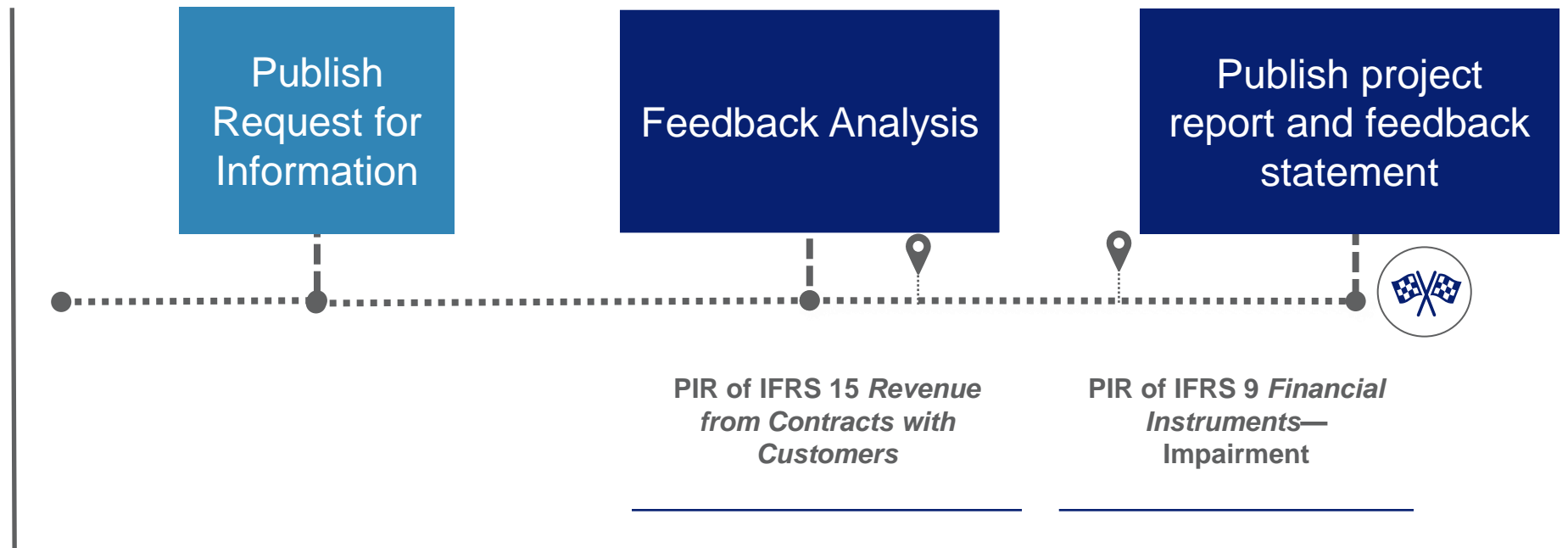
Post-implementation reviews



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 publish feedback statement in July 2024

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

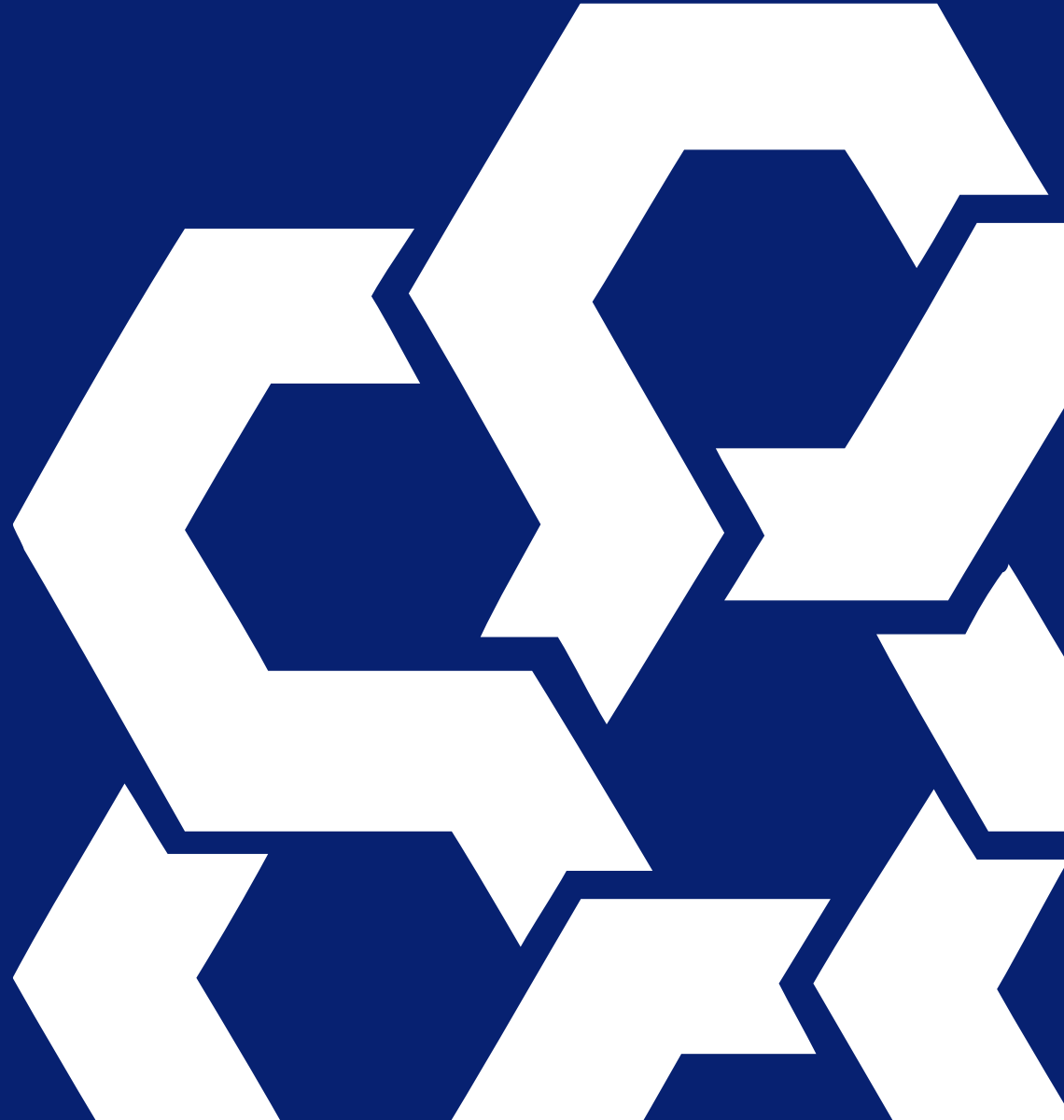
Request for Information feedback

- 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

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

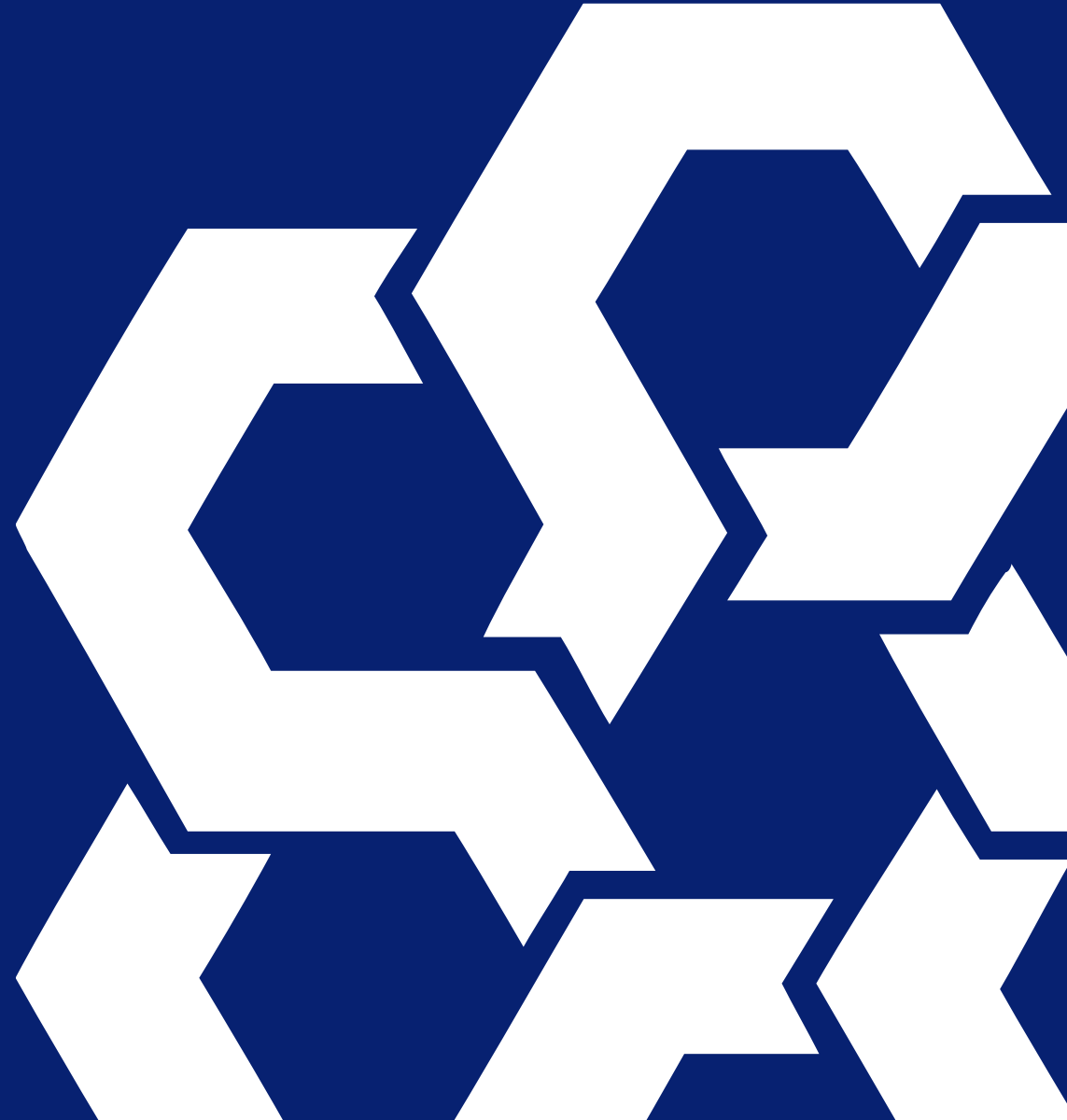
Areas of focus

- 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

Standard-setting projects



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

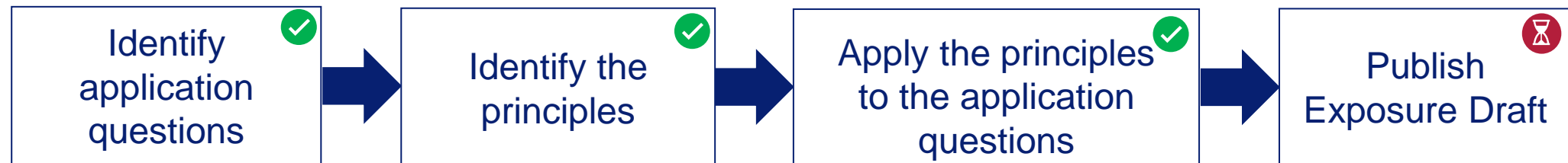
Project update

- The IASB has developed proposed answers to the application questions

Next steps

- Publish the Exposure Draft - expected in Q3 2024

Project approach



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

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

- Analyse feedback and redeliberate proposals in the Exposure Draft
- Decide project direction

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

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

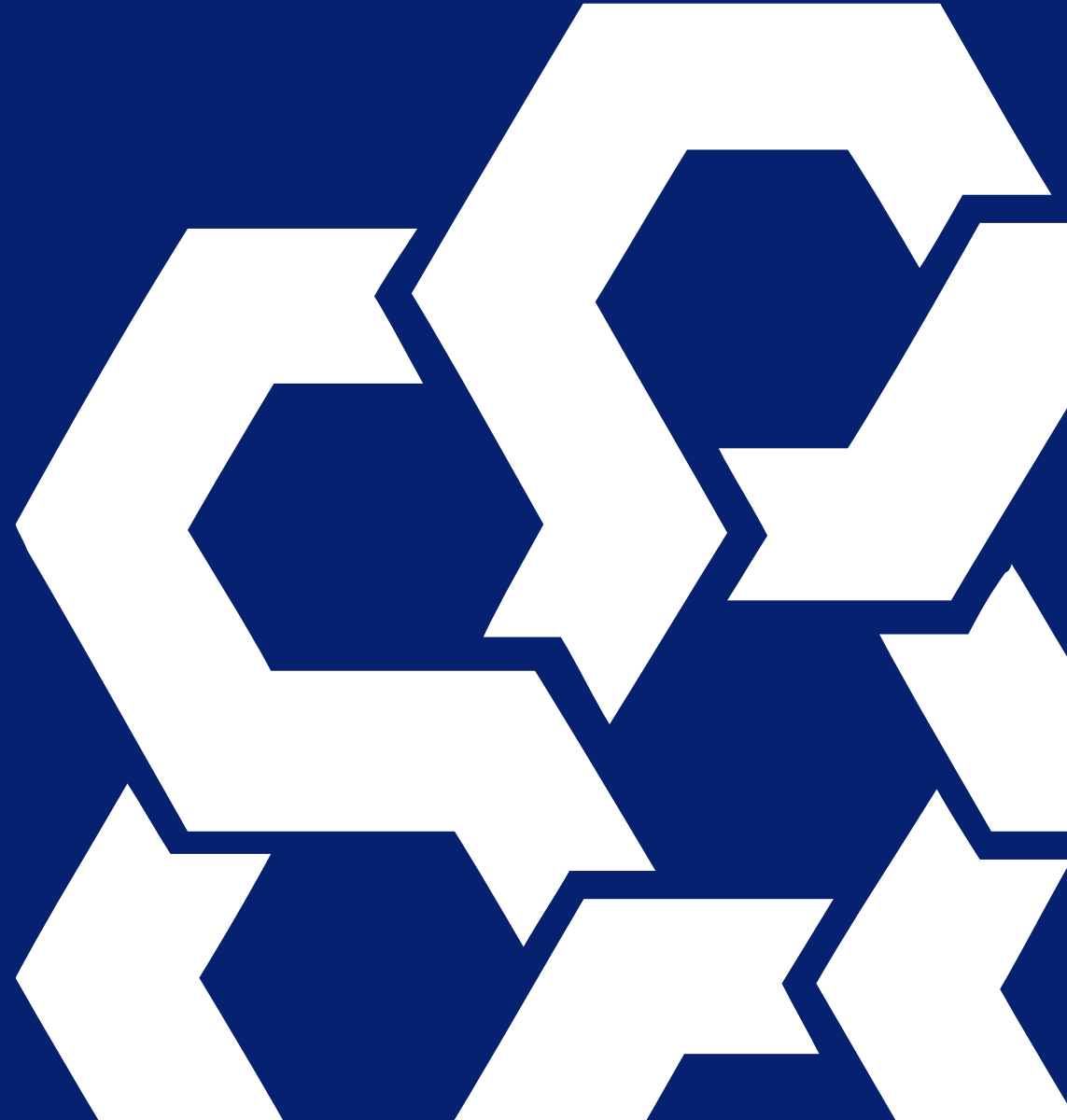
Proposals

- 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

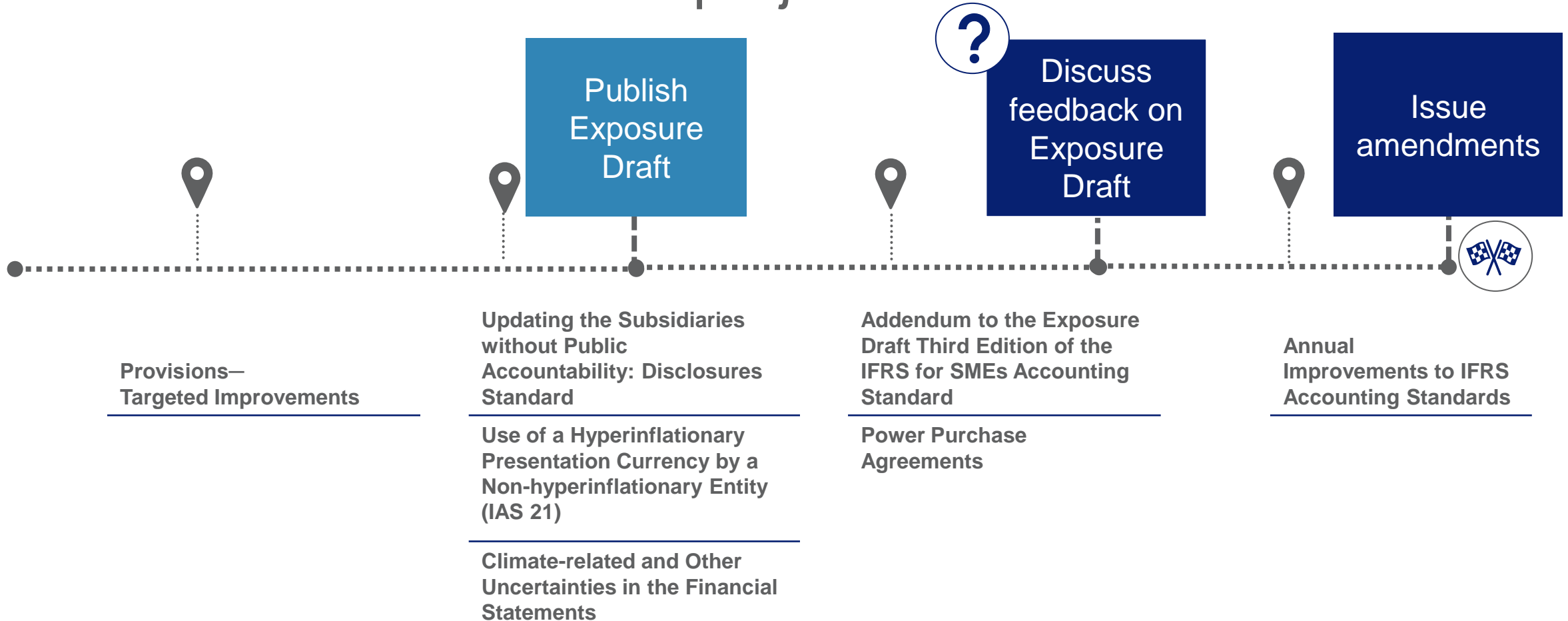
Next milestone

- Issue IFRS Accounting Standard – expected in 2025

Maintenance projects



Overview: maintenance projects



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

Updating the Subsidiaries without Public Accountability: Disclosures Standard

Objective

- Propose amendments to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

Project scope

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

Next steps

- Publish Exposure Draft – expected in July 2024

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 July 2024

Power Purchase Agreements (PPAs)

Objective

- 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

- Comment period for the Exposure Draft *Contracts for Renewable Electricity* closes on 7 August 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

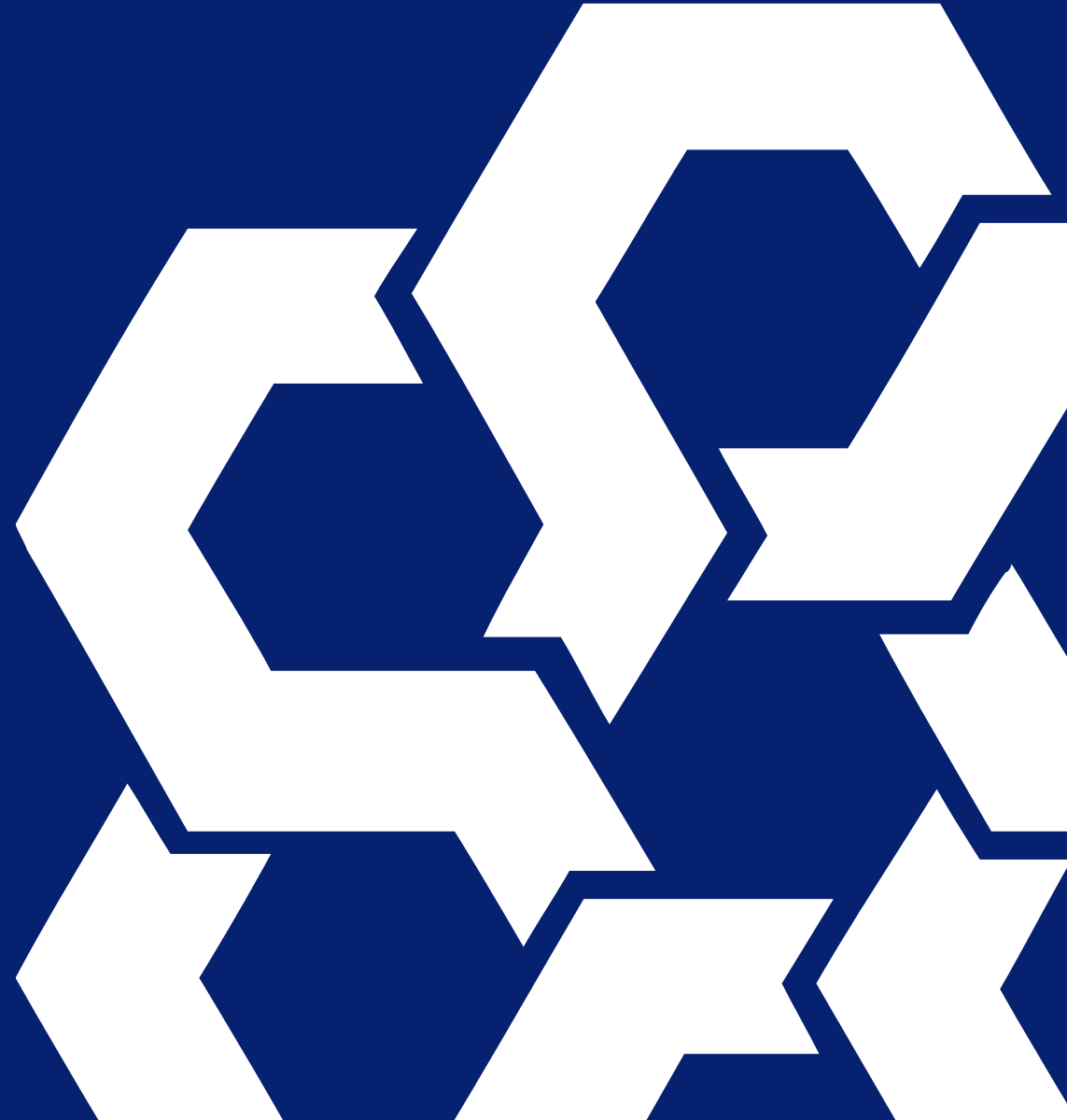
In scope

- 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

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 2026

- *Amendments to the Classification and Measurement of Financial Instruments*
(Amendments to IFRS 9 and IFRS 7)

1 January 2027

- IFRS 18 : *Presentation and Disclosure in Financial Statements*
- IFRS 19: *Subsidiaries without Public Accountability: Disclosures*

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

Amendments to the Classification and Measurement of Financial Instruments (IFRS 9 and IFRS 7)

Objective

- Clarify requirements in response to feedback on the post-implementation review of the classification and measurement requirements in IFRS 9

The amendments to IFRS 9 and IFRS 7

- 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



Effective date

Annual reporting periods beginning on or after 1 January 2026

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

IFRS 19: *Subsidiaries without Public Accountability: Disclosures*

IFRS 19—at a glance

- A voluntary Standard for eligible subsidiaries that will permit applying IFRS Accounting Standards with reduced disclosure requirements
- IFRS 19 will simplify reporting systems and processes and thereby reduce the costs of preparing eligible subsidiaries' financial statements

How to apply IFRS 19

- IFRS 19 is a disclosure-only standard. It does not include:
 - recognition, measurement and presentation requirements
 - guidance on applying disclosure requirements
- For recognition, measurement and presentation requirements, a subsidiary will refer to the relevant IFRS Accounting Standard



Effective date

Annual reporting periods beginning on or after 1 January 2027

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