IFRS Accounting

Staff paper

Agenda reference: 6

IFRS® Interpretations Committee meeting

Date	**September 2024**
Project	**Changes to Agenda Decisions due to IFRS 18**
Topic	**Update**
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Objective of this paper

1. The objective of this paper is to update the IFRS Interpretations Committee (Committee) on changes we are planning to make to agenda decisions due to the issuance of IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18).

Background and structure

2. After publication, agenda decisions are made available on our website and are included in the annotated versions of the IFRS Accounting Standards (Bound Volumes).

3. A few agenda decisions refer to requirements in IAS 1 *Presentation of Financial Statements*. In May 2024, the International Accounting Standards Board issued IFRS 18 which replaces IAS 1. Consequently, and consistent with our practice in the past when new/amended requirements are issued, we reviewed those agenda decisions to assess if they were still relevant. As a result of our review, we plan to:

   (a) withdraw one agenda decision (see paragraphs 5–7); and

   (b) update some agenda decisions (see paragraphs 8–11).

4. Paragraphs 12–14 explain the next steps. The appendix to this agenda paper reproduces some (or relevant extracts from some) agenda decisions.

Agenda decision withdrawal

5. We plan to withdraw the agenda decision '[IAS 1 Presentation of Financial Statements—issues related to the application of IAS 1](#)'(May 2014). This agenda decision is reproduced in the appendix.

6. The request asked to clarify the application of some of the presentation requirements in IAS 1 and listed, as examples:

   (a) presentation of expenses by function;

   (b) presentation of additional lines, headings and subtotals;

   (c) presentation of additional statements or columns in the primary statements; and

   (d) application of the materiality and aggregation requirements.

7. IFRS 18 addresses these application questions.

Agenda decisions updates

8. We categorise other changes we are planning to make to agenda decisions as:

   (a) changes relating to requirements in IAS 1 that have not been brought forward unchanged to IFRS 18; and

   (b) changes in references to requirements in IAS 1 that have been brought forward unchanged to IFRS 18, IAS 8 *Basis of Preparation of Financial Statements*[1] and IFRS 7 *Financial Instruments: Disclosures*.

[1] When it issued IFRS 18 *Presentation and Disclosure in Financial Statements* in April 2024, the IASB changed the title of IAS 8 to *Basis of Preparation of Financial Statements*.

IAS 1 requirements not brought forward unchanged

9. Some agenda decisions refer to requirements in IAS 1 that have not been brought forward unchanged to IFRS 18. Because the Committee did not discuss the application of the requirements of IFRS 18 we do not plan to retain unchanged the Committee's conclusions on these requirements. Consequently, we plan to delete references to requirements in IAS 1 not brought forward unchanged to IFRS 18, and the Committee's conclusion regarding the application of those requirements. We plan to add staff annotations in the form of bracketed text to those agenda decisions to explain the deletion and to also refer readers to the new requirements in IFRS 18.

10. We plan to amend text from the following agenda decisions, listed in descending order based their date of publication, as described above. For illustrative purposes, the appendix to this paper includes marked-up versions of relevant extracts from these agenda decisions:

    (a) Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (April 2022);

    (b) Supply Chain Financing Arrangements—Reverse Factoring (December 2020);

    (c) Presentation of Liabilities or Assets Related to Uncertain Tax Treatments (September 2019);

    (d) Disclosure of Changes in Liabilities Arising from Financing Activities (September 2019);

    (e) Subsequent Expenditure on Biological Assets (September 2019);

    (f) Presentation of payments on non-income taxes (July 2012);

    (g) Classification of tonnage taxes (May 2009); and

    (h) Normal operating cycle (June 2005).

IAS 1 requirements brought forward unchanged

11. Some agenda decisions refer to requirements in IAS 1 that have been brought forward unchanged to IFRS 18, IAS 8 and IFRS 7. We plan to include staff annotations in these agenda decisions to reference the new location of the relevant requirements. The appendix to this paper does not include extracts from all these agenda decisions, but those that are included in the appendix also include, for illustrative purposes, marked-up changes for updated references.

Next steps

12. We will remove/ update the agenda decisions outlined in this paper for inclusion in:
    (a) the 2025 Bound Volumes for the IFRS Accounting Standards that are issued;
    (b) the 2027 Bound Volumes for IFRS Accounting Standards that are effective[2].

13. We will also remove/ update the agenda decisions on our website on the agenda decisions webpage at the appropriate time. The original versions of the agenda decisions referred to in this paper will remain available on our website via the IFRIC Updates.

14. We will make stakeholders aware of the changes through the 'Compilation of Agenda Decisions' publications and other communications channels as appropriate.

Questions for the Committee
Does the Committee have any questions or comments?

[2] IFRS 18 and related amendments are effective from 1st January 2027.

Appendix—applicable agenda decisions

Agenda decision withdrawn

IAS 1 Presentation of Financial Statements (May 2014)

Issues related to the application of IAS 1

The Interpretations Committee received a request to clarify the application of some of the presentation requirements in IAS 1. The submitter expressed a concern that the absence of definitions in IAS 1 and the lack of implementation guidance give significant flexibility that may impair the comparability and understandability of financial statements. The submitter provided examples in the following areas:

(a) presentation of expenses by function;

(b) presentation of additional lines, headings and subtotals;

(c) presentation of additional statements or columns in the primary statements; and

(d) application of the materiality and aggregation requirements.

The Interpretations Committee observed that a complete set of financial statements is comprised of items recognised and measured in accordance with IFRS.

The Interpretations Committee noted that IAS 1 addresses the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. It also noted that while IAS 1 does permit flexibility in presentation, it also includes various principles for the presentation and content of financial statements as well as more detailed requirements. These principles and more detailed requirements are intended to limit the flexibility such that financial statements present information that is relevant, reliable, comparable and understandable.

The Interpretations Committee observed that securities regulators, as well as some members of the Interpretations Committee, were concerned about the presentation of information in the financial statements that is not determined in accordance with IFRS. They were particularly concerned when such information is presented on the face of the primary statements. The

Interpretations Committee noted that it would be beneficial if the IASB's Disclosure Initiative considered what guidance should be given for the presentation of information beyond what is required in accordance with IFRS.

Consequently, the Interpretations Committee determined that it should not propose an Interpretation nor an amendment to a Standard and consequently decided not to add this issue to its agenda. [In December 2014 the Board issued '*Disclosure Initiative*—Amendments to IAS 1' which made a number of changes to IAS 1, including adding paragraphs 30A, 55A, 85A and 85B to IAS 1]

Agenda decisions updated

Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 *Statement of Cash Flows*)

The Committee received a request about whether an entity includes a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party. In the fact pattern described in the request, the entity:

a. holds a demand deposit whose terms and conditions do not prevent the entity from accessing the amounts held in it (that is, were the entity to request any amount from the deposit, it would receive that amount on demand).

b. has a contractual obligation with a third party to keep a specified amount of cash in that separate demand deposit and to use the cash only for specified purposes. If the entity were to use the amounts held in the demand deposit for purposes other than those agreed with the third party, the entity would be in breach of its contractual obligation.

…

Presentation in the statement of financial position

Paragraph 54(i) of IAS 1 [now paragraph 103(k) of IFRS 18] requires an entity to include a line item in its statement of financial position that presents the amount of 'cash and cash equivalents'. [References to requirements in IAS 1 not brought forward unchanged to IFRS 18, and the Committee's conclusion regarding the application of those requirements, have been deleted on issue of IFRS 18. Refer to paragraphs 103–106 of IFRS 18 for requirements on presentation in the statement of financial position.] ~~Paragraph 55 of IAS 1 states 'an entity shall present additional line items (including by disaggregating the line items listed in paragraph 54) … in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position'.~~

Therefore, the Committee concluded that, in the fact pattern described in the request, the entity presents the demand deposit as cash and cash equivalents in its statement of financial position. ~~When relevant to an understanding of its financial position, the entity would disaggregate the 'cash and cash equivalents' line item and present the demand deposit separately in an additional line item.~~

An entity that presents assets as current or non-current would classify the demand deposit as current applying paragraph 66(d) of IAS 1 [now paragraph 99(d) of IFRS 18], unless the demand deposit is 'restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period'.

…

Supply Chain Financing Arrangements—Reverse Factoring

The Committee received a request about reverse factoring arrangements. Specifically, the request asked:

a. how an entity presents liabilities to pay for goods or services received when the related invoices are part of a reverse factoring arrangement; and

b. what information about reverse factoring arrangements an entity is required to disclose in its financial statements.

In a reverse factoring arrangement, a financial institution agrees to pay amounts an entity owes to the entity's suppliers and the entity agrees to pay the financial institution at the same date as, or a date later than, suppliers are paid.

Presentation in the statement of financial position

IAS 1 *Presentation of Financial Statements* [now IFRS 18 *Presentation and Disclosure in Financial Statements*] specifies how an entity is required to present its liabilities in the statement of financial position.

[References to requirements in IAS 1 not brought forward unchanged to IFRS 18, and the Committee's conclusion regarding the application of those requirements, have been deleted on issue of IFRS 18. Refer to paragraphs 41–43 of IFRS 18 for principles of aggregation and disaggregation and paragraphs 103–106 of IFRS 18 for requirements on presentation in the statement of financial position.]

~~Paragraph 54 of IAS 1 requires an entity to present 'trade and other payables' separately from other financial liabilities. 'Trade and other payables' are sufficiently different in nature or function from other financial liabilities to warrant separate presentation (paragraph 57 of IAS 1). Paragraph 55 of IAS 1 requires an entity to present additional line items (including by~~

~~disaggregating the line items listed in paragraph 54) when such presentation is relevant to an understanding of the entity's financial position. Consequently, an entity is required to determine whether to present liabilities that are part of a reverse factoring arrangement:~~

~~a. within trade and other payables;~~

~~b. within other financial liabilities; or~~

~~c. as a line item separate from other items in its statement of financial position.~~

~~Paragraph 11(a) of IAS 37 Provisions, Contingent Liabilities and Contingent Assets states that 'trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier'. Paragraph 70 of IAS 1 explains that 'some current liabilities, such as trade payables… are part of the working capital used in the entity's normal operating cycle'. The Committee therefore concluded that an entity presents a financial liability as a trade payable only when it:~~

~~a. represents a liability to pay for goods or services;~~

~~b. is invoiced or formally agreed with the supplier; and~~

~~c. is part of the working capital used in the entity's normal operating cycle.~~

~~Paragraph 29 of IAS 1 requires an entity to 'present separately items of a dissimilar nature or function unless they are immaterial'. Paragraph 57 specifies that line items are included in the statement of financial position when the size, nature or function of an item (or aggregation of similar items) is such that separate presentation is relevant to an understanding of the entity's financial position. Accordingly, the Committee concluded that, applying IAS 1, an entity presents liabilities that are part of a reverse factoring arrangement:~~

~~a. as part of 'trade and other payables' only when those liabilities have a similar nature and function to trade payables—for example, when those liabilities are part of the working capital used in the entity's normal operating cycle.~~

~~b. separately when the size, nature or function of those liabilities makes separate presentation relevant to an understanding of the entity's financial position. In assessing whether it is required to present such liabilities separately (including whether to disaggregate trade and other payables), an entity considers the amounts, nature and timing of those liabilities (paragraphs 55 and 58 of IAS 1).~~

~~The Committee observed that an entity assessing whether to present liabilities that are part of a reverse factoring arrangement separately might consider factors including, for example:~~

~~a. whether additional security is provided as part of the arrangement that would not be provided without the arrangement.~~

~~b. the extent to which the terms of liabilities that are part of the arrangement differ from the terms of the entity's trade payables that are not part of the arrangement.~~

…

Presentation of Liabilities or Assets Related to Uncertain Tax Treatments (IAS 1 *Presentation of Financial Statements*)—September 2019

The Committee received a request about the presentation of liabilities or assets related to uncertain tax treatments recognised applying IFRIC 23 *Uncertainty over Income Tax Treatments* (uncertain tax liabilities or assets). The request asked whether, in its statement of financial position, an entity is required to present uncertain tax liabilities as current (or deferred) tax liabilities or, instead, can present such liabilities within another line item such as provisions. A similar question could arise regarding uncertain tax assets.

…

Presentation of uncertain tax liabilities (or assets)

Neither IAS 12 nor IFRIC 23 contain requirements on the presentation of uncertain tax liabilities or assets. Therefore, the presentation requirements in IAS 1 [now IFRS 18 *Presentation and Disclosure in Financial Statements*] apply. Paragraph 54 of IAS 1 states that 'the statement of financial position shall include line items that present: …(n) liabilities and assets for current tax, as defined in IAS 12; (o) deferred tax liabilities and deferred tax assets, as defined in IAS 12…' [now paragraphs 103(q) and 103(r) of IFRS 18].

[References to requirements in IAS 1 not brought forward unchanged to IFRS 18, and the Committee's conclusion regarding the application of those requirements, have been deleted on issue of IFRS 18. Refer to paragraphs 103–106 of IFRS 18 for requirements on presentation in the statement of financial position.] ~~Paragraph 57 of IAS 1 states that paragraph 54 'lists items that are sufficiently different in nature or function to warrant separate presentation in the~~

~~statement of financial position'. Paragraph 29 requires an entity to 'present separately items of a dissimilar nature or function unless they are immaterial'.~~

Accordingly, the Committee concluded that, applying IAS 1 [now IFRS 18], an entity is required to present uncertain tax liabilities as current tax liabilities (paragraph 54(n)) [now paragraph 103(q)] or deferred tax liabilities (paragraph 54(o)) [now paragraph 103(r)]; and uncertain tax assets as current tax assets (paragraph 54(n)) [now paragraph 103(q)] or deferred tax assets (paragraph 54(o)) [now paragraph 103(r)].

…

Disclosure of Changes in Liabilities Arising from Financing Activities (IAS 7 *Statement of Cash Flows*)—September 2019

The Committee received a request from users of financial statements (investors) about the disclosure requirements in IAS 7 that relate to changes in liabilities arising from financing activities. Specifically, investors asked whether the disclosure requirements in paragraphs 44B–44E of IAS 7 are adequate to require an entity to provide disclosures that meet the objective in paragraph 44A of IAS 7.

…

Reconciling between the opening and closing balances of liabilities arising from financing activities

…

The Committee observed that an entity applies judgement in determining the extent to which it disaggregates and explains the changes in liabilities arising from financing activities included in the reconciliation to meet the objective in paragraph 44A. In this respect, the Committee noted the following:

a. in disaggregating liabilities arising from financing activities, and cash and non-cash changes in those liabilities, an entity applies paragraph 44B of IAS 7 ~~and paragraph 30A of IAS 1 *Presentation of Financial Statements*~~. [References to requirements in IAS 1 *Presentation of Financial Statements* not brought forward unchanged to IFRS 18

Presentation and Disclosure in Financial Statements, and the Committee's conclusion regarding the application of those requirements, have been deleted on issue of IFRS 18. Refer to paragraphs 41–43 of IFRS 18 for principles of aggregation and disaggregation.] ~~Paragraph 30A of IAS 1 states that an entity 'shall not reduce the understandability of its financial statements…by aggregating material items that have different natures or functions'. Accordingly, an entity discloses any individually material items separately in the reconciliation. Such items include material classes of liability (or asset) arising from financing activities and material reconciling items (ie cash or non-cash changes).~~

b. in explaining liabilities arising from financing activities, and cash and non-cash changes in those liabilities, an entity applies paragraph 44B of IAS 7 and paragraph 112(c) of IAS 1. Paragraph 112(c) of IAS 1 [now paragraph 113(c) of IFRS 18] requires an entity to disclose 'information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them'. Accordingly, applying paragraphs 44A–44E, an entity determines the appropriate structure for its reconciliation including the appropriate level of disaggregation. Thereafter, the entity determines whether additional explanation is needed to meet the disclosure objective in paragraph 44A. An entity would explain each class of liability (or asset) arising from financing activities included in the reconciliation and each reconciling item in a way that (i) provides information about its sources of finance, (ii) enables investors to check their understanding of the entity's cash flows, and (iii) enables investors to link items to the statement of financial position and the statement of cash flows, or related notes.

…

Subsequent Expenditure on Biological Assets (IAS 41 *Agriculture*)—September 2019

The Committee received a request about the accounting for costs related to the biological transformation (subsequent expenditure) of biological assets measured at fair value less costs to sell applying IAS 41. The request asked whether an entity capitalises subsequent expenditure (ie adds it to the carrying amount of the asset) or, instead, recognises subsequent expenditure as an expense when incurred.

…

Accordingly, the Committee concluded that, applying IAS 41, an entity either capitalises subsequent expenditure or recognises it as an expense when incurred. The Committee observed that capitalising subsequent expenditure or recognising it as an expense has no effect on the fair value measurement of biological assets nor does it have any effect on profit or loss; however, it affects the presentation of amounts in the statement of profit or loss. [References to requirements in IAS 1 *Presentation of Financial Statements* not brought forward unchanged to IFRS 18 *Presentation and Disclosure in Financial Statements*, and the Committee's conclusion regarding the application of those requirements, have been deleted on issue of IFRS 18. Refer to paragraphs 75–77 of IFRS 18 for requirements on items to be presented in the statement of profit or loss or disclosed in the notes.] ~~In assessing how to present such subsequent expenditure in the statement of profit or loss, an entity would apply the requirements in paragraphs 81–105 of IAS 1 *Presentation of Financial Statements*. In particular, the Committee observed that the entity would:~~

~~a.~~ ~~applying paragraph 85, 'present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance'; and~~

~~b.~~ ~~applying paragraph 99, present in the statement(s) presenting profit or loss and other comprehensive income or in the notes an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant.~~

Applying paragraph 13 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* [now IAS 8 *Basis of Preparation of Financial Statements*], an entity would apply its accounting policy for subsequent expenditure consistently to each group of biological assets. An entity would also disclose the selected accounting policy applying paragraphs 117–124 of IAS 1 [now paragraphs 27A–27I of IAS 8] if that disclosure would assist users of financial statements in understanding how those transactions are reflected in reported financial performance.

…

IAS *1 Presentation of Financial Statements* (July 2012)

IAS 1 *Presentation of Financial Statements* and IAS 12 *Income Taxes*—Presentation of payments on non-income taxes

The IFRS Interpretations Committee received a request seeking clarification of whether production-based royalty payments payable to one taxation authority that are claimed as an allowance against taxable profit for the computation of income tax payable to another taxation authority should be presented as an operating expense or a tax expense in the statement of comprehensive income. As the basis for this request, the submitter assumed that the production-based royalty payments are, in themselves, outside the scope of IAS 12 *Income Taxes* while the income tax payable to the other taxation authority is within the scope of IAS 12. On the basis of this assumption, the submitter asks the Committee to clarify whether the production-based royalty payments can be viewed as prepayment of the income tax payable. The Committee used the same assumption when discussing the issue.

[References to requirements in IAS 1 not brought forward unchanged to IFRS 18 *Presentation and Disclosure in Financial Statements* have been deleted on issue of IFRS 18. Refer to paragraphs 75–77 of IFRS 18 for requirements on items to be presented in the statement of profit or loss or disclosed in the notes.] ~~The Committee observed that the line item of 'tax expense' that is required by paragraph 82(d) of IAS 1 *Presentation of Financial Statements* is intended to require an entity to present taxes that meet the definition of income taxes under IAS 12.~~ The Committee ~~also~~ noted that it is the basis of calculation determined by the relevant tax rules that determines whether a tax meets the definition of an income tax. Neither the manner of settlement of a tax liability nor the factors relating to recipients of the tax is a determinant of whether an item meets that definition. The Committee further noted that the production-based royalty payments should not be treated differently from other expenses that are outside the scope of IAS 12, all of which may reduce income tax payable. Accordingly, the Committee observed that it is inappropriate to consider the royalty payments to be prepayment of the income tax payables. Because the production-based royalties are not income taxes, the royalty payments should not be presented as an income tax expense in the statement of comprehensive income. The Committee considered that, in the light of its analysis of the existing requirements of IAS 1 [now IFRS 18] and IAS 12, an interpretation was not necessary and consequently decided not to add this issue to its agenda

IAS 12 Income Taxes (May 2009)

Classification of tonnage taxes

The IFRIC received a request for guidance on whether a tax based on tonnage capacity can be considered an income tax in accordance with IAS 12. The IFRIC noted that the term 'tonnage tax' is applied to a variety of tax regimes. In some jurisdictions, shipping companies are permitted to choose to be taxed on the basis of tonnage transported, tonnage capacity or a notional profit instead of the standard corporate income tax regulations. In some jurisdictions, this choice is irrevocable.

The IFRIC has previously noted that IAS 12 applies to income taxes, which are defined as taxes that are based on taxable profit, and that the term 'taxable profit' implies a notion of a net rather than a gross amount. Taxes either on tonnage transported or tonnage capacity are based on gross rather than net amounts. Taxes on a notional income derived from tonnage capacity are not based on the entity's actual income and expenses. Consequently, the IFRIC noted that such taxes would not be considered income taxes in accordance with IAS 12 and would not be presented as part of tax expense in the statement of comprehensive income. [References to requirements in IAS 1 *Presentation of Financial Statements* not brought forward unchanged to IFRS 18 *Presentation and Disclosure in Financial Statements* have been deleted on issue of IFRS 18. Refer to paragraphs 75–77 of IFRS 18 for requirements on items to be presented in the statement of profit or loss or disclosed in the notes.] ~~However, the IFRIC also noted that, in accordance with paragraph 85 of IAS 1 *Presentation of Financial Statements*, an entity subject to tonnage tax would present additional subtotals in that statement if that presentation is relevant to an understanding of its financial performance.~~ Given the requirements of IAS 12, the IFRIC decided not to add the issue to its agenda.

IAS 1 *Presentation of Financial Statements* (June 2005)

Normal operating cycle

The IFRIC considered an issue regarding the classification of current and non-current assets by reference to an entity's normal operating cycle. It was asked whether the guidance in IAS 1.57(a) [now paragraph 99(a) of IFRS 18 *Presentation and Disclosure in Financial Statements*] was applicable only if an entity had a predominant operating cycle. This is particularly relevant to the inventories of conglomerates which, on a narrow reading of the wording, might always have to refer to the twelve-month criterion in IAS 1.57(c), rather than the operating cycle criterion.

The IFRIC decided not to consider the question further because, in its view, it was clear that the wording should be read in both the singular and the plural and that it was the nature of inventories in relation to the operating cycle that was relevant to classification. [References to requirements in IAS 1 not brought forward unchanged to IFRS 18, and the Committee's conclusion regarding the application of those requirements, have been deleted on issue of IFRS 18. Refer to paragraphs 19–20 of IFRS 18 for requirements on information to be presented in the primary financial statements or disclosed in the notes.] ~~Furthermore, if inventories of different cycles were held, and it was material to readers' understanding of an entity's financial position, then the general requirement in IAS 1.71 already required disclosure of further information.~~