IFRS Accounting

Staff paper

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IASB® meeting

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Project	**Amortised Cost Measurement**
Topic	**Project plan**
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Introduction

1. In September 2024, the IASB began the Amortised Cost Measurement project by discussing staff preliminary views on the project objectives, project approach, and an initial list of topics for scope.

2. In Q4 2024, the IASB consulted with the IFRS Interpretations Committee (IFRS IC), the Accounting Standards Advisory Forum (ASAF) and the Emerging Economies Group (EEG), seeking feedback on the project objectives, approach and scope.

3. This paper provides a summary of the IASB's discussion in September 2024, feedback from consultative groups, our analysis of that feedback, and the next steps.

4. The paper is structured as follows:

   (a) objectives and approach;

   (b) scope;

   (c) project criteria;

   (d) next steps; and

   (e) question for the IASB.

5. The paper also includes Appendix A—A reminder of the list of project topics.

Objectives and approach

Summary of the IASB's discussion in September 2024

6. The IASB discussed that the objectives for the project would be:

   (a) to address application matters arising from the amortised cost measurement requirements in IFRS 9, that are widespread and have a material effect on entities' financial statements; and

   (b) to improve specific information provided to users of financial statements about financial instruments measured at amortised cost.

7. In this context, the IASB noted that the project aims to achieve these outcomes:

   (a) to reduce accounting diversity by clarifying amortised cost measurement requirements. Achieving this outcome, as requested from stakeholders, will inevitably require that some entities change their accounting practices.

   (b) to clarify interaction between IFRS 9 requirements on amortised cost measurement and impairment.

   (c) to complete the targeted improvements in a timely manner. Timely completion was considered an important aim for this project because the issues in scope of this project have persisted for an extended period.

8. The IASB discussed that a '**targeted improvements**' approach aligns with stakeholders' feedback, which indicated no fundamental issues with the objectives and principles in IFRS 9 but highlighted challenges and significant diversity in applying amortised cost measurement requirements.

9. A targeted improvements approach would:

   (a) aim to clarify the principles underlying amortised cost measurement requirements. Clarification may involve, for example, adding an explanation of what the current requirements in IFRS 9 are designed to achieve and adding application guidance to facilitate their application. The IASB may also consider developing new principles to support the requirements when no underlying principle exists in IFRS 9 for specific requirements.

(b) address the underlying causes of these application issues rather than seeking solutions for specific features or types of financial instruments, ie avoid clarifying requirements solely to achieve a particular accounting outcome for specific features or financial instruments.

(c) focus primarily on the measurement requirements for amortised cost. However, resolving issues might also require improving presentation or disclosure requirements.

10. Some IASB members emphasised the need to gather information from stakeholders such as preparers about the root cause of diversity in practice. This data would assist the IASB in determining whether it can solve an issue effectively and efficiently.

Summary of feedback from consultative groups

11. The IASB sought feedback from its consultative groups on whether the project objectives and approach adequately address stakeholders' concerns, as well as if they facilitate timely progress in this project.

12. Overall, the consultative group members agreed with the project objectives and supported a targeted improvements approach. Consistent with the IASB's discussion, some members highlighted that:

(a) collecting evidence on the root cause of diversity in practice for each topic is essential. Specifically, to understand why entities account for similar transactions differently—whether such diversity arises due to IFRS 9 being silent or unclear, or due to other factors such as application of judgement.

(b) clarifying the amortised cost measurement requirements should include:

(i) clearly stating what the specific requirements intend to achieve; and

(ii) outlining the accounting approach or method required to achieve the intended outcome.

13. Some consultative group members recommended that the IASB:

(a) clearly communicates the differences in standard-setting process between targeted improvements and narrow-scope amendments.

(b) manages stakeholders' expectations by emphasising that this is a standard-setting project which aims to improve critical requirements of IFRS 9 and, if finalised, could result in some entities needing to make substantial changes in how they apply those requirements. Clear understanding of the project's impact would facilitate effective stakeholder engagement throughout its duration.

(c) does not prioritise limiting changes to existing requirements over effectively addressing practice issues. In their view, the priority should be on achieving the project objectives rather than minimising the resulting changes in practice.

14. Some ASAF members emphasised that many of the amortised cost requirements were carried over from IAS 39 *Financial Instruments: Recognition and Measurement*. Consequently, entities have longstanding practices for applying these requirements. They suggested the IASB collaborate with national standard-setters to continuously involve preparers and users of financial statements (investors) in evaluating potential solutions.

Staff analysis

15. The comments from consultative groups in paragraph 12 align with the IASB's discussion. As noted in paragraph 10, IASB members also emphasised the need to identify the reasons for diversity in application of requirements. Likewise, when the IASB stated that the project would involve clarifying the principles underlying the requirements, it noted that this would necessitate articulating the objective or the intended outcome that underpins specific requirements (see paragraph 9(a)).

16. We agree with the recommendations in paragraph 13. Clear communication of the project's intended outcomes and approach is important, and we will aim to be clear from the outset.

17. In response to the request for clarifying the difference between targeted improvements and narrow scope amendments, we note that a targeted improvements approach, as described in paragraph 9, does not indicate that the resulting changes in IFRS 9 will be minimal. It indicates that the IASB will aim to improve some, but not all, the amortised cost measurement requirements. The requirements to be reviewed in this project are those causing the practice issues in its scope. In contrast, as discussed in September 2024, narrow-scope amendments typically involve limited amendments for a particular fact pattern or a specific feature of financial instruments, without clarifying underlying principles or rationales.

Scope

Summary of the IASB's discussion in September 2024

18. The IASB discussed a summary of application issues considered for the scope of this project (see Appendix A), which were deliberated during the post-implementation reviews of IFRS 9 and determined to meet the criteria for taking action.[1]

19. Although the IASB started this project in response to the several application issues raised by stakeholders, the IASB noted that these issues collectively presented one overarching question—how to account for a **change in expected cash flows** of a financial instrument measured at amortised cost.

20. Accordingly, the application issues in this project are interrelated and generally cannot be effectively considered in isolation. For example, addressing the accounting for modifications (items 6–8 in Appendix A) would be incomplete without addressing the

[1] In this paper, post-implementation reviews of IFRS 9 refer to the Post-implementation Review of IFRS 9—Classification and Measurement and the Post-implementation Review of IFRS 9—Impairment.

accounting for the associated fees or costs (items 4–5 in Appendix A) or the resulting modification gains or losses (item 9 in Appendix A).

Summary of feedback from consultative groups

21. Most consultative group members said that the list of application issues is complete and adequately captures the issues stakeholders raised during the post-implementation reviews of IFRS 9. However, some said the list is ambitious, suggesting prioritising some issues over others.

22. Nonetheless, different members suggested prioritising different issues. They generally suggested one or more of the following issues for prioritisation:

    (a) **estimating future cash flows at initial recognition to determine the effective interest rate (EIR)—**clarifying the method of calculating the EIR for a financial instrument that includes conditions attached to the contractual interest rate (*Item 1 in Appendix A*).

    (b) **accounting for subsequent changes in estimated future cash flows**—clarifying which changes in estimated future cash flows are accounted for by applying paragraph B5.4.5 versus B5.4.6 of IFRS 9 (*Items 2–3 in Appendix A*).

    (c) **accounting for modifications of financial instruments**—clarifying what constitutes a 'modification', how to determine if it results in derecognition, and distinguishing it from partial derecognition (*Items 6–8 in Appendix A*).

    (d) **boundaries between modification, derecognition, and impairment**—clarifying the intersection between different requirements when accounting for changes in expected cash flows, for example as a modification, derecognition or impairment of a financial instrument. This includes clarifying the required sequence of applying relevant requirements in IFRS 9 (*Item 11 in Appendix A*).

23. A few consultative group members recommended the IASB exclude accounting for write-offs from scope (*Item 10 in Appendix A*). They said that determining 'no reasonable expectations' of recovering a financial asset, as required by IFRS 9, often

depends on local laws and regulations, making it difficult for the IASB to resolve it efficiently and effectively.

24. Despite the comments in paragraphs 21 and 22, some ASAF members suggested adding further issues to the scope:

(a) two national standard-setters suggested that, in clarifying the modification requirements of IFRS 9, the IASB also consider the relationship with equivalent requirements in other IFRS Accounting Standards, such as IFRS 16 *Leases* or IFRS 17 *Insurance Contracts.*

(b) one national standard-setter suggested the IASB add several topics, including clarifying modification and derecognition requirements for financial instruments measured at fair value through profit or loss and clarifying the relationship between the amortised cost measurement requirements in IFRS 9 and the requirements in paragraph 23 of IAS 32 *Financial Instruments: Presentation* for measuring an entity's obligation to purchase its own equity instruments.

(c) another national standard-setter suggested the IASB add specific requirements or provide illustrative examples in IFRS 9 for various topics, such as the accounting for receivables from or payables to a foreign operation.

Staff analysis

25. Overall, feedback from consultative groups confirmed that the list of application issues discussed by the IASB is complete.

26. Some consultative group members raised concerns that the list is too ambitious. However, we note that the IASB's approach for this project, as described in paragraph 9, is to clarify the principles underlying the requirements that cause these application issues, rather than developing a solution for each individual issue separately. Therefore, we think the scope of this project should be considered thematically, rather than as a series of discrete application matters to be addressed independently.

27. As noted in paragraph 19, the overarching theme of all the issues in this project is how to account for changes in the expected cash flows of a financial instrument measured at amortised cost. To further define the scope of the project, the IASB could split this overarching theme into two:

    (a) changes in expected cash flows that affect the EIR (both at initial recognition and subsequent measurement); and

    (b) changes in expected cash flows that affect the carrying amount.

28. Focusing on the measurement principles underpinning these two themes would allow the IASB to explore principle-based solutions for application issues and holistically consider the interactions between different requirements.

29. Considering the more detailed feedback from consultative groups, we noted that members' priority issues, set out in paragraph 22, encompass most issues in the IASB’s list. Generally, consultative group members did not prioritise issues that, while peripheral, are interrelated to those they identified as priorities. However, as emphasised in paragraph 20, addressing an issue in isolation, without considering interrelated matters, would not be effective or efficient.

30. Regarding the feedback from some members on expanding the scope of the project, we considered:

    (a) the objective of this project which is to address application matters that arise from the amortised cost measurement requirements in IFRS 9. Therefore, the initial step is to determine whether an issue originates from these requirements or if it stems from requirements in other IFRS Accounting Standards.

    (b) the IASB’s discussion in September 2024 that any new issues emerging in this project will be evaluated based on criteria it established for determining the project's scope (see paragraphs 32–34).

31. In evaluating the suggested topics against these considerations, we found that:

(a) the issues that arise from the intersection between IFRS 9 and other IFRS Accounting Standards, such as IFRS 16 or IFRS 17, were considered by the IASB in the post-implementation reviews of IFRS 9. The IASB decided to take no action because feedback analysis showed that the requirements in IFRS 9 work as intended. For example, the IASB noted that the impairment requirements in IFRS 9 are applied to the gross carrying amount of lease receivables after such amount was determined applying the requirements in IFRS 16 (ie including modification requirements).[2] Nonetheless, the IASB will consider consequential amendments in other IFRS Accounting Standards resulting from this project (see paragraph 32(d)(iii)).

(b) the issue raised by a national standard-setter on the application of paragraph 23 of IAS 32 and how it relates to the requirements of IFRS 9 is a matter currently being considered by the IASB as part of the Financial Instruments with Characteristics of Equity (FICE) project. Future IASB deliberations on the FICE project will determine the next steps about this issue.

(c) the other suggested topics, outlined in paragraphs 24(b)–24(c), represent isolated matters, for which we do not have evidence of being widespread.

Project criteria

Summary of the IASB's discussion in September 2024

32. To ensure the project objectives are met, the IASB discussed a set of criteria for determining which issues should be included in this project. Specifically, the IASB considered exploring solutions for issues:

(a) that are widespread and have a material effect on entities' financial statements;

[2] For further details on the IASB's rationale for not taking action, see Project Summary and Feedback Statement for the post-implementation review of impairment requirements in IFRS 9.

(b) for which financial reporting would be improved through clarifications aimed at reducing diversity in practice. That is, the diversity resulting from unclear requirements or insufficient application guidance in IFRS 9.

(c) for which the benefits to investors from the resulting information outweigh the implementation costs for preparers. When evaluating this condition, the IASB will consider factors such as whether a potential solution was previously dismissed due to operational complexity; and

(d) that can be resolved by the IASB efficiently and effectively without:

  (i) fundamentally rewriting the requirements of IFRS 9;

  (ii) creating internal inconsistencies in IFRS 9; and

  (iii) amending other IFRS Accounting Standards (except for consequential amendments).

33. The IASB noted that the application issues considered for scope (see Appendix A) were determined to have met the criteria in paragraphs 32(a)–32(b) during the post-implementation reviews of IFRS 9. Therefore, only new issues emerging during this project will require assessment against these two criteria.

34. Conversely, the criteria in paragraphs 32(c)–32(d) require ongoing reassessment. In particular, the IASB will need to evaluate if a solution balances investor benefits and preparer costs, and if it can be developed without significantly delaying the project completion. If the IASB becomes aware that these conditions might not be met for an issue, it may decide not to pursue the issue.

35. In discussing its reference to ‘reducing diversity in practice’, the IASB specified that this refers to reducing inconsistent application (ie diversity), which occurs when entities reach different conclusions on the same set of facts and circumstances, within the same context. The aim is not to achieve consistent accounting outcomes when facts or circumstances differ.

Summary of feedback from consultative groups

36. Consultative group members emphasised the need for a set of criteria to ensure that project objectives are met. Some members provided specific suggestions:

(a) to focus on issues where the benefits to investors from the resulting information outweighs the implementation costs for preparers. In particular, to ensure solutions are practical, not just conceptually sound.

(b) to evaluate potential solutions robustly, amending IFRS 9 only when improvements are evident. Replacing one ambiguous requirement with a slightly less ambiguous one would not be useful.

Staff analysis

37. These suggestions from consultative group members align with the IASB's criteria, such as those outlined in paragraphs 32(b)–32(d). Notably, at its meeting in September 2024, the IASB discussed that previous projects proposed solutions with conceptual merits, but some of these were not finalised due to operational complexity. Therefore, it stated explicitly that when evaluating a potential solution, it would assess if the solution was previously dismissed due to operational complexity (see paragraph 32(c)).

38. We note that the IASB has been developing a prioritisation framework to establish a structured approach for each prioritisation decision in the standard-setting process. In its January 2025 meeting, the IASB discussed a draft of such a prioritisation framework.

39. Some assessments required in that framework have the same meaning to the criteria in paragraph 32, albeit articulated differently. For instance, the assessment of whether:

(a) a matter is pervasive, aligns with the criteria in paragraph 32(a);

(b) expected financial reporting benefits exceed costs, aligns with the criteria in paragraph 32(c); and

(c) standard-setting is feasible, aligns with the criteria in paragraph 32(d).

40. Once the prioritisation framework is finalised, we will align the drafting of the project criteria with the equivalent descriptions in that framework to ensure consistency.

Next steps

41. As previously noted, both IASB and consultative group members emphasised the need to obtain input from preparers on the reasons for different accounting practices regarding amortised cost measurement. This input was considered necessary for effective deliberations on this project.

42. We agree with this suggestion. Some comment letters to the post-implementation reviews of IFRS 9 mentioned that unclear or insufficiently explicit requirements in IFRS 9 lead to diversity in application, but they did not provide details on factors entities consider for reaching different conclusions for same fact patterns.

43. Obtaining input from preparers would be useful to the IASB in distinguishing between issues where diversity in practice occurs because:

    (a) IFRS 9 is silent or has no explicit requirements or application guidance, leading entities to develop own accounting policies. For instance, an entity might have developed a policy based on guidance from the accounting firms. This guidance can differ across accounting firms, resulting in diversity in practice. Understanding the factors an entity considered when developing a particular accounting policy can inform the IASB's deliberations; or

    (b) IFRS 9 requires application of judgement to determine accounting outcomes, leading to different outcomes based on facts and circumstances, such as local laws or regulations or management's expectations about future cash flows; or

    (c) the IFRS 9 requirements are viewed as impractical or operationally complex, resulting in entities developing 'simplified' accounting policies that, for example, align with their system capabilities.

44. This information would then assist the IASB in assessing whether it can resolve an issue efficiently and effectively and what the potential solutions might be.

45. Accordingly, unless IASB members have alternative suggestions, we plan to organise outreach meetings with preparers from March 2025. For efficiency purposes, we plan to arrange these meetings with groups of preparers, such as industry groups, rather than with individual entities. Our outreach plan would target different industries, including financial institutions and corporates, across different geographic regions.

46. Additionally, we acknowledge the importance of obtaining input from investors to ensure the project objectives are met. Although the application issues in this project have generally been raised by preparers or auditors, the project ultimately aims to reduce diversity in how entities account for similar transactions, thereby achieving more consistent application.

47. Achieving this objective would not only lower the application and auditing costs but could also enhance comparability across different entities, thereby improving the usefulness of the information for investors.

48. Thus, we plan to consult with investors as the project progresses, particularly in evaluating potential solutions. We will collaborate with the IFRS Foundation's stakeholder engagement team to engage with investors efficiently and effectively.

49. As noted in paragraph 14, some national standard-setters offered the IASB collaborate with them to obtain feedback from stakeholders. Accordingly, we will also work with them to gather the outlined evidence.

Indicative project timeline

50. The indicative timeline for the IASB's deliberations is set out in the table below. This table outlines the sequence in which we intend to present analyses of various topics to the IASB and provides an indication of when deliberations on each topic are expected to start. For example, we plan to present an initial analysis about determining the EIR in Q2 2025, with discussions anticipated to continue through Q3 or Q4 2025. This extended timeline is to account for the interdependencies between topics.

Area	Topic (Items in bold are prioritised by consultative groups—see paragraph 22)	Indicative timeline
Changes in expected cash flows that affect the EIR	**Determining EIR with conditions attached to the contractual interest rate** **Accounting for subsequent changes in estimated cash flows** **The effect of modifications on EIR**	Q2 / Q3 2025
Changes in expected cash flows that affect the carrying amount	**What constitutes a 'modification' of financial instruments** **Assessment of modifications that lead to derecognition** **Partial derecognition vs modification of a financial instrument** Accounting for modification gains or losses Accounting for unamortised transaction costs and fees received in modifications Accounting for 'fees and costs incurred' as required by paragraph 5.4.3 of IFRS 9	Q4 2025
	Boundaries between modification, derecognition, and impairment	Q1 2026
	The IASB to reconsider whether it can solve the issues relating accounting for write-offs effectively and efficiently.	Q1 2026

Question for the IASB

Question for the IASB
Do IASB members have any questions or comments on this paper, including any suggestions about the next steps?

Appendix A—A reminder of the list of project topics

A1. The following table provides a summary of the list of issues included in Agenda Paper 11 of the IASB's September 2024 meeting.

#	Topic	Description
1	Determining EIR with conditions attached to the contractual interest rate	In determining EIR upon initial recognition, how to reflect uncertainty arising from conditions attached to the contractual interest rate. [3]
2	Accounting for subsequent changes in cash flows	How is an entity required to account for subsequent changes in estimated future contractual cash flows—whether it applies paragraph B5.4.5 or paragraph B5.4.6 of IFRS 9.[4]
3	Effect of modifications on EIR	Whether, and when, an entity is required to adjust the EIR of a financial instrument following a modification of contractual cash flows.
4	Unamortised transaction costs or fees in a modification	How to account for unamortised transaction costs or fees received as part of a modification of financial assets and financial liabilities.
5	Meaning of 'fees and costs incurred'	Whether the phrase 'fees and costs incurred' in paragraph 5.4.3 of IFRS 9 includes fees received, fees paid, and costs paid by both the lender and the borrower.
6	What constitutes a 'modification' of financial instruments	Whether modification represents changes in **contractual terms** of a financial instrument (see paragraph 3.3.2 of IFRS 9) or changes in **contractual cash flows** (see paragraph 5.4.3 of IFRS 9).[5]
7	Assessing which modifications lead to derecognition	How to assess whether a modification leads to derecognition of a financial instrument.[6]

[3] For a detailed description of this topic see paragraphs 8–11 of Agenda Paper 3B of the July 2022 IASB meeting.

[4] For a detailed description of this topic see paragraphs 12–16 of Agenda Paper 3B of the July 2022 IASB meeting.

[5] For a detailed description of this topic see paragraphs 9–11 of Agenda Paper 3A of the July 2022 IASB meeting.

[6] For a detailed description of this topic see paragraphs 12–19 of Agenda Paper 3A of the July 2022 IASB meeting.

#	Topic	Description
8	Partial derecognition versus modification of a financial instrument	Clarification of the difference between a partial derecognition versus modification of a financial instrument.[7]
9	Accounting for modification gains or losses	Clarification about how to determine and present gains or losses resulting from modification of a financial instrument in statement of profit or loss.[8]
10	Accounting for write-offs and subsequent recoveries	Perceived insufficient application guidance about determining whether the conditions for write-off are met. Furthermore, clarification is requested on how to account for subsequent recoveries from a write-off.[9]
11	Boundaries between modification, derecognition, and impairment	Clarifications requested about when to account for changes in expected cash flows as modifications, derecognition, or as impairment, including what is the required sequence of applying the pertinent IFRS 9 requirements. [10]

[7] For a detailed description of this topic see paragraphs 20–24 of Agenda Paper 3A of the July 2022 IASB meeting.
[8] For a detailed description of this topic see paragraphs 25–28 of Agenda Paper 3A of the July 2022 IASB meeting.
[9] For a detailed description of this topic see paragraphs 39–40 of Agenda Paper 27C of the April 2024 IASB meeting.
[10] For a detailed description of this topic see paragraphs 35–38 of Agenda Paper 27C of the April 2024 IASB meeting.