
IASB Technical Update

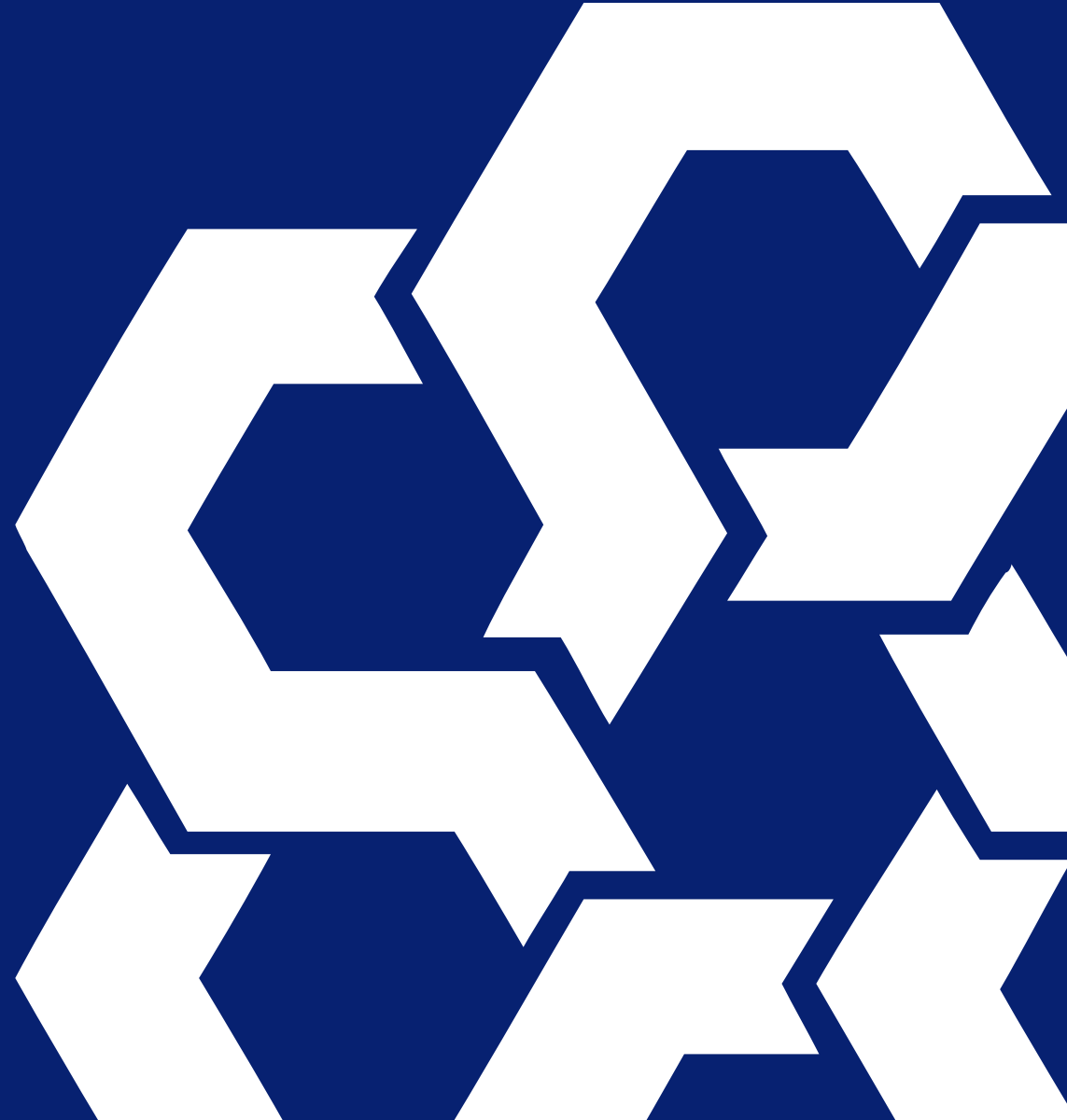
8th Executive IFRS Workshop for Supervisors

Tadeu Cendon
November 2023

Agenda

- 1 IASB work plan – what is coming
- 2 Incoming IFRS accounting standards
- 3 Financial instruments projects
- 4 IASB work plan – other projects
- 5 Connectivity with the ISSB
- 6 Questions and answers session

IASB Work Plan – What is coming



What will affect you in the coming months?

Recent amendments	Effective date
Lease Liability in a Sale and Leaseback [IFRS 16]	1 January 2024
Non-current Liabilities with Covenants [IAS 1]	1 January 2024
International Tax Reform—Pillar Two Model Rules [IAS 12]	1 January 2023*
Supplier Finance Arrangements [IAS 7; IFRS 7]	1 January 2024
Lack of Exchangeability [IAS 21]	1 January 2025

* and immediately upon issuance for paras 4A and 88A

New IFRS Standards – H1 2024

- ✓ Primary Financial Statements
- ✓ Subsidiaries without Public Accountability: Disclosures

New consultation – Q4 2023

- ✓ Exposure draft proposing amendments to IAS 32 *Financial Instruments with Characteristics of Equity*

New IFRS Accounting Standards:

- *Primary financial statements*

⊕ New IFRS Accounting Standard

1H 2024

Key messages

New IFRS Accounting Standard to improve reporting of financial performance

Responds to investors' demand for better information about companies' financial performance



Improves how information is communicated in the financial statements – will affect all companies and all investors



Gives investors a better basis for analysing and comparing companies' performance



Enhances transparency and efficiency in the capital markets

IFRS 18 – the new 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)

Better information for better decisions

– increases comparability, transparency and usefulness of information



Publication date: Q2 2024

Effective date: 1 January 2027

Who will the requirements affect?

All stakeholders in all industries in jurisdictions that apply IFRS Accounting Standards

Will impact:

- how **companies** present and disclose information, but not their bottom-line financial performance
- the quality of information, including digital information, available for **investors**
- the scope of information subject to assurance by **auditors** and enforcement by **regulators**



Categories and subtotals in the statement of profit or loss

Investors' concerns

- Difficulty comparing financial performance because companies' statement of profit or loss vary in content and structure

IFRS 18 introduces

- Three defined categories to provide a consistent structure of the statement of profit or loss:
 - operating
 - investing
 - financing
- Two new required subtotals to enable analysis:
 - operating profit
 - profit before financing and tax

MPMs

Investors' concerns

- Investors find MPMs useful but they have concerns about lack of transparency of how these measures are calculated

IFRS 18 introduces

- Requirement to disclose in a single note:
 - Statement that the MPM reflects management's view
 - Explanation of why the MPM is reported
 - Reconciliation back to IFRS-defined number
 - Explanation of any changes to the MPM

Grouping – aggregation and disaggregation – of information

Investors' concerns

- some companies don't provide enough detailed information
- important information is obscured

IFRS 18 introduces

- enhanced requirements for grouping of information
- guidance on whether information should be in the primary financial statements or the notes
- disclosures about items labelled as 'other'

Statement of profit or loss – general corporate

Revenue

Cost of goods sold

Gross profit

Other operating income

Selling expense

Research and development expenses

General and administrative expenses

Other operating expenses

Operating profit

Share of the profit from associates and joint ventures

Other investment income

Profit before financing and income tax

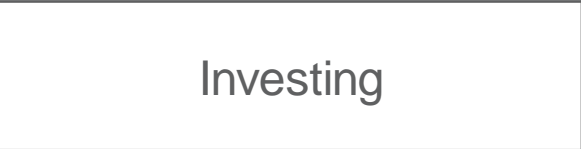
Interest expense on borrowings and lease liabilities

Interest expense on pension liabilities

Profit before tax

Income tax expense

Profit for the year



Line items illustrate what is classified in each category and do not necessarily denote line items that a company would present. An entity would present line items that provide a useful structured summary of its income and expenses.

Statement of profit or loss - financing and investing as main business activities

Interest revenue

Interest expense

Net interest income

Fee and commission income

Fee and commission expenses

Net fee and commission income

Net trading income

Net investment income

Credit impairment losses

Employee benefits

Depreciation and amortisation expenses

Operating profit

Share of profit or loss of associates and joint ventures

Operating profit and income and expenses from equity method investments

Interest expense on pension and lease liabilities

Profit before tax

Income tax expense

Profit for the year

Operating

Non-main Investing and
financing

Line items illustrate what is classified in each category and do not necessarily denote line items that a company would present. An entity would present line items that provide a useful structured summary of its income and expenses.

New IFRS Accounting Standards:

- *Subsidiaries without Public Accountability*

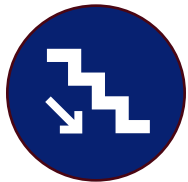
⊕ New IFRS Accounting Standard

1H 2024

Key facts about the future Standard



Optional IFRS Accounting Standard



Simplified preparation of financial statements for eligible subsidiaries while maintaining the usefulness for their users



Reduced disclosure requirements



Publication date: Q2 2024
Effective date: 1 January 2027

Who can apply the future Standard?

Eligible subsidiaries

An eligible subsidiary is an entity:

- that does **not have public accountability**; and
- whose parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.

What is public accountability



Equity or debt instruments traded in public market



Hold assets entrusted to them by their customers

Benefits of applying the future Standard



Reduced cost of preparing financial statements



Simplification of the reporting process



Improved application of IFRS Accounting Standards

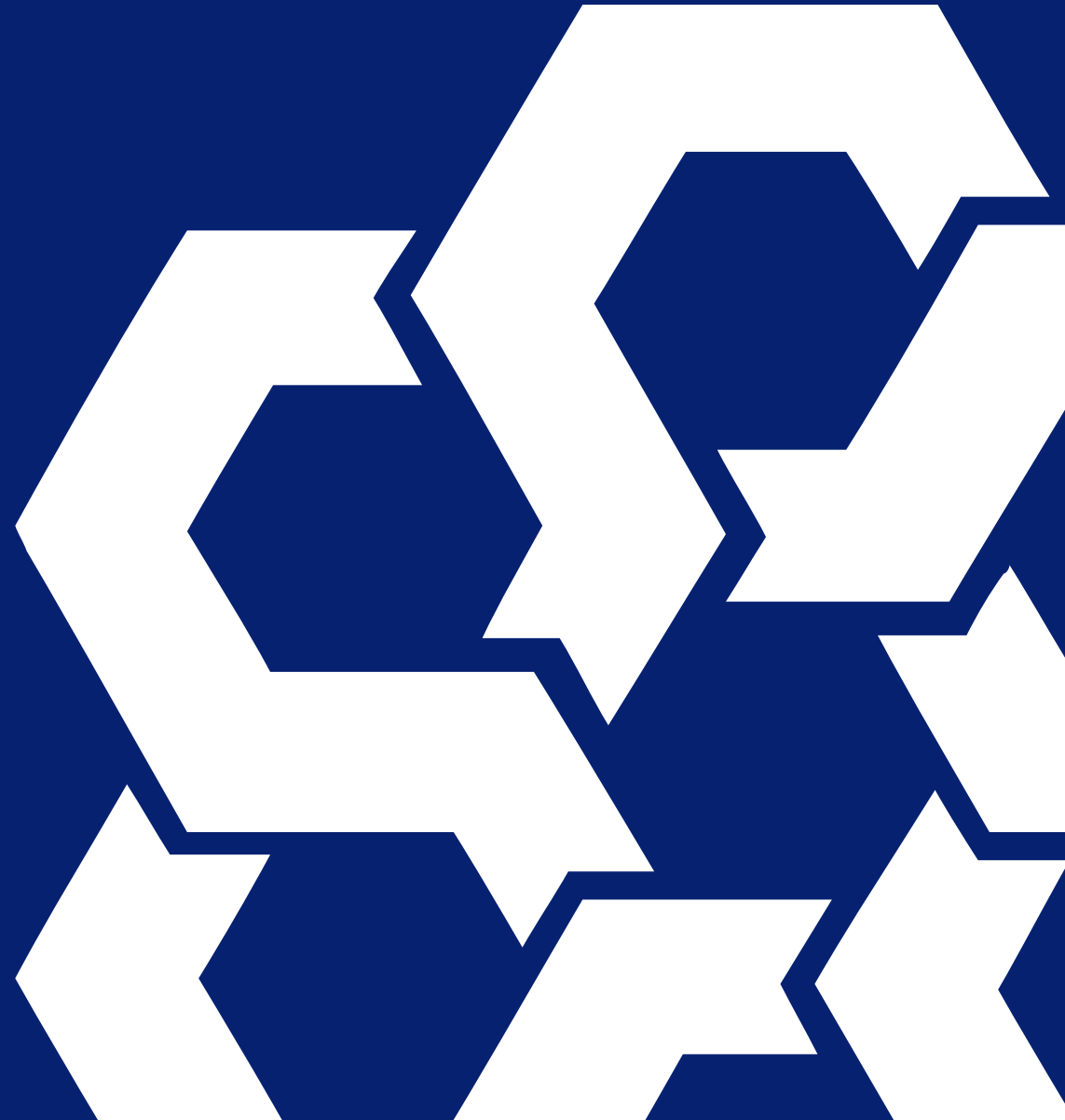


Subsidiary's financial statements focused on their users



Systemic long-term benefits in the reporting ecosystem

Financial Instruments Projects



Projects of the IASB Financial Instruments team

		Next milestone
Amendments to the Classification and Measurement of Financial Instruments	Maintenance	ED Published on 21 March 2023 IFRS Amendment expected in H1 2024
Post-implementation review of IFRS 9—Impairment	Research	Request for Information comment period closed in September 2023
Dynamic Risk Management	Standard-setting	Further discussions on the DRM model
Financial Instruments with Characteristics of Equity	Standard-setting	Publish Exposure Draft in Q4 2023

Amendments to IFRS 9: Classification and Measurement

Objective

- ✓ Narrow-scope amendments in response to the Post-implementation Review of IFRS 9 *Classification and Measurement*

Area 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

What next?

- ✓ IFRS Amendment expected in H1 2024

PIR of IFRS 9—*Financial Instruments*: Impairment

Objective

- ✓ Assess the effects on stakeholders of applying the expected credit losses (ECL) requirements to financial instruments

What did the request for information examined?

- ✓ general approach to recognition of ECL
- ✓ significant increases in credit risk
- ✓ measurement of ECL
- ✓ credit-impaired financial assets
- ✓ simplified approach
- ✓ loan commitments and financial guarantee contracts
- ✓ credit risk disclosures
- ✓ interaction with other requirements

What next?

- ✓ Request for Information Feedback

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

- ✓ A DRM adjustment is recognised in the statement of financial position to represent the extent to which the designated derivatives successfully mitigated the variability in both the fair value of and the net interest income from the risk mitigation intention, and achieved the entity's target profile

What next?

- ✓ Further discussions on the DRM model
- ✓ Publish Exposure Draft – expected in 2025

Financial Instruments with Characteristics of Equity

Objective

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

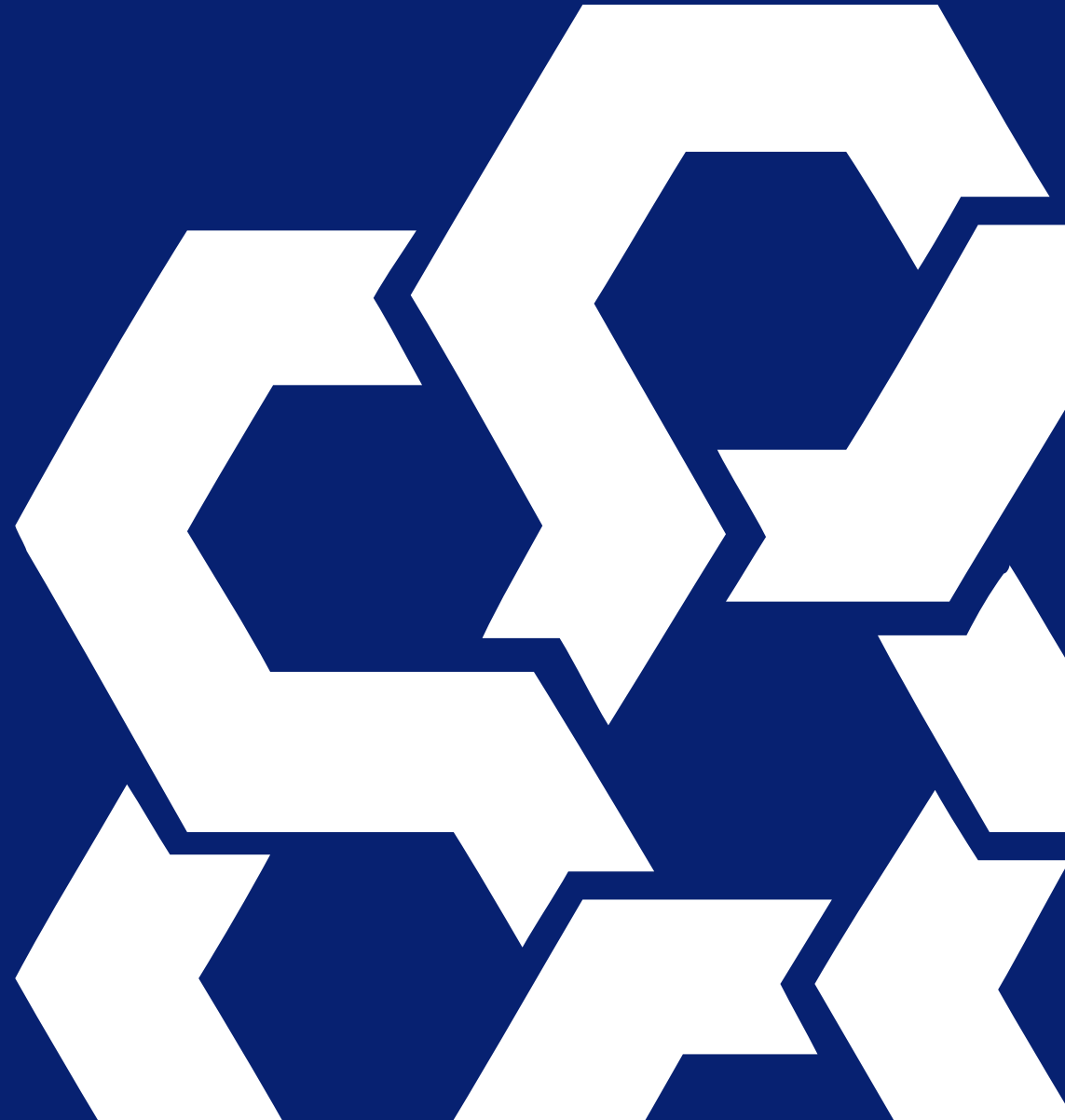
Approach

- ✓ Clarify IAS 32 classification principles to address practice issues (for example, classification of financial instruments settled in an entity's own equity instruments)
- ✓ Improve presentation and disclosure
- ✓ Provide application guidance and illustrative examples

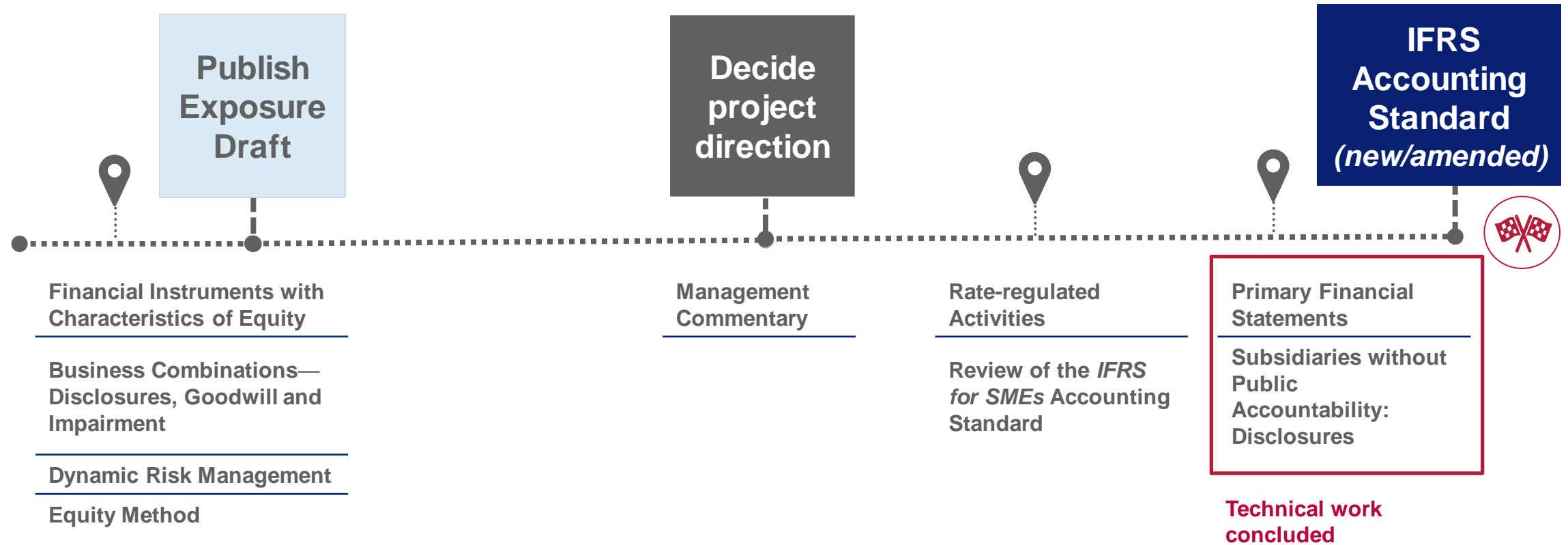
What next?

- ✓ Publish Exposure Draft in Q4 2023

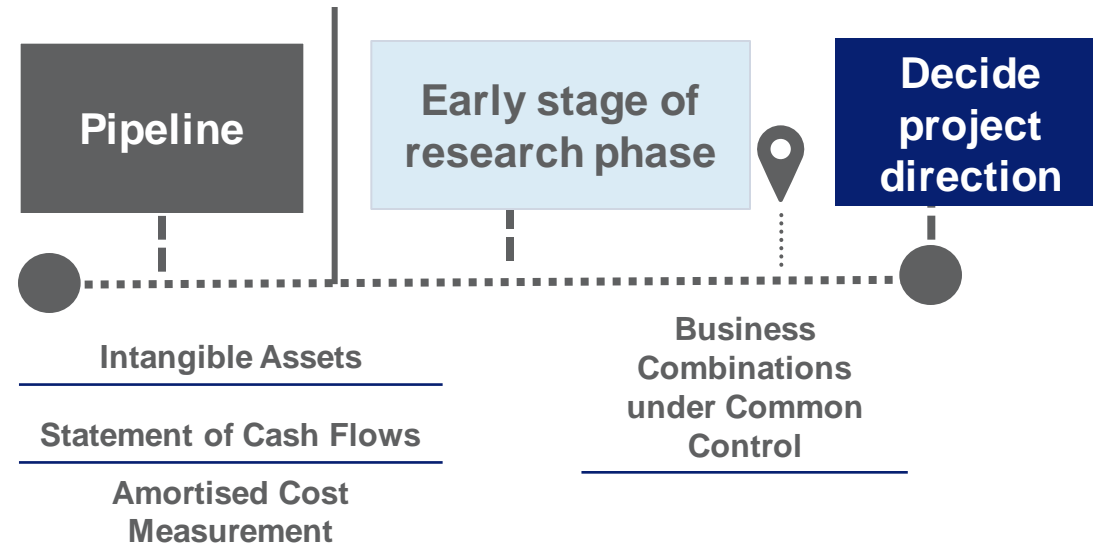
IASB Work Plan – other projects



Standard-setting projects



Research projects and pipeline



Extractive activities

- ✓ **Stopping work** on the project
- ✓ Remove IFRS 6 temporary status in next *Annual Improvements* volume
- ✓ Publish **project summary**

Post-implementation reviews



Recently completed

IFRS 9—Classification and Measurement



Analysing feedback

IFRS 9—Impairment

IFRS 15 Revenue from Contracts with Customers

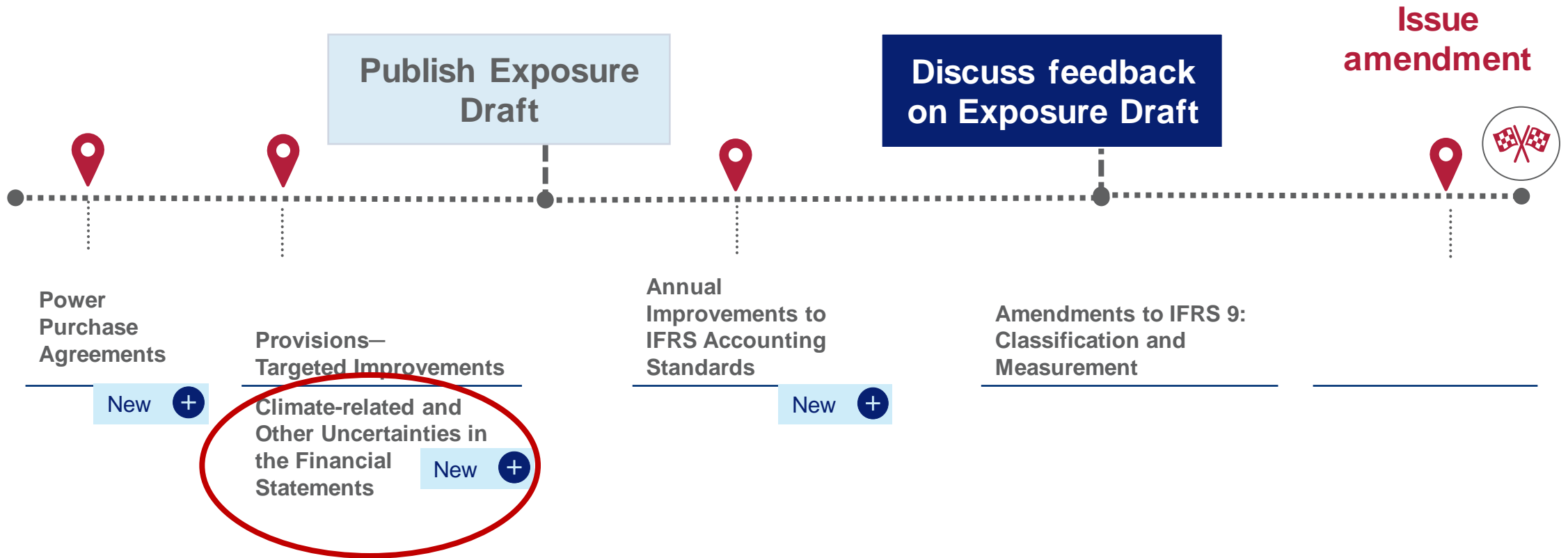


Forthcoming

IFRS 16 *Leases*

IFRS 9—Hedge Accounting

Maintenance projects



Climate-related and other uncertainties in the financial statements – origins of the project

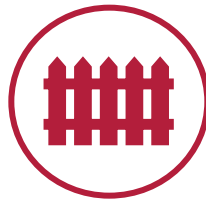


- In the IASB’s Third Agenda Consultation, respondents attributed **high-priority** to a project on climate-related risks in the financial statements
- Concerns that information about climate-related risks in financial statements is:
 - **insufficient**
 - **inconsistent** with information reported elsewhere by the company

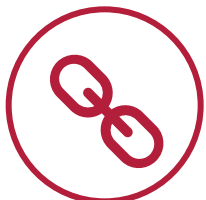
Climate-related and other uncertainties in the financial statements



- Explore whether and how financial statements can better communicate information about climate-related and other uncertainties in the f/s



- **This project will not seek to:**
 - develop an Accounting Standard on climate-related risks;
 - broaden the objective of financial statements;
 - change the definitions of assets and liabilities; or
 - develop accounting requirements for pollutant pricing mechanisms.¹



- Complementing the work of the [International Sustainability Standards Board \(IFRS S2\)](#), helping investors to connect information included in different parts of general purpose financial reports.

¹ *Pollutant Pricing Mechanisms* is on a reserve list of projects that may be added to the IASB's work plan if stakeholders and the IASB have sufficient capacity.

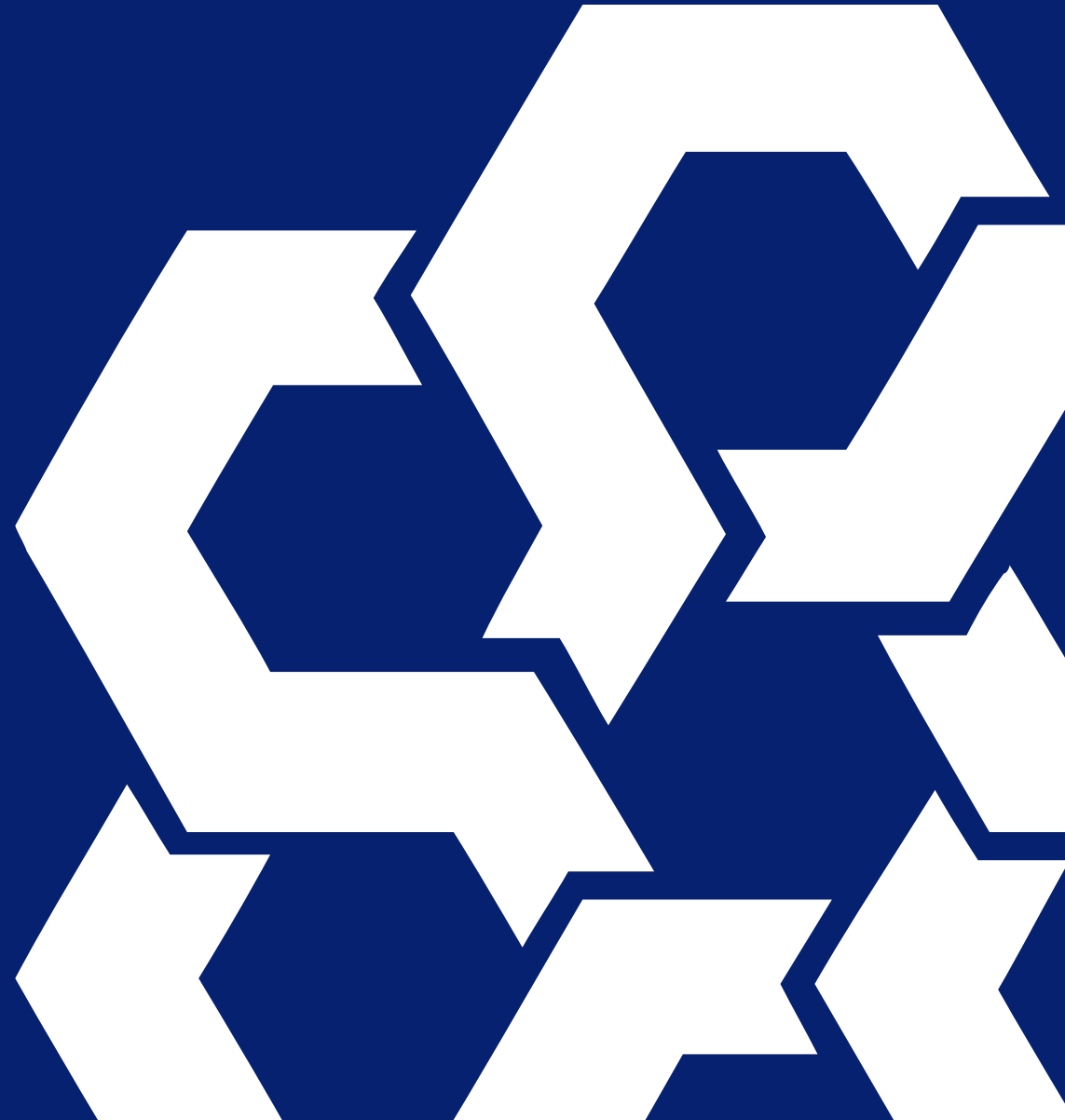
Decisions and next steps

Educational material	Standard-setting	Interpretations Committee
<p>Explore development of examples to help improve application of IFRS Accounting Standards</p> <p>Translate and make more visible existing educational material</p>	<p>Explore possible targeted amendments to improve disclosures about estimates in financial statements</p> <ul style="list-style-type: none"> • estimates requires significant judgment • IASB to assess whether standard-setting is feasible and helpful • any amendments about uncertainties generally—not specific to climate¹ <p>Other ongoing IASB projects may also help address concerns about accounting for climate-related matters</p>	<p>Discuss:</p> <ul style="list-style-type: none"> • recognition of liabilities for climate-related commitments • measurement of certain non-financial assets when testing for impairment

IASB will continue to monitor developments

¹ Project objective has therefore been generalised to cover other uncertainties in addition to climate.

Connectivity with the ISSB



Feedback from consultations

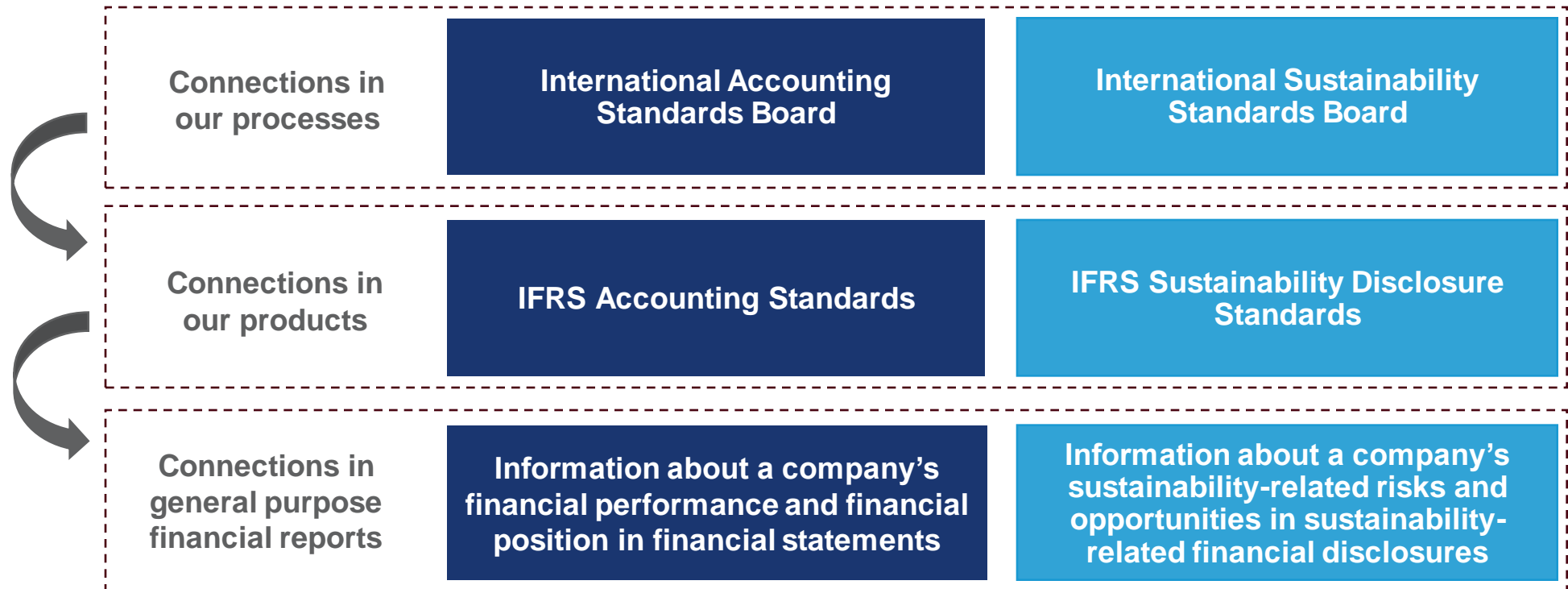
Importance of the connections between the Boards



Stakeholders expressed...

- strong support for IFRS Foundation's creation of ISSB in part because of opportunity for connectivity between the IASB and ISSB
- but also sought prioritisation and progress of each board's stand-alone projects

Connections between financial statements and sustainability-related financial disclosures



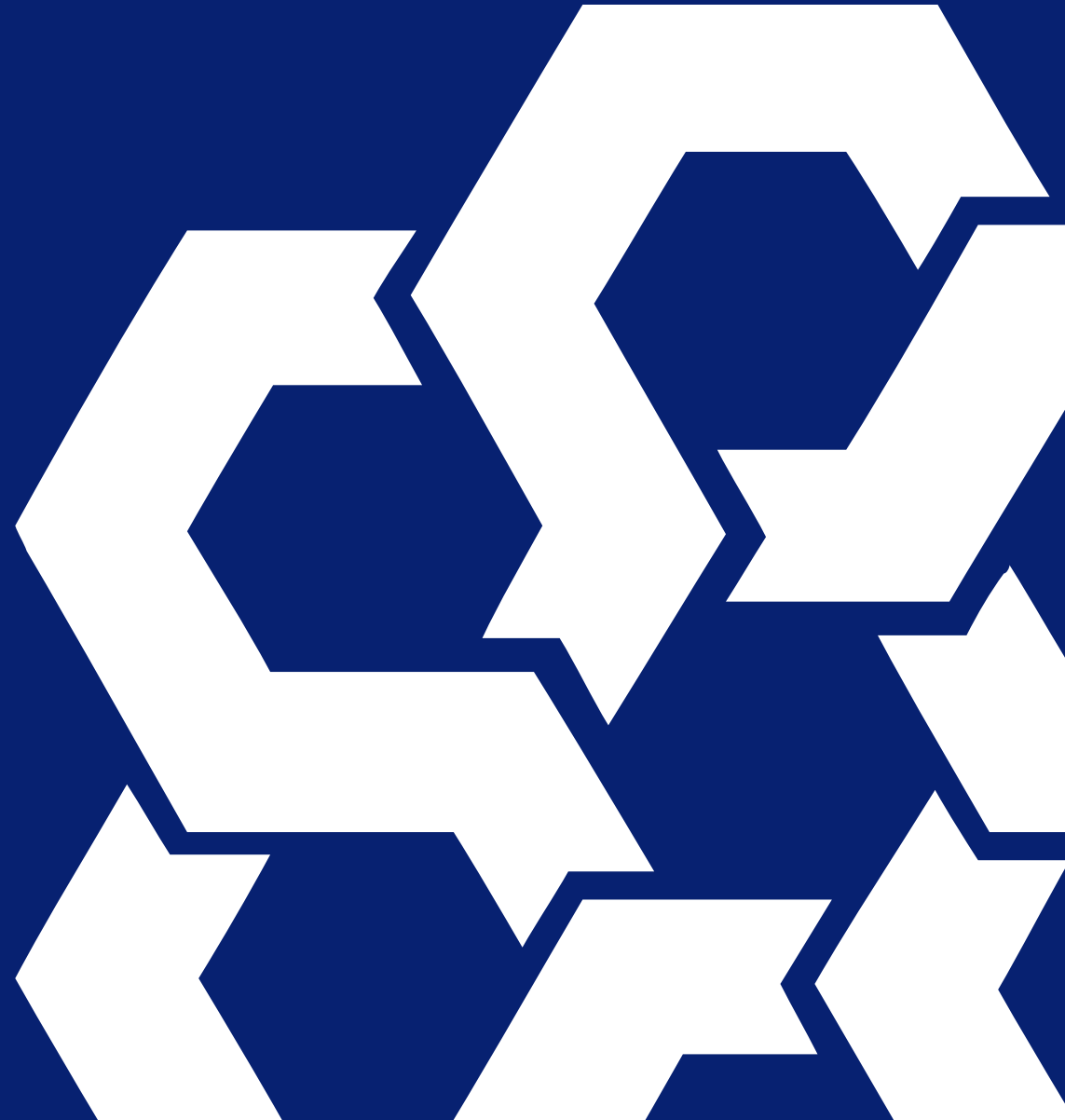
[Webcast: Connections between accounting and sustainability disclosures](#)

[Article: Connectivity—what is it and what does it deliver?](#)

IFRS Standards within the broader reporting landscape



Q&A session



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