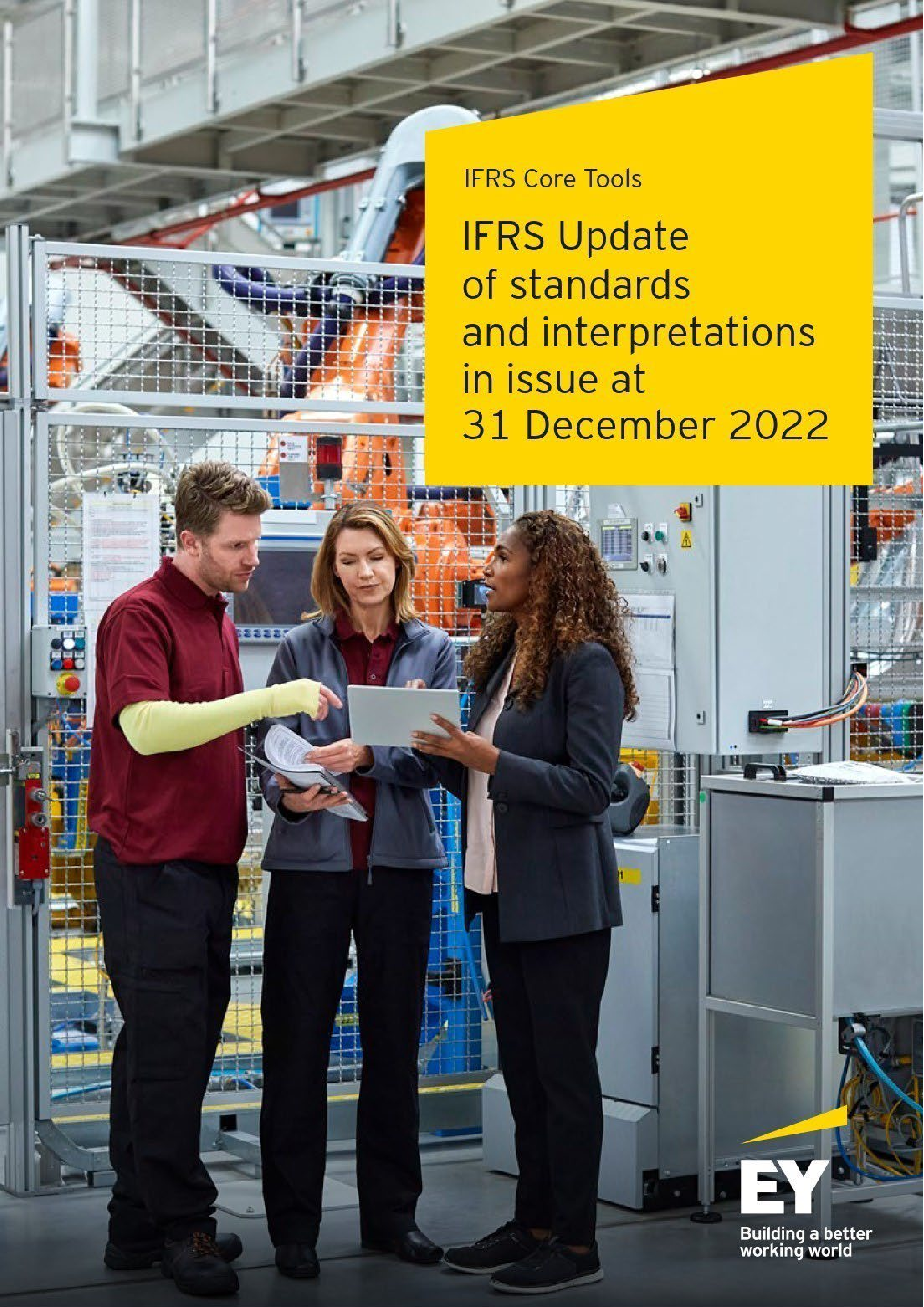
IFRS Core Tools

IFRS Update of standards and interpretations in issue at 31 December 2022



Building a better working world

Contents

Introduction

Entities reporting under International Financial Reporting Standards (IFRS) continue to face a steady flow of new standards and interpretations. The resulting changes range from significant amendments of fundamental principles to some minor changes from the annual improvements process (AIP). They will affect different areas of accounting, such as recognition, measurement, presentation and disclosure.

Some of the changes have implications that go beyond matters of accounting, also potentially impacting the information systems of many entities. Furthermore, the changes may impact business decisions, such as the creation of joint arrangements or the structuring of particular transactions.

The challenge for preparers is to gain an understanding of what lies ahead.

Purpose of this publication

This publication provides an overview of the upcoming changes in standards and interpretations (pronouncements). It also provides an update on selected active projects. It does not attempt to provide an in-depth analysis or discussion of the topics. Rather, the objective is to highlight key aspects of these changes. Reference should be made to the text of the pronouncements before taking any decisions or actions.

This publication consists of three sections:

Section 1 provides a high-level overview of the key requirements of each pronouncement issued by the International Accounting Standards Board (IASB or the Board) and the IFRS Interpretations Committee (IFRS IC) as at 31 December 2022 that will be effective for the first-time for reporting periods ended at that date or thereafter. This overview provides a summary of the transitional requirements and a brief discussion of the potential impact that the changes may have on an entity's financial statements.

A table comparing mandatory application for different year ends is presented at the beginning of Section 1. In the table, the pronouncements are presented in order of their effective dates. Note that many pronouncements contain provisions that would allow entities to adopt in earlier periods.

When a standard or interpretation has been issued but has yet to be applied by an entity, IAS 8 *Accounting Policies, Changes in Accounting Estimates and* Errors requires the entity to either disclose any known (or reasonably estimable) information relevant to understanding the possible impact that the new pronouncement will have on the financial statements, or indicate the reason for not doing so. The table at the beginning of Section 1 is helpful in identifying the pronouncements that fall within the scope of this disclosure requirement.

Section 2 provides a summary of the agenda decisions published in the *IFRIC Update*[1] since 1 October 2022. For agenda decisions published before 1 October 2022, please refer to previous editions of *IFRS Update*. In some agenda decisions, the IFRS IC refers to the existing pronouncements that provide adequate guidance. These agenda decisions provide a view on the application of the pronouncements and fall within 'other accounting literature and accepted industry practices' in paragraph 12 of IAS 8. IFRS standards are required to be applied reflecting the explanatory material contained in agenda decisions.

Section 3 summarises the key features of selected active projects of the IASB. The 'Key projects' addressed are those initiated with the objective of issuing new standards and those involving overarching considerations across a number of standards. 'Other projects' include proposed amendments with narrower applicability. Generally, only those projects that have reached the exposure draft stage are included, but, in selected cases, significant projects that have not yet reached the exposure draft stage are also highlighted.

[1] The *IFRIC Update* is available on the IASB's website at http://www.ifrs.org/news-and-events/updates/ifric-updates

IFRS Core Tools

EY's *IFRS Core Tools*[2] provide the starting point for assessing the impact of changes to IFRS. Our *IFRS Core Tools* include a number of practical building blocks that can help the user to navigate the changing landscape of IFRS. In addition to *IFRS Update*, EY's *IFRS Core Tools* include the publications described below.

International GAAP® Disclosure Checklist

Our 2022 edition of *International GAAP® Disclosure Checklist* captures disclosure requirements applicable to periods ended 31 December 2022, and disclosures that are permitted to be adopted early. Our 2022 edition of International *GAAP® Disclosure Checklist for Interim Condensed Financial Statements* captures disclosure requirements applicable to interim reports of entities with a year-end of 30 June 2023, and disclosures that are permitted to be adopted early. These disclosure requirements are for all pronouncements issued as at 31 August 2022. This tool assists preparers to comply with the presentation and disclosure requirements of IFRS in their interim and year-end IFRS financial statements. Previous editions of this tool for earlier period ends are available on EY's *IFRS Core Tools* webpage.

Good Group (International) Limited

Good Group (International) Limited is a set of illustrative financial statements, incorporating presentation and disclosure requirements that are in issue as at 30 June 2022 and effective for the year ended 31 December 2022. *Good Group (International) Limited – Illustrative interim condensed financial statements* for the period ended 30 June 2022, based on IFRS in issue at 28 February 2022, supplements *Good Group (International) Limited – Illustrative financial statements*. Among other things, these illustrative financial statements can assist in understanding the impact accounting changes may have on the financial statements.

Good Group (International) Limited is supplemented by illustrative financial statements that are aimed at specific sectors and circumstances. These include:

- Good Group (International) Limited – Alternative Format
- Good Group (International) Limited – Agriculture: Supplement to Illustrative Consolidated Financial Statements
- Good First-time Adopter (International) Limited
- Good Investment Fund Limited (Equity)
- Good Investment Fund Limited (Liability)
- Good Real Estate Group (International) Limited
- Good Mining (International) Limited
- Good Petroleum (International) Limited
- Good Bank (International) Limited
- Good Insurance (International) Limited
- Good Life Insurance (International) Limited
- Good General Insurance (International) Limited

Also available from EY:

Other EY publications

References to other EY publications that contain further details and discussion on these topics are included throughout the *IFRS Update*, all of which can be downloaded from our website.[2]

International GAAP® 2022[3]

Our *International GAAP® 2022* is a comprehensive guide to interpreting and implementing IFRS.[4] It includes pronouncements mentioned in this publication that were issued prior to September 2021, and it provides examples that illustrate how the requirements of those pronouncements are applied.

[2] EY's Core Tools are available on http://www.ey.com/en_gl/ifrs-technical-resources.

[3] International GAAP® is a registered trademark of Ernst & Young LLP (UK).

[4] International GAAP® 2022 - The global perspective on IFRS | EY - Global.

Section 1: New pronouncements issued as at 31 December 2022

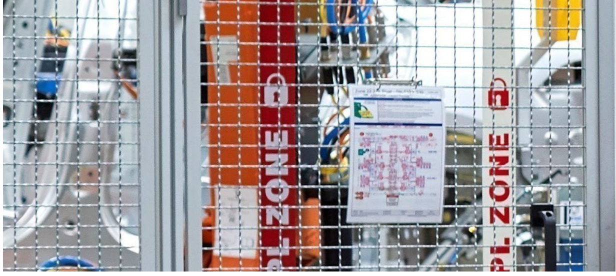
Table of mandatory application

			First time applied in annual periods ending on the last day of these months**											
New pronouncement	Page	Effective date*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Reference to the Conceptual Framework – Amendments to IFRS 3	7	1 Jan 2022	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	7	1 Jan 2022	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	8	1 Jan 2022	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2022
AIP IFRS 1 *First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*	13	1 Jan 2022	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2022
AIP IFRS 9 *Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*	13	1 Jan 2022	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2022
AIP IAS 41 *Agriculture – Taxation in fair value measurements*	13	1 Jan 2022	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2022
IFRS 17 *Insurance Contracts*	5	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
Definition of Accounting Estimates - Amendments to IAS 8	11	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	10	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	11	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	12	1 Jan 2024	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2024
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	9	1 Jan 2024	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	8	Note 1												

* Effective for annual periods beginning on or after this date.

** Assuming that an entity has not early adopted the pronouncement according to specific provisions in the standard, interpretation or amendment.

Note 1: In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.



IFRS 17 *Insurance Contracts*

Effective for annual periods beginning on or after 1 January 2023.

Background

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*.

In June 2020, the IASB issued amendments to IFRS 17. These amendments included changing the effective date to 2023.

In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyse implementation-related questions. The TRG met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria.

Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss based on insurance contract services provided over the coverage period.
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- A loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognises a recovery of a loss on initial recognition of an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses
- Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- *Modified retrospective approach* - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application
- *Fair value approach* - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date)

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

Impact

IFRS 17, together with IFRS 9, will result in profound changes to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected.

Finalisation of the amendment to IFRS 17

In December 2021, the IASB amended IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.

If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies IFRS 17 (i.e., from transition date to the date of initial application of IFRS 17).

Other EY publications

Disclosure of expected impacts of IFRS 17 and IFRS 9 prior to initial application (November 2022)
EYG no. 009961-22Gbl

Insurance Accounting Alert (September 2022)
EYG no. 008213-22Gbl

Insurance Accounting Alert (June 2022)
EYG no. 005612-22Gbl

Insurance Accounting Alert (March 2022)
EYG no. 002403-22Gbl

Insurance Accounting Alert (February 2022)
EYG no. 001597-22Gbl

Insurance Accounting Alert (December 2021)
EYG no. 010712-21Gbl

Good Life Insurance (International) Limited (November 2021)
EYG No. 010140-21Gbl

Insurance Accounting Alert (July 2021) EYG no. 006570-21Gbl

Applying IFRS 17: A closer look at the new Insurance Contracts Standard (June 2021) EYG No. 005427-21Gbl

IASB issues amendments to IFRS 17 (June 2020)
EYG No. 004475-20Gbl

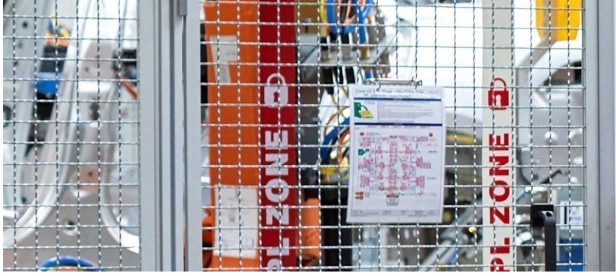
Good General Insurance (International) Limited (November 2020) EYG No. 007724-20Gbl

Fourth meeting of the IASB's IFRS 17 Transition Resource Group (April 2019) EYG No. 001926-19Gbl

Third technical discussion of the IASB's IFRS 17 Transition Resource Group (October 2018) EYG No. 011564-18Gbl

Second technical discussion of the IASB's IFRS 17 Transition Resource Group (May 2018) EYG No. 02735-183Gbl

First technical discussion of the IASB's IFRS 17 Transition Resource Group (February 2018) EYG No. 00865-183Gbl



Reference to the Conceptual Framework – Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2022.

Key requirements

In May 2020, the IASB issued *Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to a previous version of the IASB's *Conceptual Framework* (the 1989 *Framework*) with a reference to the current version issued in March 2018 (the *Conceptual Framework*) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the *Conceptual Framework*, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Transition

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the *Amendments to References to the Conceptual Framework in IFRS Standards* (March 2018).

Impact

The amendments are intended to update a reference to the *Conceptual Framework* without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the *Conceptual Framework* in use.

Other EY publications

IFRS Developments Issue 169: Amendments to IFRS 3 – Reference to the Conceptual Framework (May 2020)
EYG No. 003151-20Gbl

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

Effective for annual periods beginning on or after 1 January 2022

Key requirements

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Transition

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

Effective for annual periods beginning on or after 1 January 2022.

Key requirements

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Transition

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

Impact

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 *Construction Contracts*, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are 'directly related to contract activities', but we believe that guidance in IFRS 15 *Revenue from Contracts with Customers* will be relevant.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

Key requirements

The amendments address the conflict between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

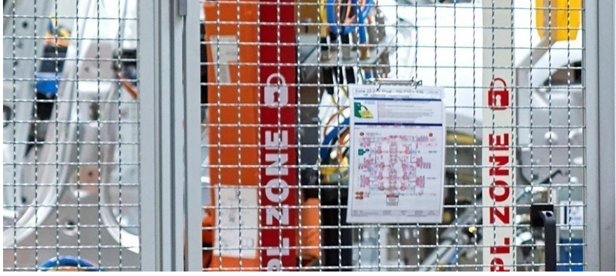
The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.



Classification of Liabilities as Current or Non-current - Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2024.

Key requirements

In January 2020 and October 2022, the Board issued amendments to IAS 1 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non--current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Furthermore, the Board specified that the requirements in paragraph 72B apply only to liabilities arising from loan arrangements.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

Disclosures

IAS 1.76ZA has been added to require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed. However, an entity that applies the 2020 amendments early is also required to apply the 2022 amendments, and vice versa.

Impact

The combined impact of the 2020 amendments and the 2022 amendments will have implications for entities applying them. Entities will, therefore, need to carefully consider the impact of the amendments on existing and planned loan agreements. In this context, it is important to highlight that the amendments must be applied retrospectively.

Other EY publications

IFRS Developments Issue 209: The IASB amends the requirements for classification of non-current liabilities with covenants (November 2022) EYG No. 009933-22Gbl

IFRS Developments Issue 159: Amendments to classification of liabilities as current or non-current (Updated July 2020) EYG No. 000391-20Gbl

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

Effective for annual periods beginning on or after 1 January 2023.

Key requirements

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

And

- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

Replacement of the term 'significant' with 'material'

In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board.

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

Disclosure of standardised information

Although standardised information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed.

The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information.

Transition

Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed.

Since the amendments to the PS provide non-mandatory guidance on the application of the definition of material to accounting policy information, the Board concluded that transition requirements and an effective date for these amendments were not necessary.

Impact

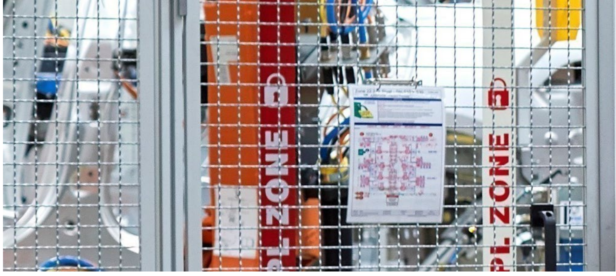
The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard.

Entities should carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

Other EY publications

IFRS Developments Issue 187: The Disclosure Initiative - IASB amends the accounting policy requirements (February 2021) EYG No. 001327-21Gbl

Applying IFRS: Disclosure of accounting policy information (September 2022) EYG No. 007960-22Gbl



Definition of Accounting Estimates - Amendments to IAS 8

Effective for annual periods beginning on or after 1 January 2023.

Key requirements

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Changes in accounting estimates

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

Illustrative examples

The amendments include two illustrative examples to help stakeholders understand how to apply the new definition of accounting estimates.

Transition

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

Impact

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Other EY publications

IFRS Developments Issue 186: The IASB defines accounting estimates (February 2021) EYG No. 001259-21Gbl

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

Effective for annual periods beginning on or after 1 January 2023.

Key requirements

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Determining the tax base of assets and liabilities

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Changes to the initial recognition exception

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

Transition

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

Other EY publications

IFRS Developments Issue 191: IASB clarifies deferred tax accounting for leases and decommissioning obligations (May 2021) EYG No. 004619-21Gbl

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

Effective for annual periods beginning on or after 1 January 2024.

Key requirements

In September 2022, the Board issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16).

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

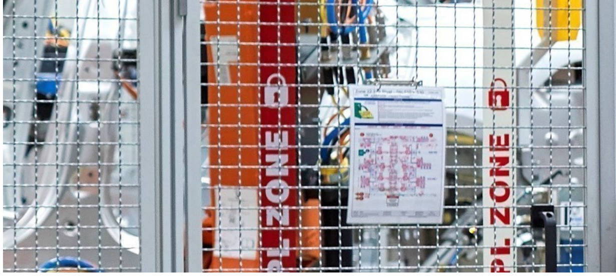
Transition

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.

Other EY publications

IFRS Developments Issue 206: IASB amends IFRS 16 for lease liability measurement in a sale and leaseback transactions (September 2022) EYG No. 008269-22Gbl



Improvements to International Financial Reporting Standards

Key requirements

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

2018-2020 cycle (issued in May 2020)

The following is a summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*	**Subsidiary as a first-time adopter** ▸ The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. ▸ An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
IFRS 9 *Financial Instruments*	**Fees in the '10 per cent' test for derecognition of financial liabilities** ▸ The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. ▸ An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. ▸ An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
Illustrative Examples accompanying IFRS 16 *Leases*	**Lease incentives** ▸ The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.
IAS 41 *Agriculture*	**Taxation in fair value measurements** ▸ The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. ▸ An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

Section 2: Items not taken onto the IFRS Interpretations Committee's agenda in Q4 2022

Certain items deliberated by the IFRS IC are published within the 'Interpretations Committee agenda decisions' section of the IASB's *IFRIC Update*. Agenda decisions are issues that the IFRS IC decides not to add to its agenda and include the reasons for not doing so. For some of these items, the IFRS IC includes further information and explanatory material about how the standards should be applied. This guidance does not constitute an interpretation, but rather, provides additional information on the issues raised and the IFRS IC's views on how the standards and current interpretations are to be applied. Before an agenda decision is published, the Board is asked whether it objects to the agenda decision. If four or more Board members object, the agenda decision will not be published and the Board decides how to proceed.

Whilst agenda decisions (including any explanatory material contained within them) do not add to or change requirements in IFRS standards, the explanatory material derives its authority from IFRS standards. Accordingly, an entity is required to apply IFRS standards, reflecting the explanatory material in an applicable agenda decision.

The table below summarises the topics that the IFRS IC decided not to take onto its agenda for the period from 1 October 2022 (since the previous edition of *IFRS Update*) to 31 December 2022. For agenda decisions published before 1 October 2022, please refer to previous editions of *IFRS Update*. All items considered by the IFRS IC during its meetings, as well as the full text of its conclusions, can be found in the *IFRIC Update* on the IASB's website.[5]

According to the IFRS IC, 'the process for publishing an agenda decision might often result in explanatory material that provides new information that was not otherwise available and could not otherwise reasonably have been expected to be obtained. Because of this, an entity might determine that it needs to change an accounting policy as a result of an agenda decision. The Board expects that an entity would be entitled to sufficient time to make that determination and implement any change (for example, an entity may need to obtain new information or adapt its systems to implement a change).'

Final date considered	Issue	Summary of reasons given for not adding the issue to the IFRS IC's agenda
October 2022	Multi-currency Groups of Insurance Contracts (IFRS 17 *Insurance Contracts* and IAS 21 *The Effects of Changes in Foreign Exchange Rates*)	The IFRS IC received a request about how an entity might account for insurance contracts with cash flows in more than one currency. The request asked: a. Whether an entity considers currency exchange rate risks when applying IFRS 17 to identify portfolios of insurance contracts; and b. How an entity applies IAS 21 in conjunction with IFRS 17 in measuring a group of insurance contracts with cash flows in more than one currency (a multi-currency group of insurance contracts). **Identifying portfolios of insurance contracts** IFRS 17 requires an entity to recognise and measure groups of insurance contracts. The first step in establishing groups of insurance contracts is to identify portfolios of insurance contracts. Paragraph 14 of IFRS 17 states that 'a portfolio comprises contracts subject to similar risks and managed together'. The request asks whether currency exchange rate risks are among the risks an entity considers when assessing whether insurance contracts are 'subject to similar risks'. IFRS 17 defines financial risk and insurance risk (a non-financial risk). Financial risk is defined to include 'the risk of a possible future change in … [a] currency exchange rate'. When IFRS 17 requires an entity to consider or reflect only particular types of risk (for example, only non-financial risk), it explicitly refers to the risks to be considered or reflected. Therefore, the IFRS IC concluded that, because paragraph 14 of IFRS 17 refers to 'similar risks' without specifying any particular types of risk, an entity is required to consider all risks—including currency exchange rate risks—when identifying portfolios of insurance contracts. However, 'similar risks' does not mean 'identical risks'. Therefore, an entity could identify portfolios of contracts

[5] The *IFRIC Update* is available at http://www.ifrs.org/news-and-events/updates/ifric-updates/.

Final date considered	Issue	Summary of reasons given for not adding the issue to the IFRS IC's agenda
		that include contracts subject to different currency exchange rate risks. The IFRS IC observed that what an entity considers to be 'similar risks' will depend on the nature and extent of the risks in the entity's insurance contracts. Measuring a multi-currency group of insurance contracts An entity measures a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. Paragraph 30 of IFRS 17 states that 'when applying IAS 21 … to a group of insurance contracts that generate cash flows in a foreign currency, an entity shall treat the group of contracts, including the contractual service margin, as a monetary item'. Paragraph 8 of IAS 21 defines monetary items as 'units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency' and paragraph 20 describes a foreign currency transaction as 'a transaction that is denominated or requires settlement in a foreign currency'. Paragraphs 21–24 of IAS 21 require an entity: a. To recognise on initial recognition a foreign currency transaction in the functional currency at the spot exchange rate at the date of the transaction; b. To determine the carrying amount of a monetary item in conjunction with other relevant IFRS accounting standards; and c. To translate, at the end of the reporting period, foreign currency monetary items into the functional currency using the closing rate. The requirements in both IFRS 17 and IAS 21 refer to transactions or items that are denominated or require settlement in a single currency. IFRS accounting atandards include no explicit requirements on how to determine the currency denomination of transactions or items with cash flows in more than one currency. Therefore, the IFRS IC observed that, in measuring a multi-currency group of insurance contracts, an entity: a. Applies all the measurement requirements in IFRS 17 to the group of insurance contracts, including the requirement in paragraph 30 to treat the group—including the contractual service margin—as a monetary item; b. Applies IAS 21 to translate, at the end of the reporting period, the carrying amount of the group—including the contractual service margin—into the entity's functional currency at the closing rate (or rates); and c. Uses its judgement to develop and apply an accounting policy that determines on initial recognition, the currency or currencies in which the group—including the contractual service margin—is denominated (currency denomination). The entity could determine that the group—including the contractual service margin—is denominated in a single currency or in the multiple currencies of the cash flows in the group. The entity develops an accounting policy on currency denomination that results in information that is relevant and reliable (as described in paragraph 10 of IAS 8) and is applied consistently for similar transactions, other events and conditions (paragraph 13 of IAS 8). The accounting policy is developed based on the entity's specific circumstances and the terms of the contracts in the group. The entity cannot simply presume that the contractual service margin for the group is denominated in the functional currency. Such a presumption would, in effect, fail to treat the contractual service margin as a monetary item, as required by paragraph 30 of IFRS 17.

Final date considered	Issue	Summary of reasons given for not adding the issue to the IFRS IC's agenda
		Single-currency denomination versus multi-currency denomination The entity's accounting policy on currency denomination determines which effects of changes in exchange rates are changes in financial risk accounted for applying IFRS 17 and which of these effects are exchange differences accounted for applying IAS 21. A single-currency denomination treats: a. Changes in exchange rates between the currency of the cash flows and the currency of the group of contracts as changes in financial risk that an entity accounts for applying IFRS 17; and b. Changes in exchange rates between the currency of the group of contracts and the functional currency as exchange differences that an entity accounts for applying IAS 21 A multi-currency denomination treats all changes in exchange rates as exchange differences that an entity accounts for applying IAS 21. In applying IFRS 17, there is a single contractual service margin for the group of insurance contracts. Appendix A to IFRS 17 defines the contractual service margin as representing 'the unearned profit the entity will recognise as it provides insurance contract services under the insurance contracts in the group.' Accordingly, under a multi-currency denomination, the entity would: a. Assess whether the group of contracts is onerous considering the contractual service margin as a single amount; b. Prevent the carrying amount of the contractual service margin being negative by, when necessary to do so, recognising a loss; and c. Determine the amount of the contractual service margin to recognise in profit or loss by applying a single method of determining the coverage units provided in the current period and expected to be provided in the future to the amounts denominated in the multiple currencies. This would result in the entity allocating each of the currency amounts of the contractual service margin translated into the functional currency equally to each coverage unit. **Conclusion** In the light of its analysis, the IFRS IC considered whether to add to the work plan a standard-setting project on how to account for the foreign currency aspects of insurance contracts. The IFRS IC observed that it has not obtained evidence that such a project would be sufficiently narrow in scope that the International Accounting Standards Board or the IFRS IC could address it in an efficient manner.
October 2022	Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition	The IFRS IC received a request about an entity's acquisition of a special purpose acquisition company (SPAC). The request asked how the entity accounts for warrants on acquiring the SPAC. In the fact pattern the IFRS IC discussed: a. The entity acquires a SPAC that has raised cash in an initial public offering (IPO), obtaining control of the SPAC. The purpose of the acquisition is for the entity to obtain the cash and the SPAC's listing on a stock exchange. The SPAC does not meet the definition of a business in IFRS 3 and, at the time of the acquisition, has no assets other than cash; b. Before the acquisition, the SPAC's ordinary shares are held by its founder shareholders and public investors. The ordinary shares are deemed

Final date considered	Issue	Summary of reasons given for not adding the issue to the IFRS IC's agenda
		to be equity instruments as defined in IAS 32 *Financial Instruments: Presentation*. In addition to ordinary shares, the SPAC had also issued warrants to both its founder shareholders and public investors (the SPAC warrants): i. *founder warrants* were issued at the SPAC's formation as consideration for services the founders provided; and ii. *public warrants* were issued to public investors with ordinary shares at the time of the IPO; c. The entity issues new ordinary shares and new warrants to the SPAC's founder shareholders and public investors in exchange for the SPAC's ordinary shares and the legal cancellation of the SPAC warrants. The SPAC becomes a wholly-owned subsidiary of the entity and the entity replaces the SPAC as the entity listed on the stock exchange; d. The SPAC's founder shareholders and public investors are not SPAC employees nor will they provide services to the entity after the acquisition; and e. The fair value of the instruments the entity issues to acquire the SPAC exceeds the fair value of the SPAC's identifiable net assets **Which IFRS Accounting Standard applies to the SPAC acquisition?** Paragraph 2(b) of IFRS 3 states that IFRS 3 does not apply to 'the acquisition of an asset or a group of assets that does not constitute a business'. In such cases, that paragraph requires the acquirer to 'identify and recognise the individual identifiable assets acquired … and liabilities assumed'. In the fact pattern discussed, the acquisition of the SPAC is the acquisition of an asset or a group of assets that does not constitute a business. Therefore, the entity identifies and recognises the individual identifiable assets acquired and liabilities assumed as part of the acquisition. **What are the individual identifiable assets acquired and liabilities assumed?** In the fact pattern discussed, the entity acquires the cash held by the SPAC. The entity also considers whether it assumes the SPAC warrants as part of the acquisition and, consequently, whether it assumes a liability if those warrants are classified as financial liabilities. In assessing whether it assumes the SPAC warrants as part of the acquisition, the entity considers the specific facts and circumstances of the transaction, including the terms and conditions of all agreements associated with the acquisition. For example, the entity considers the legal structure of the transaction and the terms and conditions of the SPAC warrants and the new warrants the entity issues. The entity might conclude that the facts and circumstances are such that it: a. *Assumes the SPAC warrants as part of the acquisition*—in this case, the entity issues ordinary shares to acquire the SPAC and assumes the SPAC warrants as part of the acquisition. The entity then issues new warrants to replace the SPAC warrants it has assumed; or b. *Does not assume the SPAC warrants as part of the acquisition*—in this case, the entity issues both ordinary shares and new warrants to acquire the SPAC and does not assume the SPAC warrants

Final date considered	Issue	Summary of reasons given for not adding the issue to the IFRS IC's agenda
		Additional considerations applicable when an entity concludes that it assumes the SPAC warrants as part of the acquisition *How does the entity account for SPAC warrants assumed as part of the acquisition?* In the fact pattern discussed, the SPAC's founder shareholders and public investors are not SPAC employees nor will they provide services to the entity after the acquisition. Instead, the SPAC's founder shareholders and public investors hold the SPAC warrants solely in their capacity as owners of the SPAC. Therefore, the entity applies IAS 32 to determine whether the SPAC warrants are financial liabilities or equity instruments. *How does the entity account for the replacement of the SPAC warrants?* The entity applies IAS 32 and IFRS 9 to account for the replacement of the SPAC warrants with new warrants. However, because the entity negotiated the replacement of the SPAC warrants as part of the SPAC acquisition, it determines whether it accounts for any of the new warrants it issues as part of that acquisition. No IFRS Accounting Standard specifically applies in making this determination. Therefore, the entity applies paragraphs 10–11 of IAS 8 in developing and applying an accounting policy that results in information that is relevant and reliable. **Does the entity also acquire a stock exchange listing service?** In the fact pattern discussed, the SPAC's stock exchange listing does not meet the definition of an intangible asset because it is not 'identifiable' as described in paragraph 12 of IAS 38 *Intangible Assets*. Accordingly, the stock exchange listing is not an identifiable asset acquired. Nonetheless, the IFRS IC observed that: a. Paragraph 2 of IFRS 2 states that 'an entity shall apply this IFRS in accounting for all share-based payment transactions, whether or not the entity can identify specifically some or all of the goods or services received … In the absence of specifically identifiable goods or services, other circumstances may indicate that goods or services have been (or will be) received, in which case this IFRS applies.' b. Paragraph 13A of IFRS 2 states that '… if the identifiable consideration received (if any) by the entity appears to be less than the fair value of the equity instruments granted or liability incurred, typically this situation indicates that other consideration (ie unidentifiable goods or services) has been (or will be) received by the entity. The entity shall measure the identifiable goods or services received in accordance with this IFRS. The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received).' The fair value of the instruments the entity issues to acquire the SPAC exceeds the fair value of the identifiable net assets acquired. Therefore, the IFRS IC concluded that, in applying paragraphs 2 and 13A of IFRS 2, the entity: a. Receives a stock exchange listing service for which it has issued equity instruments as part of a share-based payment transaction; and b. Measures the stock exchange listing service received as the difference between the fair value of the instruments issued to acquire the SPAC and the fair value of the identifiable net assets acquired

Final date considered	Issue	Summary of reasons given for not adding the issue to the IFRS IC's agenda
		Which IFRS Accounting Standard applies to the instruments issued? Depending on the specific facts and circumstances of the transaction, the entity issues ordinary shares—or ordinary shares and new warrants—in exchange for acquiring cash, for acquiring the stock exchange listing service and for assuming any liability related to the SPAC warrants. The IFRS IC observed that: a. IAS 32 applies to all financial instruments, with some exceptions. These exceptions include 'financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2 applies …' (paragraph 4 of IAS 32); and b. IFRS 2 *Share-based Payments* applies to 'share-based payment transactions in which an entity acquires or receives goods or services. Goods includes inventories, consumables, property, plant and equipment, intangible assets and other non-financial assets …' (paragraph 5 of IFRS 2). Therefore, the IFRS IC concluded that the entity applies: a. IFRS 2 in accounting for instruments issued to acquire the stock exchange listing service; and b. IAS 32 in accounting for instruments issued to acquire cash and assume any liability related to the SPAC warrants—these instruments were not issued to acquire goods or services and are not in the scope of IFRS 2 **Additional considerations applicable if the entity concludes that it does not assume the SPAC warrants as part of the acquisition** *Which types of instrument were issued for the SPAC's net assets and which were issued for the service?* If the entity concludes that the facts and circumstances are such that it does not assume the SPAC warrants as part of the acquisition, the entity issues both ordinary shares and new warrants to acquire cash and a stock exchange listing service. In this case, the entity determines to what extent it issued each type of instrument to acquire (i) the cash, and (ii) the stock exchange listing service. No IFRS Accounting Standard specifically applies to this determination. Therefore, the entity applies paragraphs 10–11 of IAS 8 in developing and applying an accounting policy that results in information that is relevant and reliable. The IFRS IC observed that: a. An entity could allocate the shares and new warrants to the acquisition of cash and the stock exchange listing service on the basis of the relative fair values of the instruments issued (that is, in the same proportion as the fair value of each type of instrument to the total fair value of all issued instruments). For example, if 80% of the total fair value of the instruments issued comprises ordinary shares, the entity could conclude that 80% of the fair value of instruments issued to acquire cash also comprises ordinary shares; and b. An entity could use other allocation methods if they meet the requirements in paragraphs 10–11 of IAS 8. However, an accounting policy that results in the entity allocating all the new warrants issued to the acquisition of the stock exchange listing service solely to avoid the new warrants being classified as financial liabilities applying IAS 32 would not meet these requirements.

Final date considered	Issue	Summary of reasons given for not adding the issue to the IFRS IC's agenda
		Conclusion The IFRS IC concluded that the principles and requirements in IFRS accounting standards provide an adequate basis for an entity to determine how to account for warrants on acquiring a SPAC in the fact pattern the IFRS IC discussed.
October 2022	Lessor Forgiveness of Lease Payments (IFRS 9 *Financial Instruments* and IFRS 16 *Leases*	The IFRS IC received a request about a lessor's application of IFRS 9 and IFRS 16 in accounting for a particular rent concession. The rent concession is one for which the only change to the lease contract is the lessor's forgiveness of lease payments due from the lessee under that contract. **The fact pattern** The request described a rent concession agreed by a lessor and a lessee on the date the rent concession is granted. The rent concession changes the original terms and conditions of a lease contract classified by the lessor applying IFRS 16 as an operating lease. The lessor legally releases the lessee from its obligation to make specifically identified lease payments: a. Some of these lease payments are amounts contractually due but not paid. Paragraph AG9 of IAS 32 states that 'a lessor does not regard an operating lease as a financial instrument, except as regards individual payments currently due and payable by the lessee'. Therefore, the lessor recognised these amounts as an operating lease receivable. Applying paragraph 81 of IFRS 16, the lessor has also recognised the amounts as income; and b. Some of these lease payments are not yet contractually due No other changes are made to the lease contract, nor are there any other negotiations between the lessor and the lessee that might affect the accounting for the rent concession. Before the date the rent concession is granted, the lessor applies the expected credit loss model in IFRS 9 to the operating lease receivable. **The question** The request asked: a. How the lessor applies the expected credit loss model in IFRS 9 to the operating lease receivable before the rent concession is granted if it expects to forgive payments due from the lessee under the lease contract; and b. Whether the lessor applies the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 in accounting for the rent concession **Applying the expected credit loss model in IFRS 9 to the operating lease receivable** Paragraph 2.1(b)(i) of IFRS 9 states that 'operating lease receivables recognised by a lessor are subject to the derecognition and impairment requirements' in IFRS 9. Therefore, a lessor is required to apply the impairment requirements in IFRS 9 to the gross carrying amount of an operating lease receivable from the date on which it recognises that receivable, taking into account applicable derecognition requirements in IFRS 9. IFRS 9 defines credit loss as 'the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (ie all cash shortfalls)…'. Paragraph 5.5.17 of IFRS 9 states that 'an entity shall measure expected credit losses … in a way that reflects (a) an unbiased and probability-weighted amount that is

Final date considered	Issue	Summary of reasons given for not adding the issue to the IFRS IC's agenda
		determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions'. Consequently, in the fact pattern described in the request, the lessor applies the impairment requirements in IFRS 9 to the operating lease receivable. The lessor estimates expected credit losses on the operating lease receivable by measuring any credit loss to reflect 'all cash shortfalls'. These shortfalls are the difference between: a. All contractual cash flows due to the lessor in accordance with the lease contract (and included in the gross carrying amount of the operating lease receivable); and b. All the cash flows the lessor expects to receive, determined using 'reasonable and supportable information' about 'past events, current conditions and forecasts of future economic conditions'. Therefore, the IFRS IC concluded that, before the rent concession is granted, the lessor measures expected credit losses on the operating lease receivable in a way that reflects 'an unbiased and probability-weighted amount …', 'the time value of money', and 'reasonable and supportable information …' (as required by paragraph 5.5.17 of IFRS 9). This measurement of expected credit losses includes the lessor considering its expectations of forgiving lease payments recognised as part of that receivable. **Accounting for the rent concession—IFRS 9 and IFRS 16** *Applying the derecognition requirements in IFRS 9 to the operating lease receivable* Paragraph 2.1(b)(i) of IFRS 9 states that operating lease receivables recognised by a lessor are subject to the derecognition requirements in IFRS 9. Consequently, on granting the rent concession, the lessor considers whether the requirements for derecognition in paragraph 3.2.3 of IFRS 9 are met. In the rent concession described in the request, the lessor legally releases the lessee from its obligation to make specifically identified lease payments, some of which the lessor has recognised as an operating lease receivable. Accordingly, on granting the rent concession, the lessor concludes that the requirements in paragraph 3.2.3(a) of IFRS 9 have been met. That is, its contractual rights to the cash flows from the operating lease receivable expire—because it has agreed to legally release the lessee from its obligation and, thus, has given up its contractual rights to those specifically identified cash flows. Therefore, on the date the rent concession is granted, the lessor remeasures expected credit losses on the operating lease receivable (and recognises any change to the expected credit loss allowance in profit or loss) and derecognises the operating lease receivable (and associated expected credit loss allowance). *Applying the lease modification requirements in IFRS 16 to future lease payments under the lease* The rent concession described in the request meets the definition of a lease modification in IFRS 16. The rent concession is 'a change in … the consideration for a lease … that was not part of the original terms and conditions of the lease'. Therefore, the lessor applies paragraph 87 of IFRS 16 and accounts for the modified lease as a new lease from the date the rent concession is granted. Paragraph 87 of IFRS 16 requires a lessor to consider any prepaid or accrued

Final date considered	Issue	Summary of reasons given for not adding the issue to the IFRS IC's agenda
		lease payments relating to the original lease as part of the lease payments for the new lease. The IFRS IC observed that lease payments contractually due from the lessee that the lessor has recognised as an operating lease receivable (to which the derecognition and impairment requirements in IFRS 9 apply) are not accrued lease payments. Consequently, neither those lease payments nor their forgiveness are considered—applying paragraph 87 of IFRS 16—as part of the lease payments for the new lease. In accounting for the modified lease as a new lease, a lessor applies paragraph 81 of IFRS 16 and recognises the lease payments (including any prepaid or accrued lease payments relating to the original lease) as income on either a straight-line basis or another systematic basis. The IFRS IC concluded that the lessor accounts for the rent concession described in the request on the date it is granted by applying: (a) the derecognition requirements in IFRS 9 to forgiven lease payments that the lessor has recognised as an operating lease receivable; and (b) the lease modification requirements in IFRS 16 to forgiven lease payments that the lessor has not recognised as an operating lease receivable. Conclusion The IFRS IC concluded that the principles and requirements in IFRS accounting standards provide an adequate basis for a lessor to determine how to apply the expected credit loss model in IFRS 9 to an operating lease receivable and account for the rent concession described in the request.

Section 3: Active IASB projects

The ability to stay current on the IASB's standard-setting activities is critical in a sea of change. The following pages summarise key features of selected active projects of the IASB, along with potential implications of the proposed standards. The 'Key projects' are those initiated with the objective of issuing new standards or that involve overarching considerations across a number of standards. 'Other projects' include proposed amendments with narrower applicability. Generally, only those projects that have reached the exposure draft stage are included, but in selected cases, projects that have not yet reached the exposure draft stage are also commented on.

Key projects

Better communication in financial reporting

Key developments to date

Background

The IASB is undertaking a broad-based initiative to explore how disclosures in IFRS financial reporting can be improved. The Board has identified implementation and research projects that will support better communication.

Disclosure initiative

In December 2014 and January 2016, amendments to IAS 1 and IAS 7 *Statement of Cash Flows*, respectively, were issued. Furthermore, the IASB released IFRS Practice Statement 2 *Making Materiality Judgement* (the PS) in September 2017 and the *Definition of Material* (Amendments to IAS 1 and IAS 8) in October 2018. In February 2021, the IASB issued amendments to IAS 1 and the PS relating to disclosure of accounting policies.

In addition, the Disclosure Initiative comprises the following projects:

Principles of disclosure

The objective of this project is to identify and better understand disclosure issues and either develop a set of new disclosure principles, or clarify the existing principles.

The IASB published a Discussion Paper (DP) in March 2017 which focused on the general disclosure requirements in IAS 1 and the concepts that were being developed in the Conceptual Framework for Financial Reporting.

After considering the feedback received on the DP, the IASB decided that improving the way disclosure requirements are developed and drafted in the standards is the most effective way to address the disclosure problem. Therefore, the Board decided to prioritise a standard-level review of certain standards (see below).

The Board has also decided to address research findings relating to accounting policy disclosures (see page 10 above), the effect of technology on financial reporting (as part of a broader project) and the use of performance measures in financial statements as part of the primary financial statements project (see below). The remaining topics in the DP will not be pursued for the time being.

Targeted standards-level review of disclosures

The IASB has added a separate project to develop guidance to help improve the way the Board drafts disclosure requirements in IFRS standards and perform a targeted standards-level review of disclosure requirements. The draft guidance developed by the Board relates to IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement*. The Board published an Exposure Draft (ED) in March 2021. The ED was open for comment until 12 January 2022.

In October 2022, after considering feedback provided in comment letters, the IASB decided to develop the method proposed in the ED, although certain elements of the proposal would not be pursued. It also decided not to proceed with any further work on the disclosure requirements in IFRS 13 and AS 19. The output of the project is intended to be a document representing guidance for the Board in developing and drafting disclosure requirements that will be published on the IFRS Foundation's website.

The next milestone is for the Board to summarise the project which is expected in February 2023.

Subsidiaries without Public Accountability

In January 2020, the Board decided to move the Subsidiaries that are SMEs project from the research programme to the standard-setting programme. The Board is developing a reduced disclosure IFRS standard that would apply on a voluntary basis to subsidiaries that do not have public accountability. The Board published an Exposure Draft (ED) in July 2021, which proposes to allow eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in IFRS Standards. The comment period ended on 31 January 2022.

In October and November 2022, the IASB tentatively decided to confirm the proposed objective and scope of the draft standard, but to revisit the structure of the draft standard. The IASB will continue discussing the feedback on the ED at future meetings.

Primary financial statements

The project aims to improve the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance. The project also includes requirements for management performance measures. The Board published an Exposure Draft in December 2019 and the comment letter period ended on 30 September 2020. Currently, the Board is redeliberating the proposals in light of the comment letters received.

Management commentary

The Board is working on a project to update IFRS Practice Statement 1 *Management Commentary.* As part of this project, the Board is considering how broader financial reporting could complement and support IFRS financial statements. The Board published an Exposure Draft (ED) in May 2021. The comment period closed on 23 November 2021. The IASB considered and discussed the feedback received on ED during Q1 2022.

In addition, the Board is also planning to collaborate with the International Sustainability Standards Board (ISSB), considering the advice from stakeholders that the work of the two boards should be connected and cooperative. The projects to be worked on by the ISSB, and the timing of those projects will be informed by the ISSB's own consultation on its agenda, which is planned to occur during the first half of 2023.

The next step planned is to decide on project direction at a future meeting.

IFRS taxonomy

The Better Communication in Financial Reporting initiative will also consider the IFRS taxonomy. The Taxonomy enables tagging of electronic financial information and allows computers to identify, read and extract the information. This facilitates analysis and comparison. Users may create tailored reports to meet their information needs.

Impact

Several of the measures being considered by the Board are behavioural in nature, and, thus, the impact may not be easily predicted. However, the different projects have the potential to provide clarifications and guidance that will help entities prepare more tailored and effective primary financial statements and disclosures.

Other EY publications

Applying IFRS: Alternative Performance Measures (October 2018) EYG No. 011765-18Gbl

Applying IFRS: Enhancing communication effectiveness (February 2017) EYG No. 000662-173Gbl

IFRS Developments Issue 194: Subsidiaries without public accountability: disclosures (August 2021)
EYG No. 006668-21Gbl

IFRS Developments Issue 192: IASB proposes a new framework for management commentary (June 2021)
EYG No. 004815-21Gbl

IFRS Developments Issue 188: Disclosure Requirements in IFRS Standards – A pilot approach (April 2021)
EYG No. 002697-21Gbl

IFRS Developments Issue 187: The Disclosure Initiative - IASB amends the accounting policy requirements (February 2021)
EYG No. 001327-21Gbl

IFRS Developments Issue 161: Financing and investing entities: proposed changes to primary financial statements (February 2020) EYG No. 000962-20Gbl

IFRS Developments Issue 158: The IASB proposes major changes to primary financial statements (December 2019)
EYG No. 005876-19Gbl

Other projects

The IASB has a number of projects on its work plan to amend existing standards and interpretations for specific matters. The following is a brief summary of selected projects. Refer to the IASB's website for its work plan, which includes the current status of all projects.

<table>
<tr><th>Other projects</th><th>Status/next steps</th></tr>
<tr><td>Financial Instruments – Accounting for Dynamic Risk Management

The objective of this project is to address the specific accounting for risk management strategies relating to open portfolios rather than individual contracts. The hedge accounting requirements in IAS 39 and IFRS 9 do not provide specific solutions to the issues associated with macro hedging.
The IASB's approach to dynamic risk management (DRM) was divided into the following two phases:

The first phase focused on developing the 'core areas' that are central to the model that are comprised of: (i) target profile (liability side); (ii) asset profile; (iii) DRM derivative instruments; and (iv) performance assessment and recycling, to shape the fundamentals of the DRM accounting model.
The second phase addressed non-core areas that are extensions of concepts developed during the first phase.

The key aspects of the core DRM model are:

The model applies to the asset profile and target profile that meet the qualifying criteria on a portfolio (or percentage of portfolio) basis, consistently with the entity's risk management policies and procedures
Core demand deposits could be included in the target profile, with certain conditions. Highly probable forecast transactions could also be eligible for inclusion in the asset profile and target profile (e.g., refinancing)
Determination of the designated derivatives, risk mitigation intention and benchmark derivatives
Designation and formal documentation will be required
Changes to designated portfolios resulting in updates to the asset profile or target profile should not represent a designation or a de-designation event, but, instead, a continuation of the existing relationship
Entities should measure imperfect alignment on an on-going basis. Imperfect alignment may result in volatility in profit or loss
Application of the DRM accounting model should be optional.

At its meeting in May 2022, the IASB completed its deliberations on the outline of the proposed DRM hedge accounting model. It has now moved the project from its research agenda to its standard-setting agenda.
</td>
<td>
The Board will continue its discussions on the remaining open topics.
No date has yet been set for when an Exposure Draft will be published.
</td></tr>
</table>

Other projects	Status/next steps
▸ The details of the proposed model, and discussions up to the beginning of November 2022, are outlined in the publication [The IASB has outlined its proposed new DRM accounting model](). ▸ At its November 2022 meeting, the Board tentatively decided that: ▸ In determining an entity's current net open risk position, the inclusion of equity is not necessary and, therefore, equity is not an eligible item for the purpose of the DRM model; and ▸ In determining an entity's current net open risk position, notional alignment is not required between the designated assets and liabilities	
Financial Instruments with Characteristics of Equity (FICE) ▸ The IASB started its current FICE project in 2020 with the aim of addressing issues that arise in applying *IAS 32* and to expand the disclosure requirements relating to issued financial instruments. ▸ A summary of the tentative decisions made until June 2022 are contained in the publication *Applying IFRS Financial Instruments with Characteristics of Equity (FICE)* ▸ In June 2022, the Board discussed the reclassification of financial instruments as financial liabilities or equity when the substance of the contract changes without a modification to the contract. The Board tentatively decided to prohibit reclassifications other than for changes in the substance of the contractual terms arising from changes in circumstances outside the contract. ▸ In July 2022, the Board discussed the accounting for financial instruments containing obligations for an entity to redeem its own equity instruments, including written put options on non-controlling interests. In September 2022, the Board tentatively decided to propose amendments to IAS 32. These amendments will provide clarification on considerations relating to the accounting on initial recognition of the obligation to redeem an entity's own equity instruments, the accounting for a settlement in a variable number of an entity's own equity and how to treat the expiry of written put options. ▸ In September 2022, the Board tentatively decided to propose amendments to IAS 32 to clarify the accounting for obligations to redeem an entity's own equity. The IASB also tentatively decided to clarify that written put options and forward purchase contracts on an entity's own equity instruments are required to be presented gross.	▸ At a future meeting, the Board will consider any disclosures requirements arising from the potential clarifications made to IAS 32 in the FICE project. ▸ Many of the components of the project have now been discussed and have been tentatively agreed but the possible date for the issue of an Exposure Draft has not yet been set.
Lack of Exchangeability (Amendments to IAS 21) ▸ The IASB intends to amend IAS 21 *The Effects of Changes in Foreign Exchange Rates* to address the spot exchange rate an entity uses when a currency lacks exchangeability. ▸ In December 2022, the Board discussed its proposals on how an entity would assess whether a currency is exchangeable into another currency. The IASB tentatively decided to proceed with its proposed approach (subject	▸ The next step planned is to discuss the effective date and due process steps at a future meeting.

Other projects	Status/next steps
to various clarifications) to set out the factors an entity would evaluate to assess exchangeability and to specify how those factors affect the assessment of exchangeability. The Board also discussed its proposals on how an entity would determine the spot exchange rate when exchangeability is lacking and tentatively decided: ▸ To amend proposed paragraph 19A to state that 'an entity's objective in estimating the spot exchange rate is to reflect at the measurement date the rate at which an orderly exchange transaction would take place between market participants under prevailing economic conditions'; ▸ To continue to permit, but not require, the use of observable exchange rates in estimating the spot exchange rate; and ▸ To make no change to add detailed estimation requirements or to specify the techniques or reference rates to be used by an entity in estimating the spot exchange rate.	
Business Combinations: Disclosures, Goodwill and Impairment ▸ Based on the feedback received during the Post-implementation Review of IFRS 3, the Board decided to begin a research project to explore possible improvements to IFRS 3 and IAS 36 *Impairment of Assets*. In March 2020, the IASB published the Discussion Paper (DP) *Business Combinations: Disclosures, Goodwill and Impairment*. The Board's overall objective was to explore whether companies can provide investors, at a reasonable cost, with more useful information about their acquisitions.	▸ The DP was issued in March 2020 and was open for comment until 31 December 2020. In June 2021, the Board tentatively decided to make no changes to the project's scope. In September 2022, the Board tentatively decided to propose amending the disclosure requirements in IFRS 3. ▸ In November 2022, the Board tentatively decided to maintain its preliminary view to retain the impairment-only model for the subsequent accounting for goodwill.
Business Combinations under Common Control ▸ In November 2020, the IASB published the Discussion Paper (DP) *Business Combinations under Common Control*. The DP identifies two methods of accounting for business combinations under common control (BCUCC) by a receiving entity. The key proposals are: ▸ That the acquisition method should, in principle, be applied to those BCUCC that affect non-controlling shareholders of the receiving entity and that a single book-value method should be applied to all other BCUCC, subject to the following: ▸ The optional exemption from the acquisition method: a receiving entity should be permitted to use a book-value method if it has informed all of its non-controlling shareholders that it proposes to use this method, and they have not objected.	▸ The DP was issued in November 2020. The comment period closed on 1 September 2021 and the IASB began considering the feedback received at its December 2021 meeting. ▸ The IASB will continue to redeliberate the project proposals at future meetings.

Other projects	Status/next steps
▸ The exception from the acquisition method: a receiving entity should be required to use a book-value method if all of its non-controlling shareholders are the entity's related parties as defined in IAS 24 *Related Party Disclosures*. ▸ The acquisition method should be applied according to IFRS 3 but as the consideration may not be at arm's length and may lead to a distribution of or contribution to equity. ▸ A book-value method, measuring the assets and liabilities received using the transferred entity's book values, should be applied to all BCUCC that do not affect non-controlling shareholders. When applying the book-value method, the receiving entity should measure consideration paid in assets at the receiving entity's book values of those assets at the combination date or if by assuming liabilities at the amount determined at the combination date using the IFRS standards applicable for initial recognition of a liability of that type.	
Rate-regulated Activities ▸ In January 2021, the IASB published the Exposure Draft (ED) *Regulatory Assets and Regulatory Liabilities*. The ED sets out proposals for the recognition, measurement, presentation and disclosure of regulatory assets, regulatory liabilities, regulatory income and regulatory expense. The key proposals are: ▸ Regulatory assets and regulatory liabilities exist due to a regulatory agreement that determines the regulated rate in such a way that some, or all, of the total allowed compensation for goods or services supplied in one period is charged to customers in a different period. ▸ An entity recognises its regulatory assets and regulatory liabilities existing at the end of the reporting period and its regulatory income and expense arising during the reporting period. ▸ If it is uncertain whether a regulatory asset or regulatory liability exists, an entity will recognise that regulatory asset or regulatory liability if it is 'more likely than not' that it exists. ▸ An entity measures regulatory assets and regulatory liabilities at historical cost using estimates of future cash flows by applying a cash-flow-based measurement technique. ▸ In predicting uncertainty, an entity can use either the 'most likely amount' and 'expected value' methods. All regulatory income or regulatory expense should be presented as a separate line item immediately below revenue.	▸ The ED was issued in January 2021. The comment period closed on 30 July 2021 and the IASB began considering the feedback received at its October 2021 meeting. ▸ In February 2022, the Board started redeliberating specific topics. The IASB will continue to redeliberate the project proposals at future meetings. ▸ No date has yet been set for when an IFRS Accounting Standard will be published.
Supplier Finance Arrangements ▸ In December 2020, the Board published the IFRS Interpretations Committee's Agenda Decision *Supply Chain Financing Arrangements – Reverse Factoring*. Subsequently, the Board met in June 2021 and decided to add a narrow-scope standard-setting project to its work plan, with the aim to develop disclosure requirements for	▸ The ED issued in November 2021 was open for comment until 28 March 2022. The Board subsequently considered feedback received and tentatively decided in November 2022 to proceed with the proposal to add disclosure requirements about supplier finance arrangements.

Other projects	Status/next steps
supplier finance arrangements. The Board decided to propose amending IAS 7 *Statement of Cash Flows* and I FRS 7 *Financial Instruments: Disclosures* to that effect. ▶ In November 2021, the IASB published the Exposure Draft *(ED) Supplier finance arrangements*. The ED proposes to introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's' liabilities and cash flows.	▶ The next milestone is for the Board to issue the amendments which are expected in Q2 2023.
Post-implementation Review, IFRS 9 Financial Instruments Classification and Measurement ▶ In September 2021, the Board published a Request for Information (RFI) for its Post Implementation Review (PIR) of the Classification and Measurement (C&M) requirements of IFRS 9. The RFI divided the PIR into eight broad topics on which the Board asked for feedback: ▶ Business model for managing financial assets ▶ Contractual cash flow characteristics ▶ Equity instruments and other comprehensive income ▶ Financial liabilities and own credit ▶ Modifications to contractual cash flows ▶ Amortised cost and the effective interest method ▶ Transition ▶ Other matters In the following, we focus on the key issues discussed so far: Contractual cash flow characteristics ▶ In April 2022, the Board discussed the feedback received in response to the RFI, along with initial thinking on the issues associated with the contractual cash flows characteristics assessment (otherwise known as the 'SPPI test'). ▶ The specific focus was on the growing volume of loans whose interest rate may vary depending on the borrower's performance against certain Environmental, Social or Governance (ESG) targets. The issue is whether this feature means that the loan does not meet the SPPI criteria if the effect is neither *de minimis*, nor can be viewed as compensation for the credit risk of that particular asset. ▶ In May 2022, the Board agreed to start a standard-setting project to clarify aspects associated with the assessment of the contractual cash flow characteristics of a financial asset. The Board agreed that the assessment of assets with ESG features is a high priority area for which standard setting is required. The staff assigned a	▶ As of December 2022, the IASB has completed its discussions on the topics put forward in the PIR for IFRS 9 with respect to classification and measurement. ▶ The IASB has published a report of its findings from the PIR project to date in December 2022. The IASB plans to publish an Exposure Draft of proposed amendments to IFRS 9 in Q2 2023, with a 120-day comment period. ▶ For the PIR on IFRS 9 impairment, the IASB expects to publish a RFI in H1 2023. No date has yet been set for starting the PIR on hedge accounting.

Other projects	Status/next steps
medium priority to questions raised on Contractually Linked Instruments (CLIs) as, whilst it is an important issue, it is not considered pervasive. ▸ In July 2022, the IASB staff assessed what constitutes a basic lending arrangement in connection with the assessment of assets with ESG features. The focus is on whether and how the nature of a contingent event impacts the SPPI assessment. The staff noted that the assessment is based on what the lender is being compensated for and, if the contractual cash flows resulting from the ESG-linked feature do not introduce compensation for ESG risks, the staff believe that a financial asset with ESG linked features could have contractual cash flows that are not inconsistent with a basic lending arrangement. ▸ In October 2022, the Board tentatively decided to propose additional disclosures to enable users of the financial statements to better understand the extent of an entity's exposure to instruments with contingent features, including ESG linked instruments. ▸ With respect to Contractually Linked Instruments (CLIs), in July 2022 the Board decided to develop additional guidance for the scope of the CLI requirements, which reflects the Board's original view that these financial instruments have unique features. The staff noted that not all financial assets with non-recourse features have the characteristics of CLIs. In September 2022, it was tentatively agreed to include examples and guidance to clarify the unique characteristics of CLIs. In November 2022, the Board tentatively decided to clarify that, when determining whether a transaction is in the scope of the CLI requirements, an entity excludes any instruments held by the transferor of the underlying assets to the issuer. Accounting policy choice for derecognition of financial liabilities ▸ As a result of the discussions relating to cash received via electronic transfer as settlement of a financial asset, the Board agreed to explore a narrow scope standard-setting project to allow an accounting policy choice to derecognise financial liabilities before their settlement date (for further details on this topic, see *IFRS IC considers Agenda Decision - cash transferred via electronic transfer*). In October 2022, the Board agreed that it would be appropriate for these narrow scope amendments to be made as part of the IFRS 9 PIR. ▸ In November 2022, the IASB tentatively agreed on criteria for when the accounting policy choice for financial liabilities could be applied. It was also tentatively agreed that the scope of the potential accounting alternative would be limited to particular types of transactions such as electronic payment systems that meet the specified criteria, and that the general derecognition requirements in IFRS 9 would not change. Other discussions	

Other projects	Status/next steps
- In July 2022, the Board added a standard-setting project to its research pipeline to clarify the requirements in IFRS 9 for modifications of financial assets and liabilities. - In September 2022, the Board discussed various other topics arising from questions that had been raised by respondents to the RFI and tentatively decided that no further action would be taken as the issues were not widespread or expected to have a material effect. - The business model assessment was discussed by the Board in October 2022 and it tentatively concluded that, whilst there are some areas of complexity and judgement is required to apply the requirements, it is working as intended and no change is required. - In October 2022, the Board also discussed the accounting for equity instruments and the option to present changes in fair value in other comprehensive income (OCI) rather than profit and loss. The Board tentatively concluded that there is insufficient evidence to justify making changes to IFRS 9 and no further is required. However, it agreed to propose amendments to the IFRS 7 *Financial Instruments: Disclosures* requirements, to increase the usefulness and transparency of information provided on these instruments. - In November 2022, the Board considered feedback in relation to financial liabilities and own credit, including the presentation of own credit in OCI for financial liabilities designated at fair value through profit and loss. The Board tentatively concluded to make no changes to the current requirements.	
International Tax Reform – Pillar Two Model Rules - In November 2022, the Board discussed the potential effects of the OECD's Pillar Two model rules on the accounting for income taxes by an entity applying IAS 12 *Income Taxes*. In particular, the Board considered whether to undertake a standard-setting project in response to the imminent implementation of the rules. The Board tentatively decided to amend IAS 12 to introduce a temporary exception from the requirement to account for deferred taxes arising from the implementation of the OECD's Pillar Two model rules (including any qualified domestic minimum top-up tax). The exception would apply until the Board either removes the exception or makes it permanent. The Board also tentatively decided to amend IAS 12 to require certain additional disclosures.	- The Board plans to publish an exposure draft in January 2023, which would have a comment period of 60 days (subject to approval by the Due Process Oversight Committee).

The table below sets out the estimated timeline for the remaining projects on the IASB's agenda as at the end of December 2022.

IASB projects	Next milestone	Expected date
Research projects		
Extractive Activities	Decide Project Direction	Q2 2023
Equity Method	Decide Project Direction	–
Post-implementation Review, IFRS 9 Impairment	Request for Information	Q2 2023
Post-implementation Review, IFRS 15 *Revenue from Contracts with Customers*	Request for information	Q2 2023
Standard-setting and related projects		
Second Comprehensive Review of the IFRS for SMEs Standard	Exposure Draft Feedback	Q2 2023
Maintenance projects		
Provisions – Targeted Improvements	Decide Project Direction	–

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

About EY's International Financial Reporting Standards Group

A global set of accounting standards provides the global economy with one measure to assess and compare the performance of companies. For companies applying or transitioning to International Financial Reporting Standards (IFRS), authoritative and timely guidance is essential as the standards continue to change. The impact stretches beyond accounting and reporting to the key business decisions you make. We have developed extensive global resources – people and knowledge – to support our clients applying IFRS and to help our client teams. Because we understand that you need a tailored service as much as consistent methodologies, we work to give you the benefit of our deep subject matter knowledge, our broad sector experience and the latest insights from our work worldwide.

EYG No. 000350-23Gbl
ED None

UKC-026878.indd (UK) 01/23.
Artwork by Creative London.

In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.