
IASB Technical Update

November 2023



THE 15th ANNUAL AOSSG MEETING

Joining hands in regional cooperation and the development of IFRS

November 21-22, 2023, in Brisbane, Australia.

Presenters



Andreas Barckow
IASB Chair

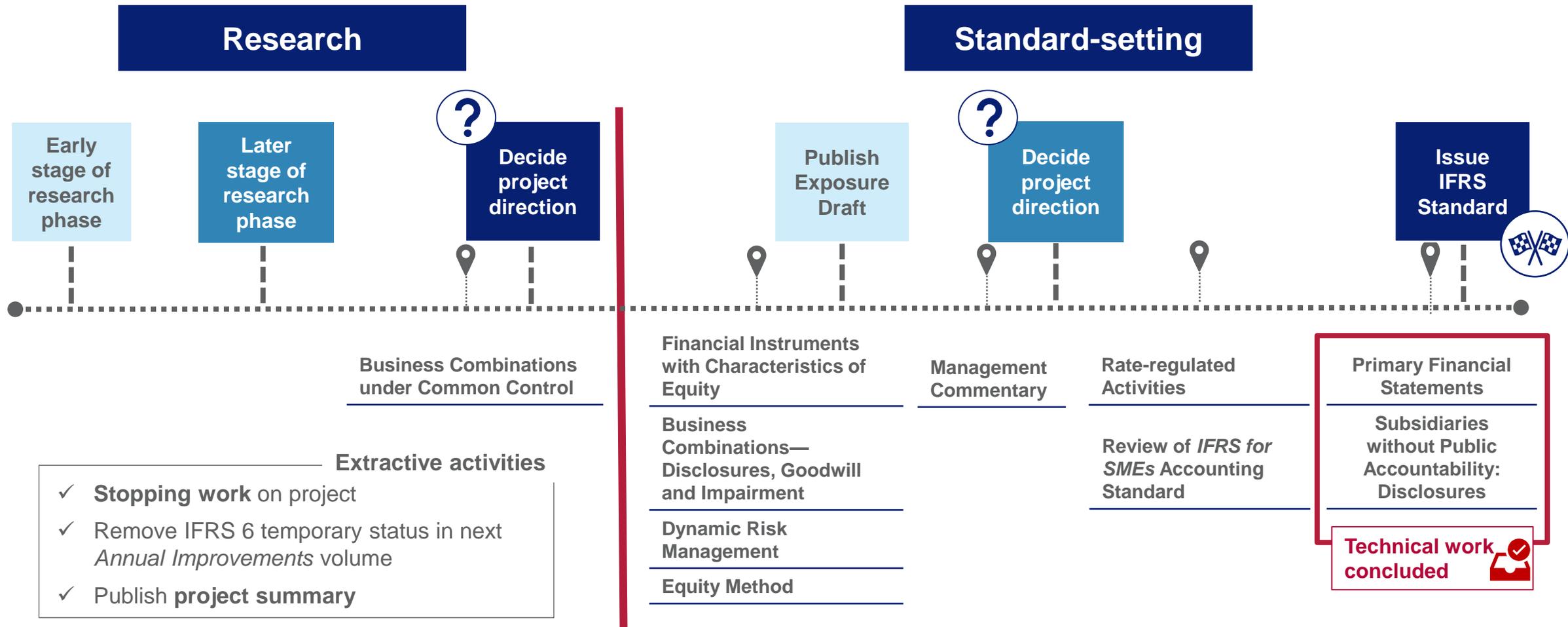


Rika Suzuki
IASB Member

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- 5 Digital financial reporting
- 6 Questions and answers session

IASB Work Plan Overview Driving Forward

Current projects at different stages



Driving forward – What will keep you busy?

November

Exposure draft *Financial Instruments with Characteristics of Equity*



Publishing
November

December

Exposure draft *Annual Improvements to IFRS Accounting Standards*



Comments due
by **11 December**

H1 2024

Exposure draft *Business Combinations—Disclosures, Goodwill and Impairment*



Publishing
H1 2024

New Standards and amendments

Issued amendments	Effective date
Lease Liability in a Sale and Leaseback [IFRS 16]	01.01.2024
Non-current Liabilities with Covenants [IAS 1]	01.01.2024
International Tax Reform—Pillar Two Model Rules [IAS 12]	01.01.2023*
Supplier Finance Arrangements [IAS 7; IFRS 7]	01.01.2024
Lack of Exchangeability [IAS 21]	01.01.2025

New IFRS Standards – H1 2024

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

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

Key forthcoming
publications in H1 2024:
Primary financial statements

⊕ New IFRS Accounting Standard

Key messages



Investors'
demand for better
information



Communication in
financial
statements



Basis for analysis



Enhanced
transparency

IFRS 18 – the new requirements



New required subtotals in statement of profit or loss, including ‘operating profit’



Disclosures about management-defined performance measures (MPMs)



Enhanced guidance on grouping of information (aggregation and disaggregation)

Better information for better decisions

– increases comparability, transparency and usefulness of information



Publication date: Q2 2024

Effective date: 1 January 2027

Who will the requirements affect?

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

Will impact:

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



Categories and subtotals in the statement of profit or loss

Investors' concerns

Companies' statement of profit or loss vary in content and structure



Difficulty comparing financial performance



IFRS 18 introduces

Three defined categories to provide a consistent structure of the statement of profit or loss:

- operating
- investing
- financing

Two new required subtotals to enable analysis:

- operating profit
- profit before financing and tax



Statement of profit or loss – general corporate

Revenue

Cost of goods sold

Gross profit

Other operating income

Selling expense

Research and development expenses

General and administrative expenses

Other operating expenses

Operating profit

Share of the profit from associates and joint ventures

Other investment income

Profit before financing and income tax

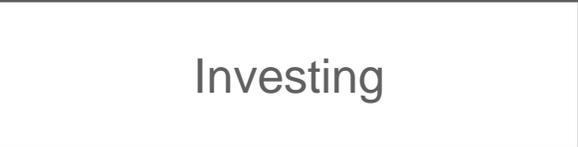
Interest expense on borrowings and lease liabilities

Interest expense on pension liabilities

Profit before tax

Income tax expense

Profit for the year



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

MPMs

Investors' concerns

MPMs are useful

BUT

Lack of transparency of
how these measures are
calculated



IFRS 18 introduces

Requirement to disclose in a single note:

- Statement that the MPM reflects management's view
- Explanation of why the MPM is reported
- Reconciliation back to IFRS-defined number
- Explanation of any changes to the MPM



Grouping – aggregation and disaggregation – of information

Investors' concerns

Some companies don't provide enough detailed information

AND

Important information is obscured



IFRS 18 introduces

- Enhanced requirements for grouping of information
- Guidance on whether information should be in the primary financial statements or the notes
- Disclosures about items labelled as 'other'



Key forthcoming
publications in H1 2024:
*Subsidiaries without Public
Accountability: Disclosures*

⊕ New IFRS Accounting Standard

Key facts about the future Standard



Optional IFRS Accounting Standard



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



Reduced disclosure requirements



Publication date: Q2 2024
Effective date: 1 January 2027

Who can apply the future Standard?

Eligible subsidiaries

An eligible subsidiary is an entity:

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

What is public accountability



Equity or debt instruments traded in public market

- IFRS 8 *Operating Segments*
- IAS 33 *Earnings per Share*



Hold assets entrusted to them by their customers

Benefits of applying the future Standard



Reduced cost of preparing financial statements



Simplification of the reporting process



Improved application of IFRS Accounting Standards



Subsidiary's financial statements focused on their users



Systemic long-term benefits in the reporting ecosystem

Key forthcoming
publications in H1 2024:
*Business Combinations—
Disclosures, Goodwill and
Impairment*

⊕ New Exposure Draft

Business Combinations—Disclosures, Goodwill and Impairment

Project summary



Improve information about business combinations at a reasonable cost



A package of disclosure requirements about business combinations



Changes to the impairment test of cash-generating units containing goodwill

Better information for better decisions

– increases comparability, transparency and usefulness of information



Exposure draft publication date:
H1 2024

Business Combinations—Disclosures, Goodwill and Impairment

Disclosures about business combinations—IASB decisions

	All material business combinations	Only 'strategic' business combinations
<i>Information as at acquisition date</i>	 <p>Expected synergies</p> <ul style="list-style-type: none"> Exemption - YES  <p>Strategic rationale</p> <ul style="list-style-type: none"> Exemption - NO 	 <p>Objectives and targets</p> <ul style="list-style-type: none"> Exemption - YES
<i>Information after acquisition date</i>		 <p>Performance - Actuals</p> <ul style="list-style-type: none"> Exemption - NO  <p>Performance - Statement</p> <ul style="list-style-type: none"> Exemption - YES

Business Combinations—Disclosures, Goodwill and Impairment

Subsequent accounting for goodwill—IASB decisions



Improving the effectiveness of the impairment test



Reducing the cost and complexity of the impairment test



Retain impairment-only model for goodwill

IASB Technical work – other projects

Equity Method



- ✓ Address application questions in IAS 28
- ✓ No fundamental rethink of the equity method



Investments in associates
+
Investments in joint ventures



Drafting an Exposure Draft

Areas where the application of the equity method was clarified:

- Ownership changes
- Recognition of losses
- Transactions with (and between) associates
- Contingent consideration
- Others



Exposure draft publication date:
H2 2024

Rate-regulated Activities



Develop a holistic model for the accounting of rate regulation



Main proposals:

- ✓ Address differences in timing
- ✓ Reflect compensation in right period



Finish redeliberations

Significant progress made on redeliberations regarding:

- Scope
- Total allowed compensation
- Recognition and measurement

To be discussed:

- Discount rate
- Items affecting regulated rates only when related cash is paid or received
- Presentation and disclosure



IFRS Standard
publication date: 2025

Financial Instruments with Characteristics of Equity



Address questions in applying IAS 32:

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



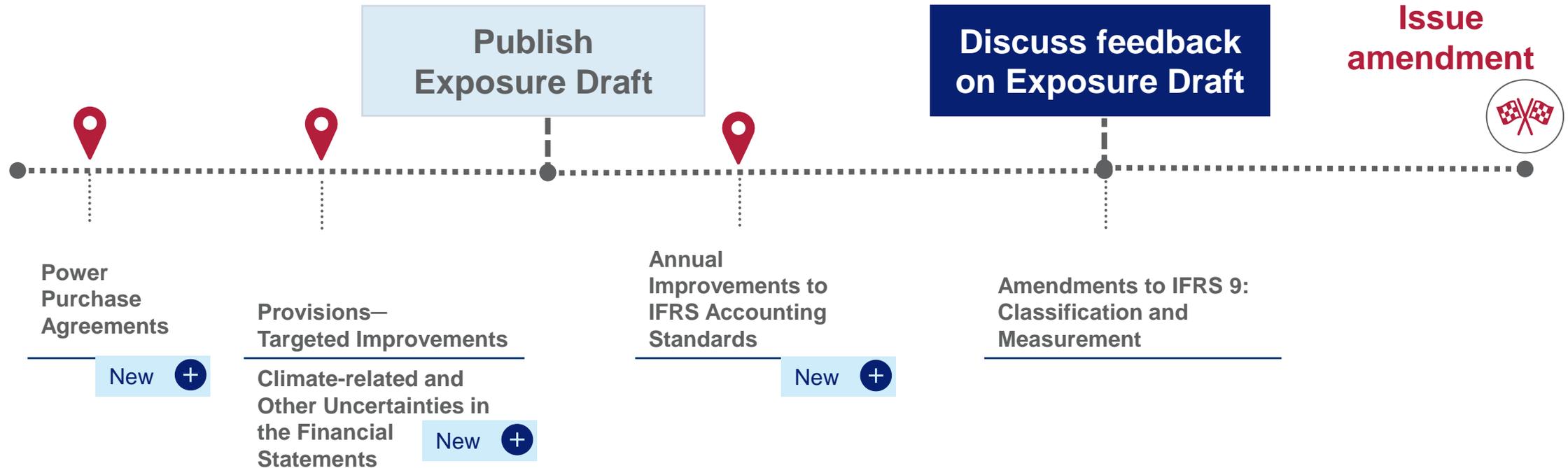
Approach:

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



Exposure draft publication date:
Q4 2023

Maintenance projects



Climate-related and Other Uncertainties in the Financial Statements



- Improve transparency on how financial information about climate-related and other uncertainties is communicated in the financial statements
- Explore development of illustrative examples and targeted amendments to improve disclosures



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

This project will not seek to:



- develop an Accounting Standard on climate-related risks or accounting requirements for pollutant pricing mechanisms;
- broaden the objective of financial statements or the definitions of assets and liabilities.



Decide project direction:
Q1 2024

Post-implementation reviews

 ***Recently completed***

IFRS 9—Classification and Measurement

 ***Analysing feedback***

IFRS 9—Impairment

IFRS 15 *Revenue from Contracts with Customers*

 ***Forthcoming***

IFRS 16 *Leases*

IFRS 9—Hedge Accounting

Connectivity with the ISSB

Connections between financial statements and sustainability-related financial disclosures



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

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

Digital financial reporting

IASB's focus on digital financial reporting



Investors are increasingly consuming information through digital means to make investment decisions



As part of its Third Agenda Consultation the IASB agreed a **slight increase** in its focus on digital financial reporting

To help improve the usefulness, quality, accessibility and comparability of digital financial information the IASB is:



continuing to improve the IFRS Accounting Taxonomy



considering implications for IFRS Accounting Standards from the digital consumption of financial reports



working with partners in the digital ecosystem to facilitate the digital consumption of financial reports

Q&A session

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