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# IASB Technical Update

Saudi Arabia Stakeholders –  
SOCPA event  
May 2024

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# Overview

- New requirements
- Update on current IASB work plan
- Research projects
- Post-implementation reviews
- Standard-setting projects
- Maintenance/Consistent application
- Connections between the ISSB and the IASB
- Helpful materials

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## Some highlights from April/May 2024

- The IASB published IFRS 18 *Presentation and Disclosure in Financial Statements*
- The effective date for the Standard is 1 January 2027

IFRS 18

- The IASB published IFRS 19 *Subsidiaries without Public Accountability: Disclosures*
- The effective date for the Standard is 1 January 2027

IFRS 19

- The IASB added a research project on its work plan on reviewing the accounting requirements for intangibles

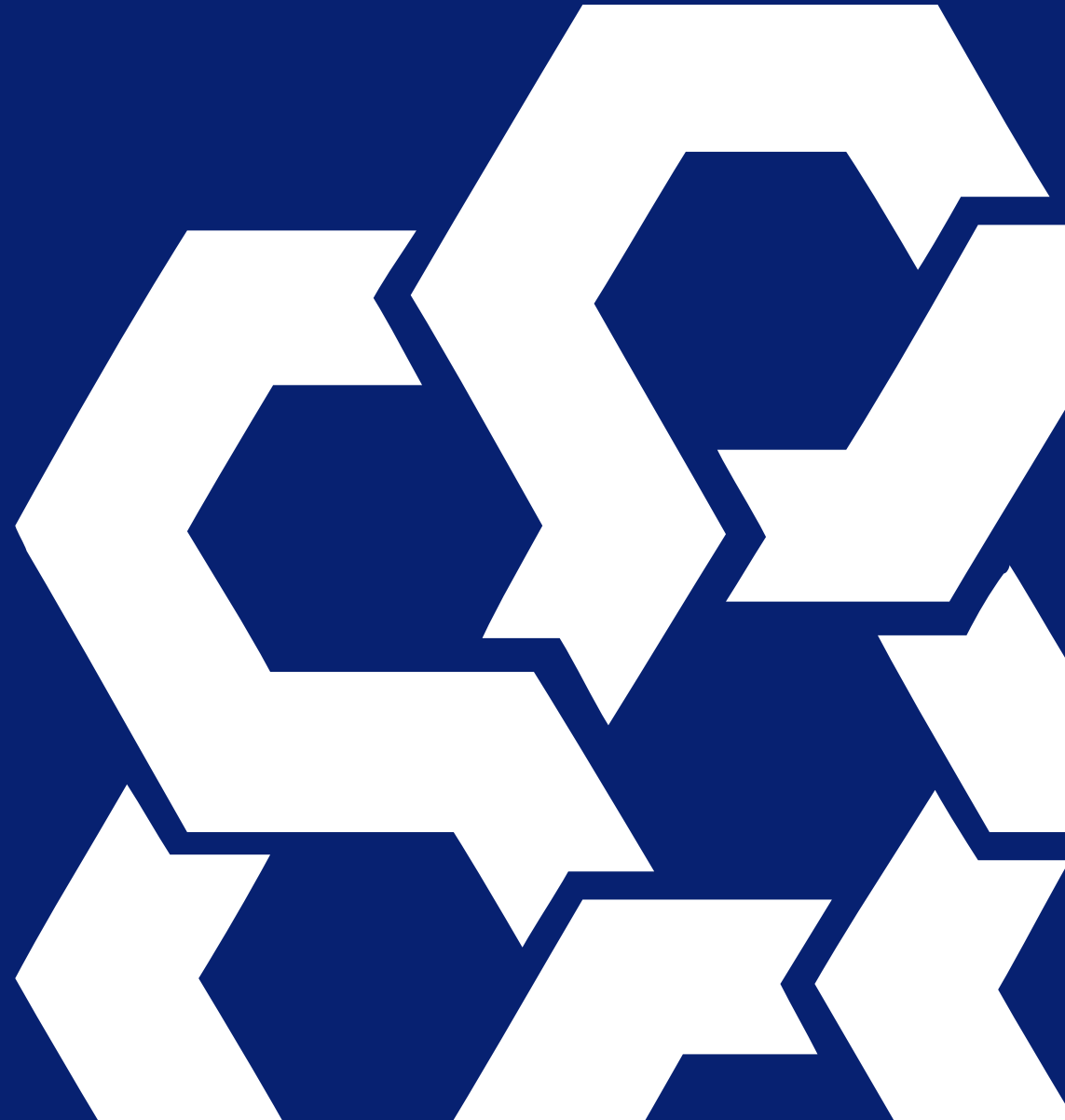
Intangible Assets

- The IASB published a [project summary](#)

Business  
Combinations under  
Common Control

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# New requirements



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# What is required when?

## 1 January 2024

- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1)
- *Non-current Liabilities with Covenants* (Amendments to IAS 1)
- *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7)

## 1 January 2025

- *Lack of Exchangeability* (Amendments to IAS 21)

## 1 January 2027

- *IFRS 18: Presentation and Disclosure in Financial Statements*
- *IFRS 19: Subsidiaries without Public Accountability: Disclosures*

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## IFRS 19: *Subsidiaries without Public Accountability: Disclosures*



A Standard that will permit eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements.

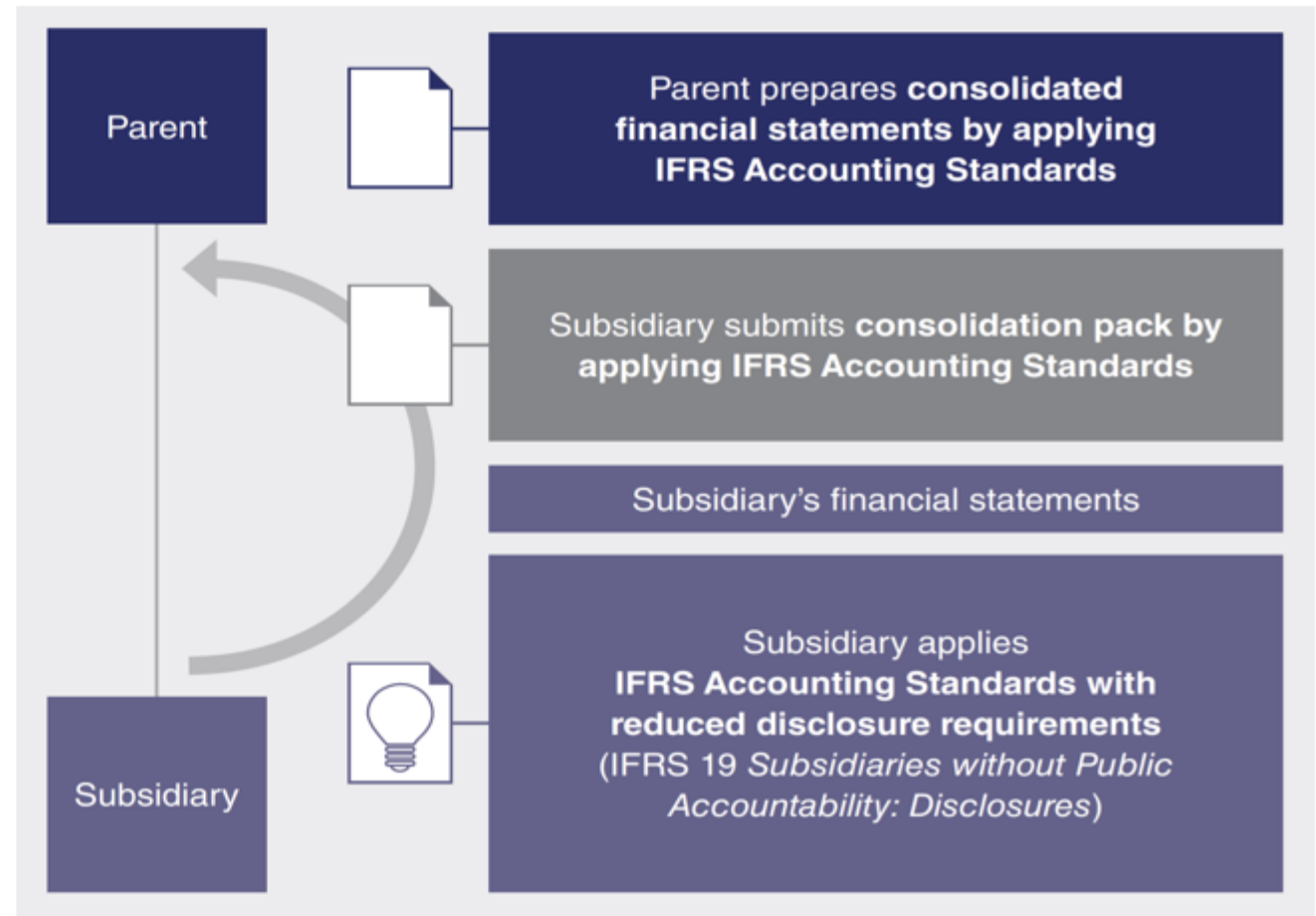
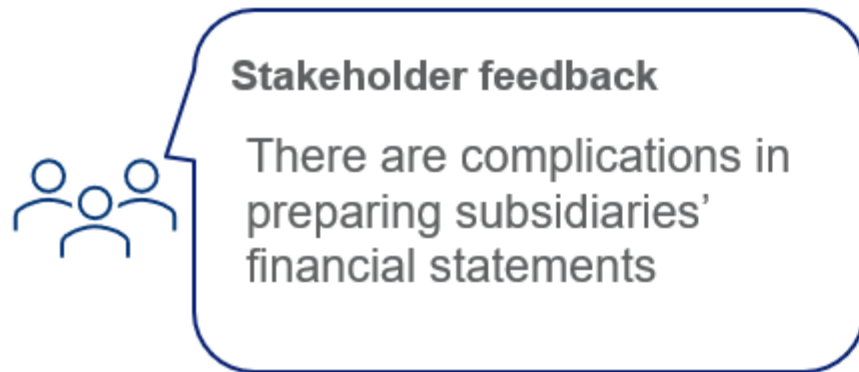


It will simplify reporting systems and processes and thereby reduce the costs of preparing eligible subsidiaries' financial statements.



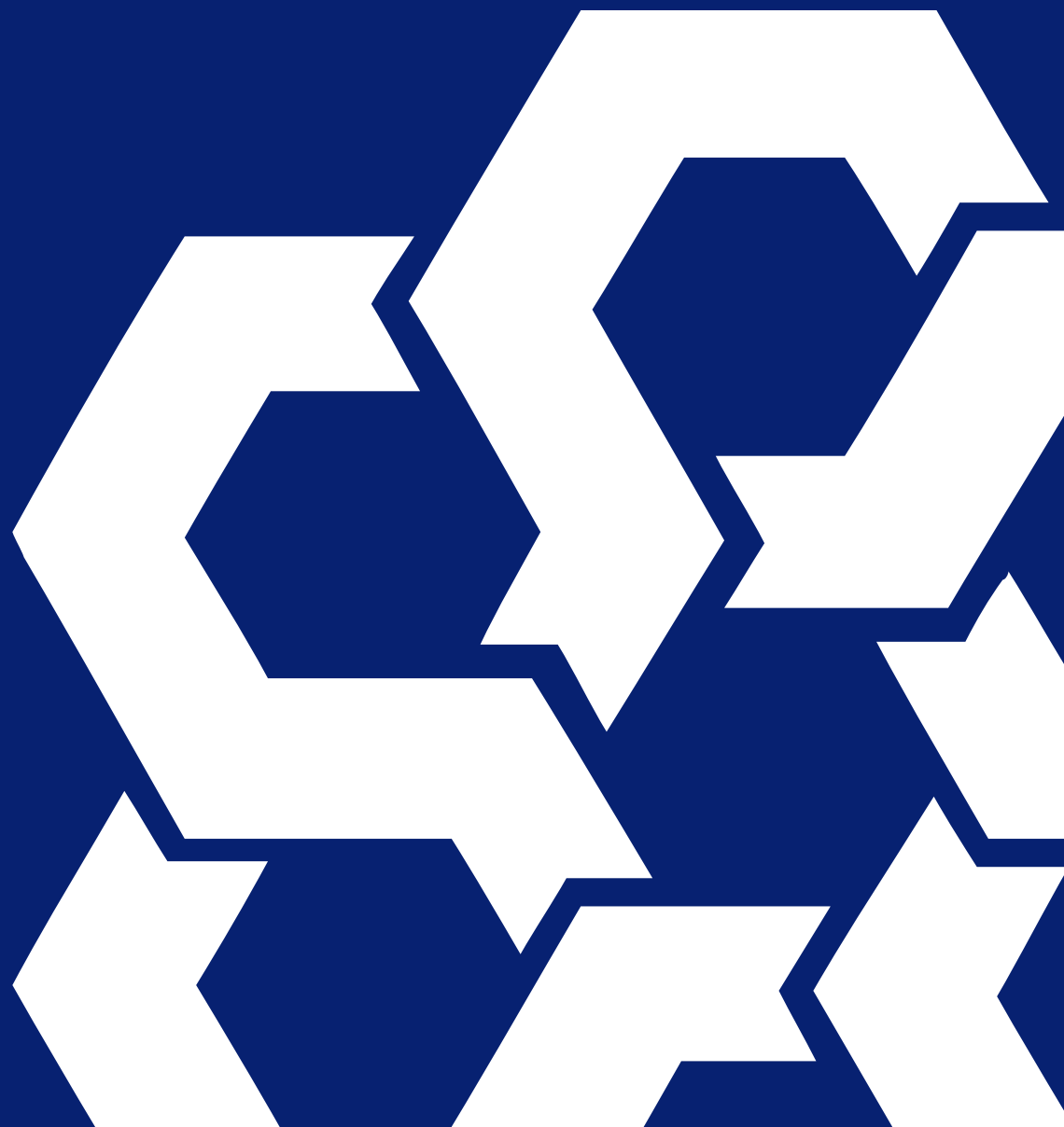
**Effective date:** 1 January 2027

# IFRS 19: One-page quick view



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## Update on current IASB work plan





# Consultations

Open for comments 

Exposure Draft: *Business Combinations—Disclosures, Goodwill and Impairment*

Comments due 15 July 2024

Addendum to the Exposure Draft: *Third Edition of the IFRS for SMEs Accounting Standard*

Comments due 31 July 2024






*Exposure Draft: Contracts for Renewable Electricity*

Comments due 7 August 2024

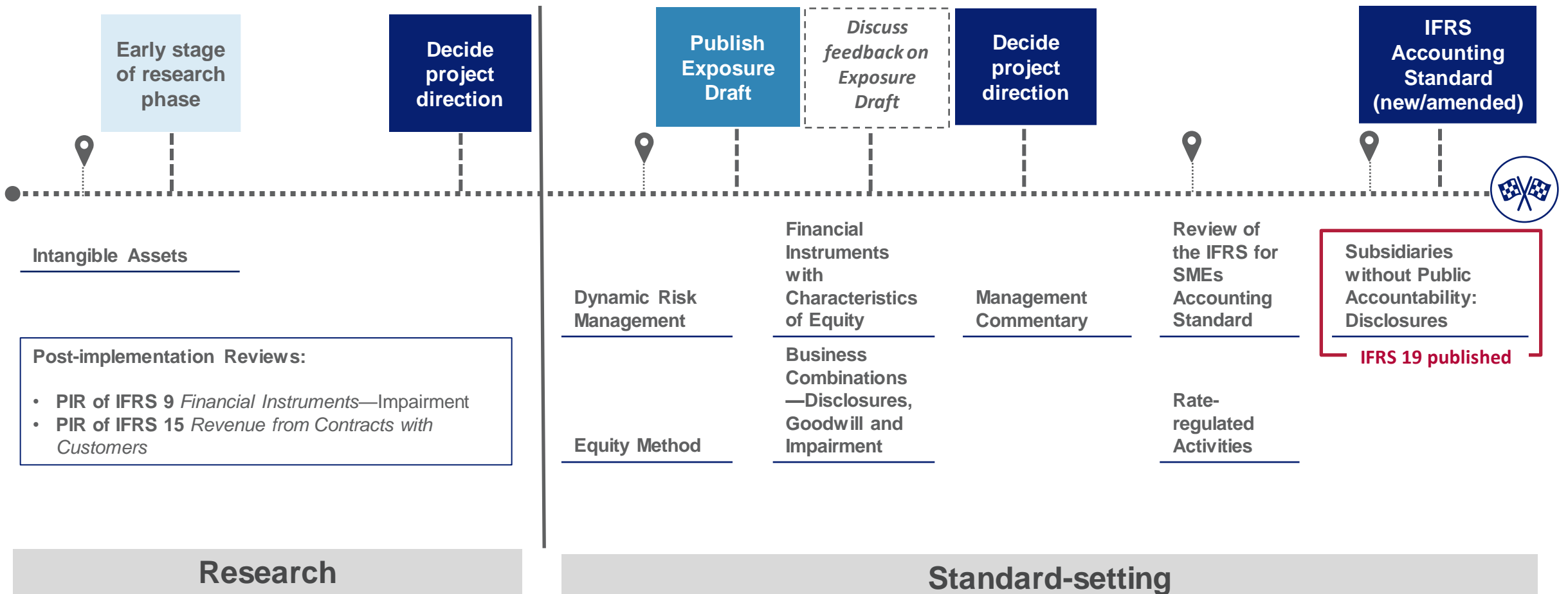
Forthcoming in 2024 

- **July 2024:** Exposure Draft updating the *Subsidiaries without Public Accountability: Disclosures* Standard
- **July 2024:** Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*
- **Q2 2024:** Proposed IFRS Taxonomy Update—*Primary Financial Statements*
- **Q3 2024:** Exposure Draft proposing amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*
- **H2 2024:** Proposed IFRS Taxonomy Update—*Subsidiaries without Public Accountability: Disclosures* and Amendments to IFRS 7 and IFRS 9
- **H2 2024:** Exposure Draft proposing amendments to IAS 28 (*Equity Method* project)
- **H2 2024:** Exposure Draft proposing clarifications to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

## IASB work plan: overview

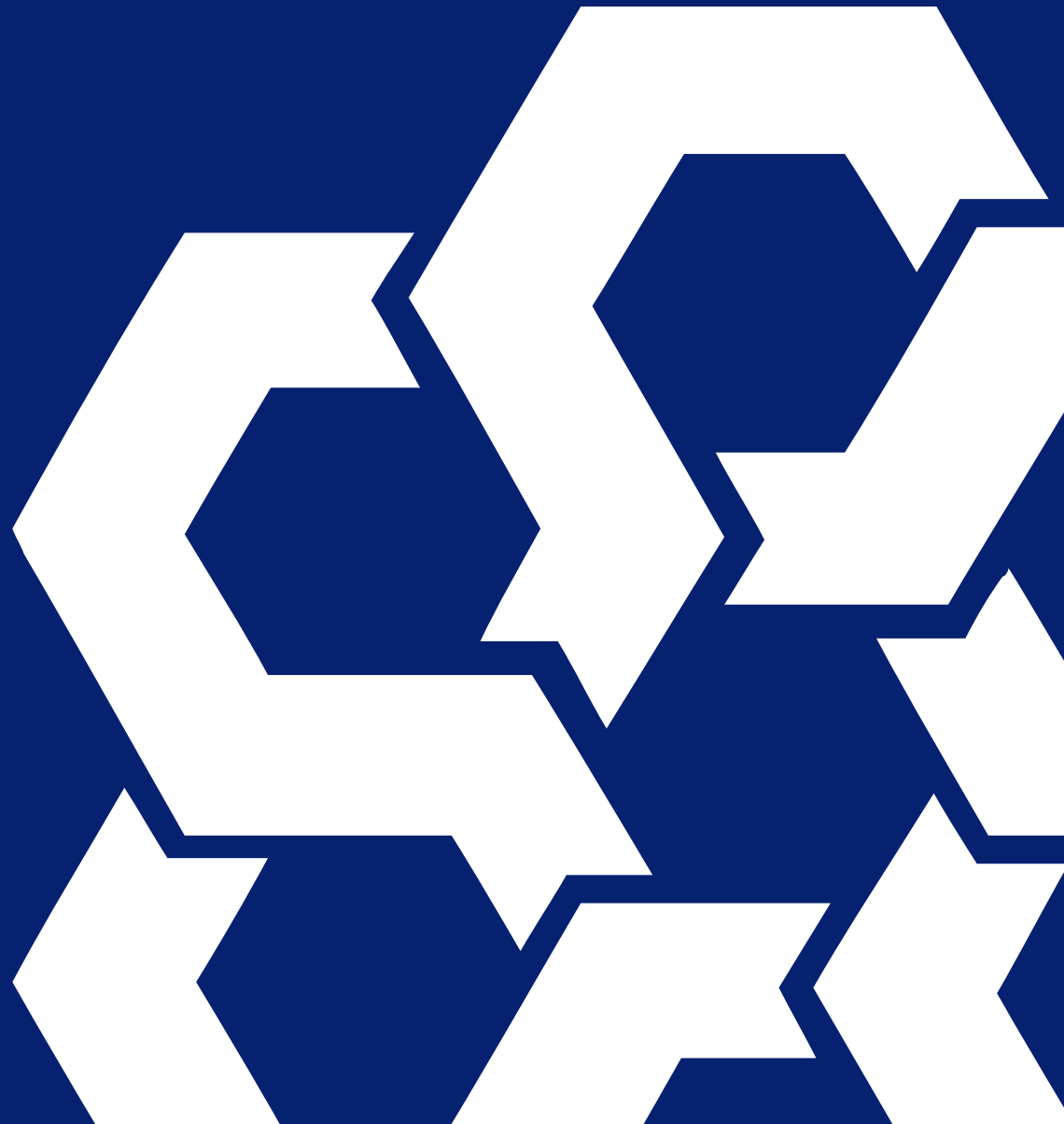
Type of project		As of 30 April 2024
Post-implementation reviews		2
Research projects		1
Standard-setting projects		8
Maintenance projects		8
Application questions (IFRS IC)		3
<b>Total</b>		<b>22</b>

# Current projects are in different stages



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## Research projects



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# Intangible Assets

## Objective

- Comprehensively review the accounting requirements for intangibles
- Assess if the requirements of IAS 38 *Intangible Assets* remain relevant and continue to fairly reflect current business models or whether the IASB should improve the requirements

## Areas of focus

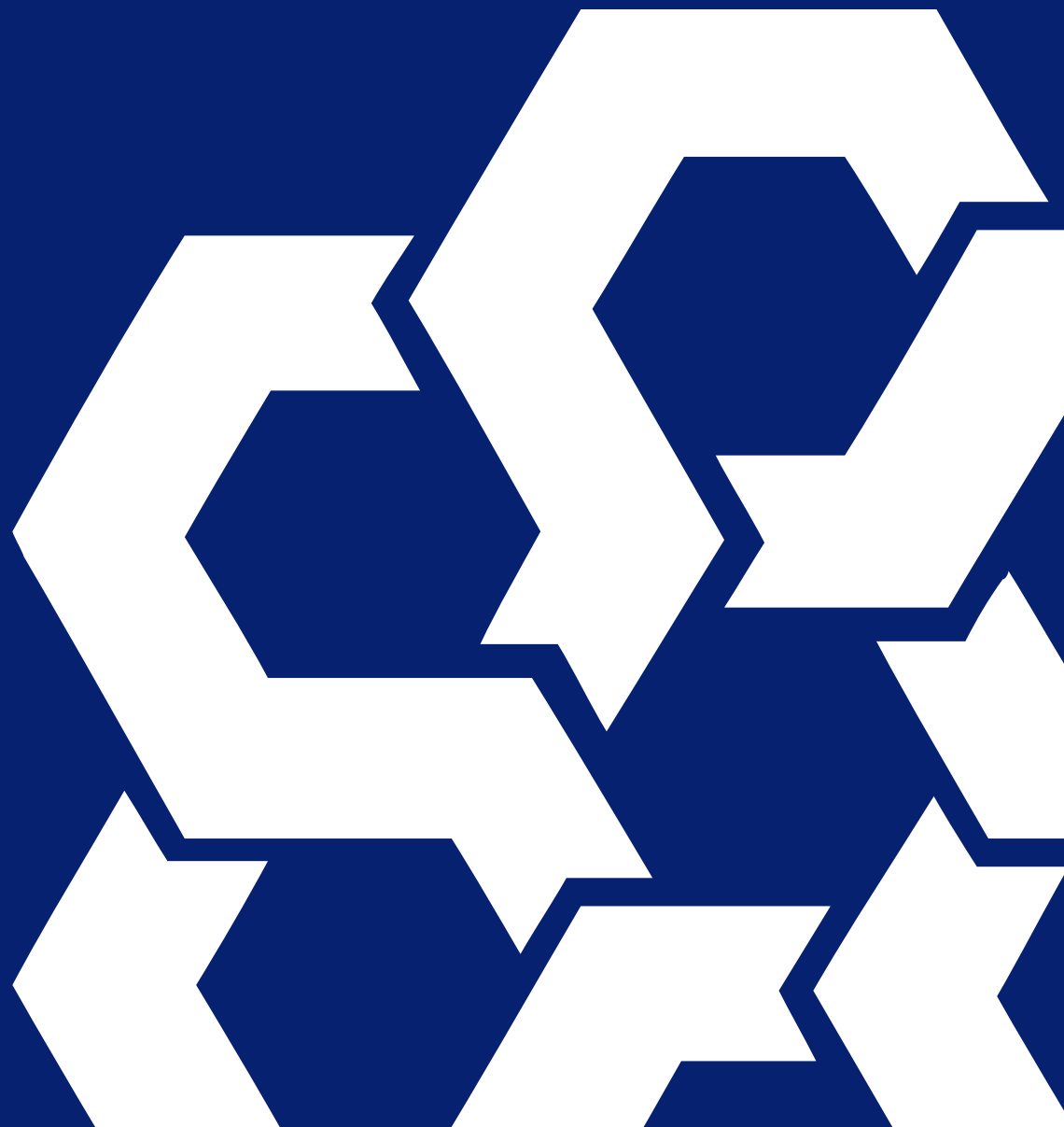
- Initial research aims to define:
  - the scope of the project; and
  - how best to stage work to deliver timely improvements

## Next milestone

- Review Research – expected in H2 2024

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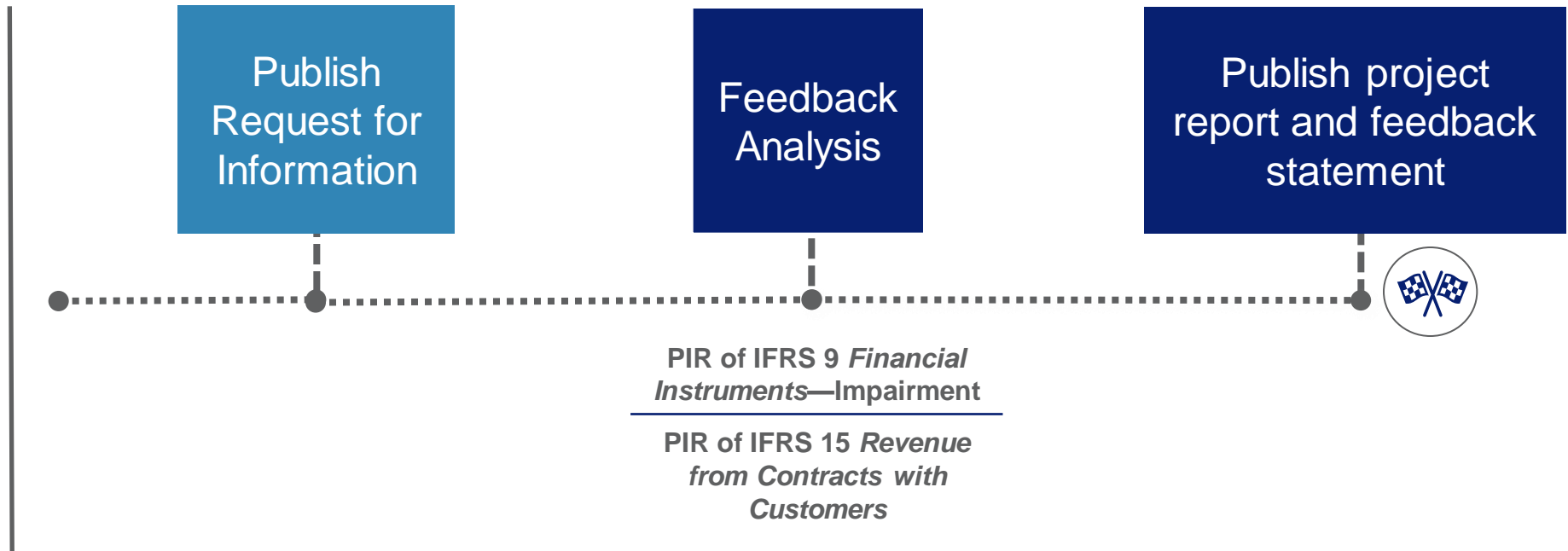
# Post-implementation reviews



# Overview: post-implementation review projects

Forthcoming post-implementation reviews:

- PIR of IFRS 16 *Leases*
- PIR of IFRS 9—Hedge Accounting



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## PIR of IFRS 9—*Financial Instruments*: Impairment

### Objective

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

### Request for Information feedback

- Overall, the PIR feedback is positive. Almost all respondents said that the ECL requirements:
  - result in more timely recognition of credit losses compared to IAS 39; and
  - work as intended with no fundamental questions (‘fatal flaws’)
- Respondents however identify specific application challenges and suggest the IASB make targeted improvements to the requirements, including disclosure requirements

### Next milestone

- The IASB expects to complete its deliberations by the end of Q2 2024 and publish feedback statement in Q3 2024



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# PIR of IFRS 15—*Revenue from Contracts with Customers*

## Objective

- Assess whether the effects of applying IFRS 15 on users of financial statements, preparers, auditors and regulators are as intended when the Standard was issued

## Request for Information feedback

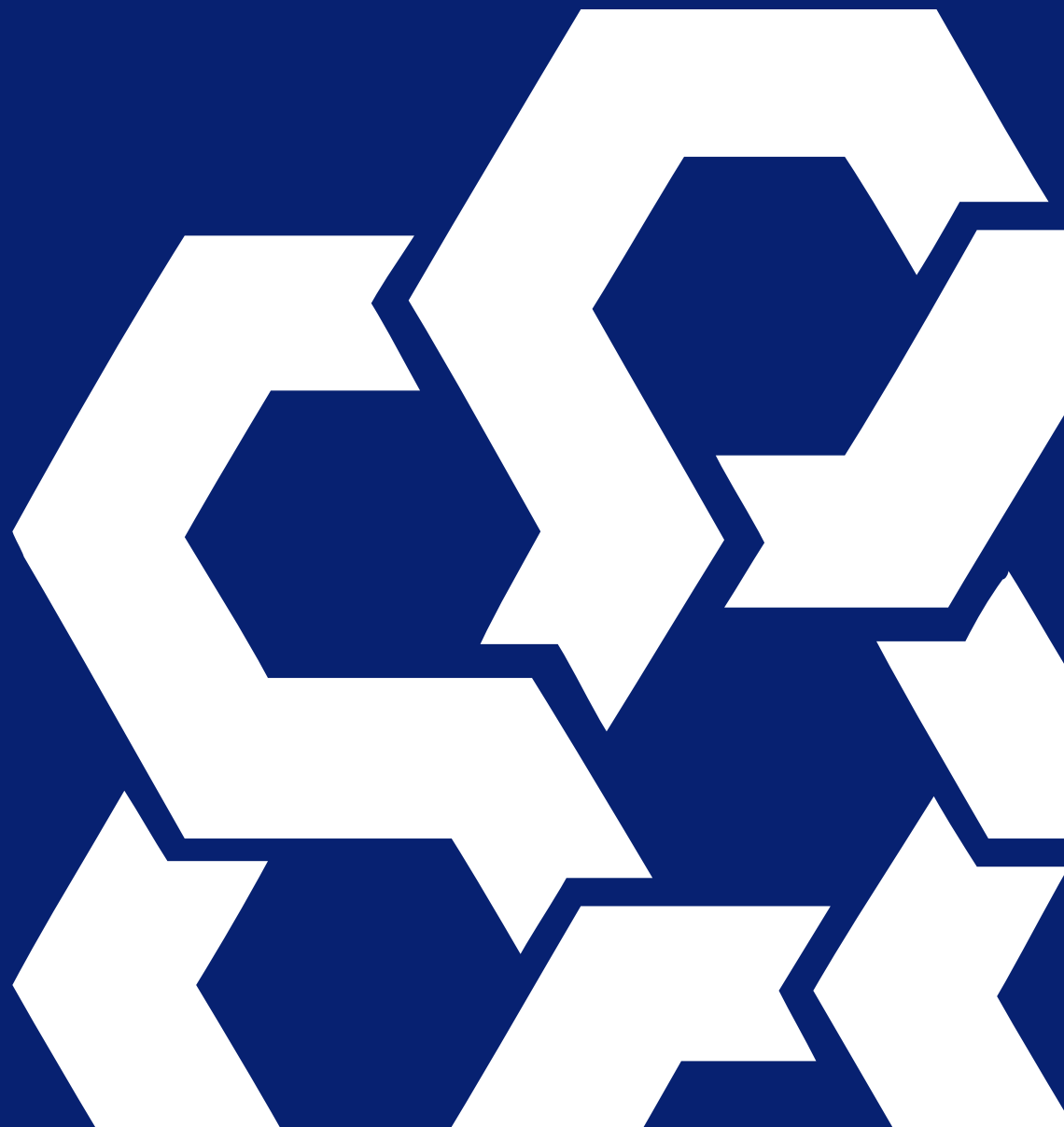
- Overall, the PIR feedback is positive:
  - IFRS 15 has achieved its objective and is working well;
  - the five-step model is suitable for analysing contracts of varying complexity; and
  - no fundamental questions about the objective and the core principle
- Respondents identified specific application challenges and for most of them suggested the IASB provide application guidance, illustrative examples and/or educational materials

## Next milestone

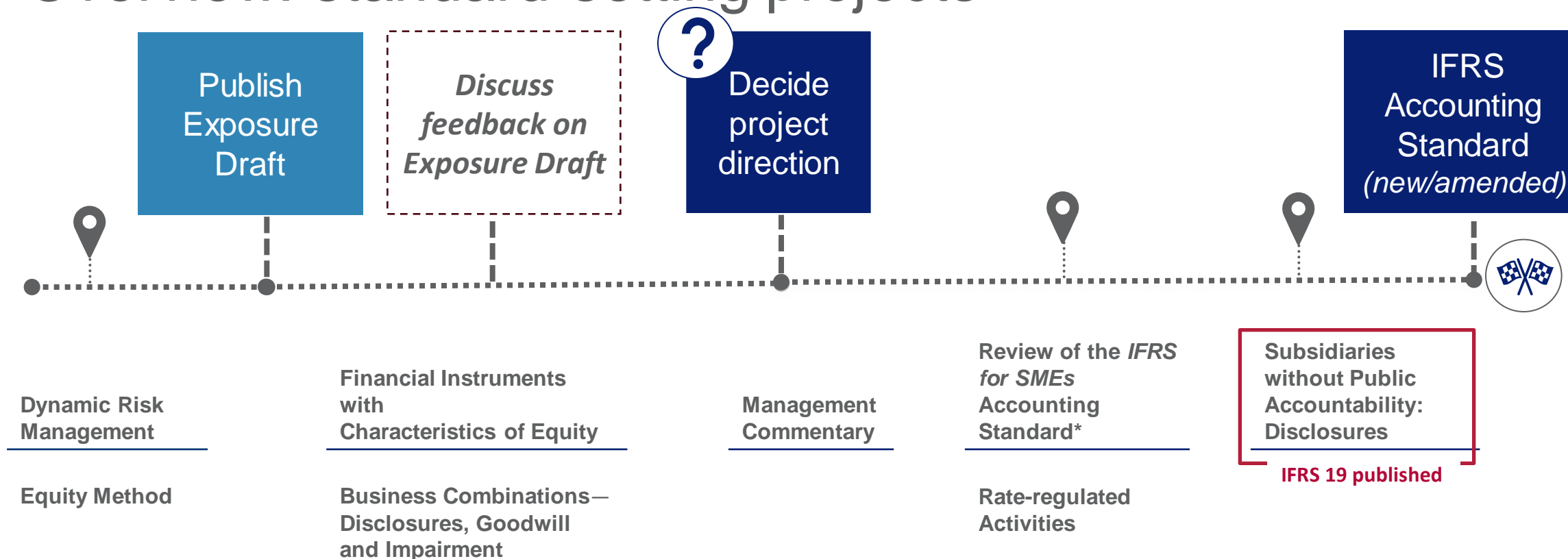
- The IASB continues its deliberations of the feedback on the Request for Information
- The IASB expects to complete its deliberations and publish feedback statement in Q3 2024

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# Standard-setting projects



# Overview: standard-setting projects



\*A maintenance project was added for the addendum to the Exposure Draft *Third Edition of the IFRS for SMEs Accounting Standard*.

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# Financial Instruments with Characteristics of Equity

## Purpose

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

## Approach

- Clarify IAS 32 classification principles to address practice issues:
  - fixed-for-fixed condition
  - effects of laws or regulations
  - obligations to purchase own equity instruments
  - contingent settlement provisions
  - shareholder discretion
  - reclassification
- Improve presentation and disclosure
- Provide application guidance and illustrative examples

## Next milestone

- Discuss summary of feedback on the Exposure Draft in May 2024

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# Dynamic Risk Management

## Objective

- Develop an accounting model to better reflect the effect of dynamic risk management in a company's financial statements

## DRM model

- The DRM model addresses the challenges in applying the hedge accounting requirements to dynamic interest rate risk management activities
- Showing the effect of using derivatives to mitigate repricing risk on the current net open risk position
- Tentative decisions made about the mechanics of the DRM model and
- Next focus area is presentation and disclosure requirements

## Next milestone

- Publish Exposure Draft – expected in H1 2025

# Equity Method

## Objective

- To develop answers to application questions about the equity method, as set out in IAS 28 *Investments in Associates and Joint Ventures*, using the principles derived from IAS 28

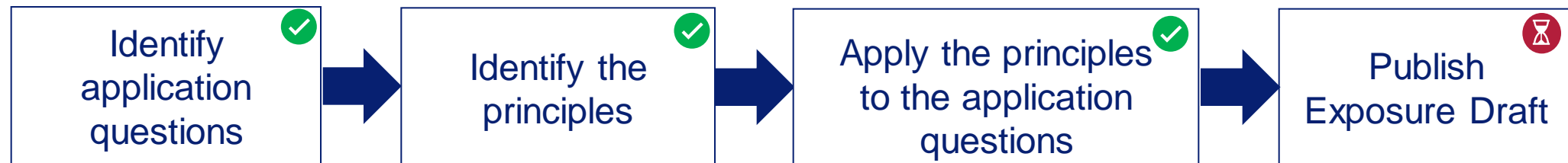
## Project update

- The IASB has developed proposed answers to the application questions

## Next steps

- Publish the Exposure Draft - expected in H2 2024

## Project approach



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# Management Commentary

## Objective

- Overhaul IFRS Practice Statement 1—building on innovations in narrative reporting and focusing on capital market needs

## Evolving landscape

- Support for the project, in particular from investors
- Calls to work together with the ISSB—collaboration between the Boards can take various forms
- IASB discussed staff's comparison with *Integrated Reporting Framework* and feedback on comparison

## Next milestone

- Decide project direction in Q2 2024

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# Rate-regulated Activities

## Objective

- Provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on companies' financial performance and financial position

## Proposals

- In some cases, rate regulation creates differences in timing that arise when compensation for goods or services supplied in one period is included in the regulated rate charged in a different period
- Reflect compensation for goods or services in the period goods or services are supplied
- Require recognition of regulatory assets, regulatory liabilities, regulatory income and regulatory expense

## Next milestone

- Issue IFRS Accounting Standard – expected in 2025



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# Review of the *IFRS for SMEs* Accounting Standard

## Objective

- To update the *IFRS for SMEs* Accounting Standard to reflect improvements that have been made in full IFRS Accounting Standards (in the scope of this review) while keeping the Standard simple

## Approach

- The alignment approach uses the following principles to identify possible amendments:
  - relevance to SMEs;
  - simplicity; and
  - faithful representation, including the assessment of costs and benefits

## Next milestone

- Discuss feedback on the Exposure Draft published in September 2022
- Gather feedback on the Addendum to the Exposure Draft - comment period closes 31 July 2024
- Issue the Third edition of the *IFRS for SMEs* Accounting Standard

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# Business Combinations— Disclosures, Goodwill and Impairment

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## Summary of the Exposure Draft

### Objective

- Improve information entities provide about their business combinations at a reasonable cost

### Proposals

- A package of improved disclosure requirements in IFRS 3 *Business Combinations*
- Changes to the impairment test of cash-generating units containing goodwill in IAS 36 *Impairment of Assets*

### Comment period

- Comments requested by 15 July 2024

### **Better information for better decisions**

– increases transparency and usefulness of information

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## Proposed changes to IFRS 3

- Disclose information reviewed by key management personnel about the performance of a **strategic business combination**



- In the year of acquisition, information about acquisition-date key objectives and the related targets for the acquisition
- Subsequently, the extent to which those acquisition-date key objectives and related targets are being met.



- Disclosing quantitative information, in the year of acquisition, about expected synergies



- **Exempt** an entity from disclosing some information in specific circumstances

- • • • Other improvements to IFRS 3 disclosure requirements

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## Proposed changes to IAS 36



- Clarify how an entity allocates goodwill to cash-generating units



- Require an entity to disclose in which reportable segment a cash-generating unit containing goodwill is included



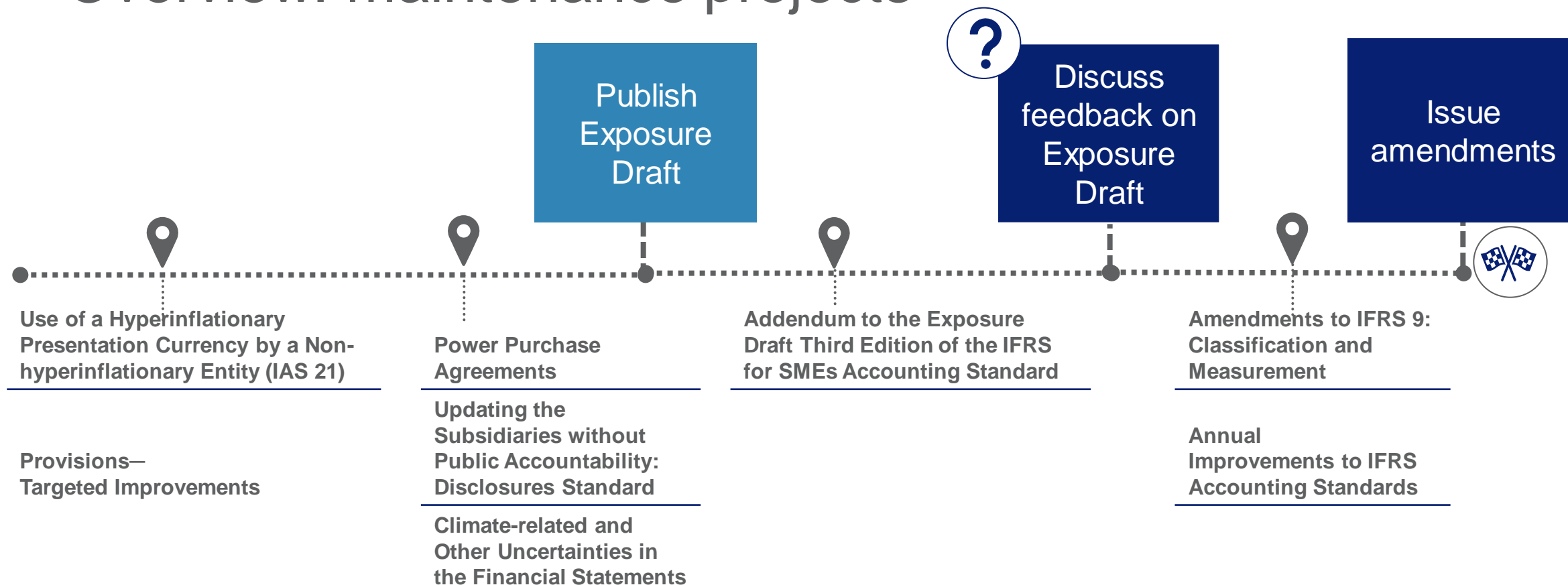
- Simplify and improve the calculation of value in use

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# Maintenance/ Consistent application



# Overview: maintenance projects



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# Power Purchase Agreements (PPAs)

## Objective

- The IASB's objective with this project is to better reflect the effects of these contracts in entities' financial statements

## Project scope

- The proposed amendments apply to contracts for renewable electricity with specified characteristics
- Includes considerations for a purchaser when applying the own-use requirements
- Includes designation and measurement requirements of the hedged item if an entity uses a contract for renewable electricity as a hedging instrument
- Introduces new disclosure requirements

## Next steps

- Exposure Draft is published; Comments due 7 August 2024



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# Updating the Subsidiaries without Public Accountability: Disclosures Standard

## Objective

- Propose amendments to the forthcoming Subsidiaries without Public Accountability: Disclosures Standard

## Project scope

- Develop reduced versions of any disclosure requirements in IFRS Accounting Standards that were added or amended after 28 February 2021

## Next steps

- Publish Exposure Draft – expected in July 2024

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# Amendments to IAS 21: Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity

## Objective

- Narrow-scope amendments to IAS 21 to improve the usefulness of the financial information reported by entities that present financial statements in a hyperinflationary currency.

## Areas of focus

- To provide a relevant translation method applicable to entities whose functional currency is the currency of a non-hyperinflationary currency but whose financial statements are presented in a currency of a hyperinflationary economy.

## Next milestone

- Publish Exposure Draft – expected in Q3 2024

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# Provisions—Targeted Improvements

## Objective

- Develop proposals for three targeted amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

## Areas of focus

- Amend requirements supporting the ‘present obligation’ recognition criterion—using concepts from the *Conceptual Framework*
- Clarify which costs to include in measure of a provision
- Specify more precisely the rate to use to discount future cash flows to their present value.

## Next milestone

- Publish Exposure Draft – expected in H2 2024

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# Amendments to IFRS 9: Classification and Measurement

## Objective

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

## Areas of focus

- Derecognition of financial liabilities settled through electronic cash transfers
- Contractual cash flow characteristics of financial assets
- Disclosure requirements for equity instruments for which fair value changes are presented in other comprehensive income

## Next milestone

- Final amendments to IFRS 9 expected May 2024

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# Annual Improvements to IFRS Accounting Standards

## Objective

- Propose amendments to IFRS Accounting Standards that either:
  - clarify wording; or
  - correct relatively minor unintended consequences, oversights or conflicts between existing requirements

## In scope

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- IFRS 7 *Financial Instruments: Disclosures*
- IFRS 9 *Financial Instruments*
- IFRS 10 *Consolidated Financial Statements*
- IAS 7 *Statement of Cash Flows*

## Next milestone

- Final amendments to IFRS Accounting Standards expected in July 2024

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# Climate-related and Other Uncertainties in the Financial Statements

## Objective

- To explore targeted actions to improve the reporting of climate-related and other uncertainties in the financial statements

## Areas of focus

- Explore development of examples to help improve application of IFRS Accounting Standards
- Explore targeted amendments to improve disclosures about estimates in the financial statements
- Work with the ISSB technical staff to ensure both boards' work is connected

## Next milestone

- Publish Exposure Draft – expected in July 2024

## Agenda Decision on Climate-related Commitments

### Query

- Entity has a commitment to reduce or offset its future greenhouse gas emissions
- Should the entity record a provision for the costs of fulfilling a commitment?

### Committee's conclusions

Not necessarily. The entity records a provision only:

- if the commitment creates a constructive obligation; and
- if and when that constructive obligation becomes a present obligation



An obligation to **reduce** emissions never becomes a present obligation. The costs of reducing future emissions are costs of operating in the future.



An obligation to **offset** emissions becomes a present obligation only when the entity has emitted the gases it committed to offset.

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# Effects of climate-related matters on financial statements

## **IAS 1 *Presentation of Financial Statements***

- IAS 1 requires disclosure of information about assumptions a company makes about the future have a significant risk of resulting in a material adjustment to carrying amounts
- IAS 1 requires management to assess a company's ability to continue as a going concern

## **IAS 2 *Inventories***

- Climate-related matters may cause a company's inventories to become obsolete, their selling prices to decline or their costs of completion to increase

## **IAS 12 *Income Taxes***

- Climate-related matters may affect a company's estimate of future taxable profits and may result in the company being unable to recognise deferred tax assets or being required to derecognise deferred tax assets previously recognised



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# Effects of climate-related matters on financial statements

## **IAS 16 *Property, Plant and Equipment* and**

## **IAS 38 *Intangible Assets***

- Climate-related matters may prompt expenditure to change or adapt business activities and operations, including research and development
- Climate-related matters may affect the estimated residual value and expected useful lives of assets

## **IAS 36 *Impairment of Assets***

- Climate-related matters may give rise to indications that an asset is impaired
- IAS 36 requires future cash flows to be estimated for an asset in its current condition, so excluding any estimated cash flows expected to arise from future restructurings or enhancing the asset's performance

## **IAS 37 *Provisions***

- Climate-related matters may affect the recognition, measurement and disclosure of liabilities in the financial statements
- EG: levies imposed by governments for failure to meet climate-related targets
- Regulatory requirements to remediate environmental damage
- Contracts that may become onerous

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# Effects of climate-related matters on financial statements

## **IFRS 7 *Financial Instruments Disclosures***

- Nature/extent of risks arising from financial instruments and how the company manages those risks. Climate-related matters may expose a company to risks
- EG: For holders of equity investments - information about investments by industry or sector, identifying sectors exposed to climate-related risks

## **IFRS 9 *Financial Instruments***

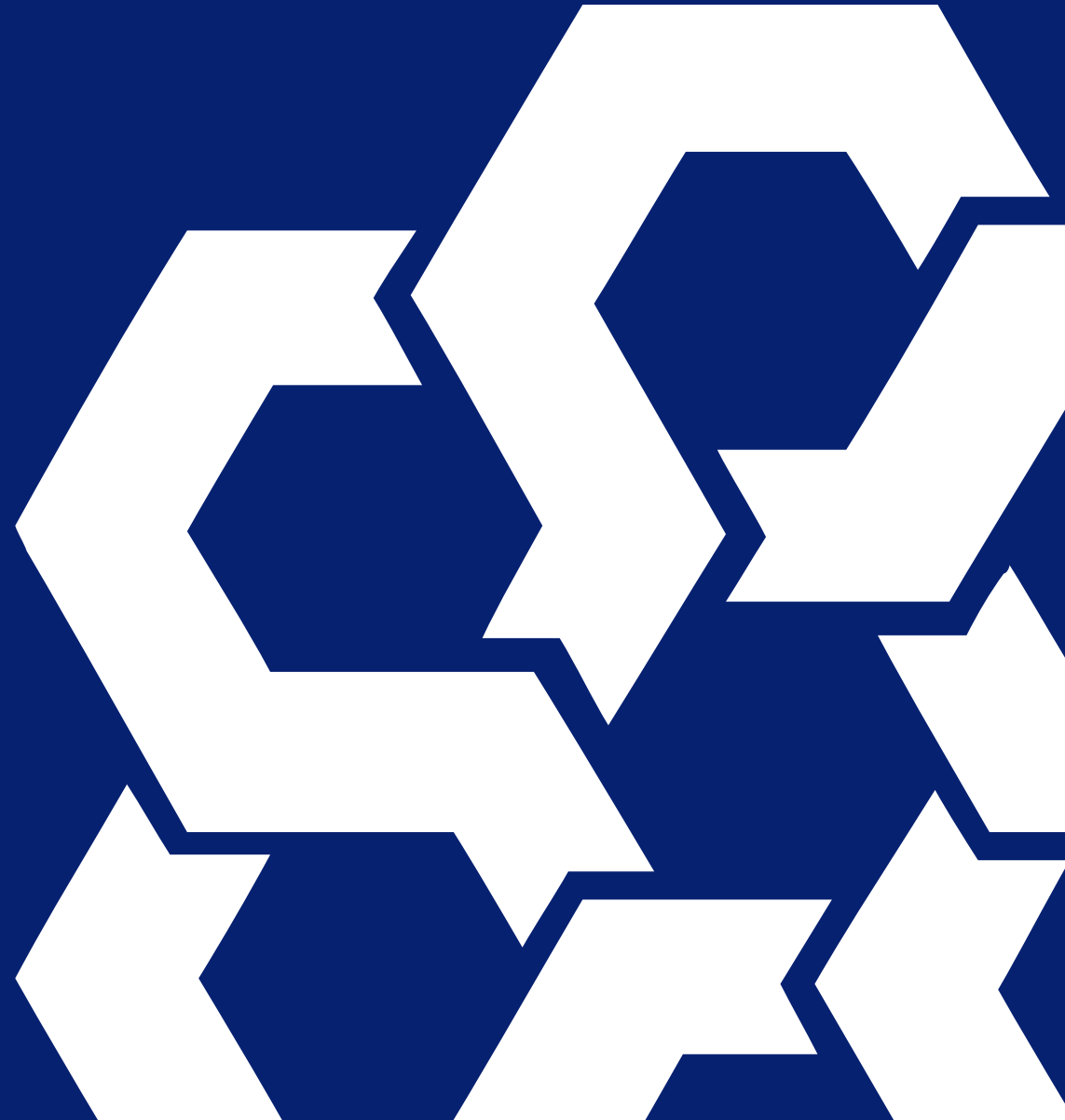
- EG: Loan contracts might include terms linking contractual cash flows to a company's achievement of climate-related targets
- Climate-related matters may also affect a lender's exposure to credit losses. EG: wildfires, floods or policy and regulatory changes could negatively affect a borrower's ability to meet its debt obligations to the lender

## **IFRS 13 *Fair Value Measurement***

- Climate-related matters may affect the FV measurement of assets and liabilities
- EG: market participants' views of potential climate-related legislation could affect the fair value of an asset or liability
- Could also impact disclosures
- EG: Level 3 unobservable inputs reflect the assumptions that market participants would use when pricing, including assumptions about risk which may include climate-related risk

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# Connections between the ISSB and the IASB



# Feedback from consultations

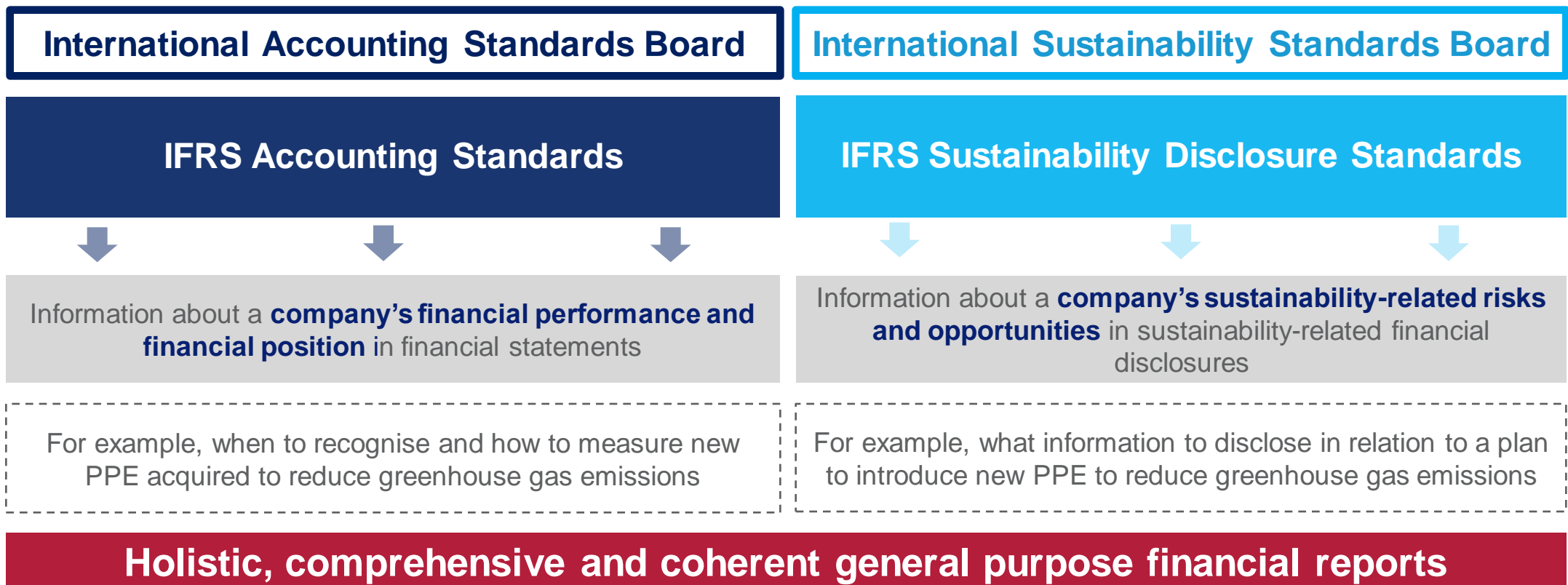
## *Importance of the connections between the boards*



### Stakeholders expressed...

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

# Roles of the boards



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# IASB's progress in facilitating connections

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## 1 **Climate-related and Other Uncertainties in the Financial Statements** project

- Seeks to address concerns about insufficient and inconsistent information about climate-related and other uncertainties in the financial statements
- Includes exploring development of examples and targeted standard-setting
- Includes ISSB Technical Staff on project team

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## 2 **Management Commentary** project

- Consider the feedback on the ISSB's consultation on agenda priorities
- Decide future project direction

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# ISSB's progress in facilitating connections

- **1** IFRS S1 and IFRS S2 build on materials from **IFRS Accounting Standards**  
(for example, definition of material and concept of reasonable and supportable information available without undue cost or effort)
- **2** IFRS S1 builds on concepts from the **Integrated Reporting Framework**
- **3** IFRS S1 and IFRS S2 include requirements for **connections** between financial statements and sustainability-related financial disclosures
- **4** IFRS S1 and IFRS S2 require disclosure of **current and anticipated effects** on financial statements due to sustainability-related risks and opportunities

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# Connected information

**IFRS S1 requires information that enables understanding of the connections between:**

- sustainability-related risks and opportunities
- disclosures on core content
- sustainability-related financial disclosures and financial statements

## **The disclosures:**

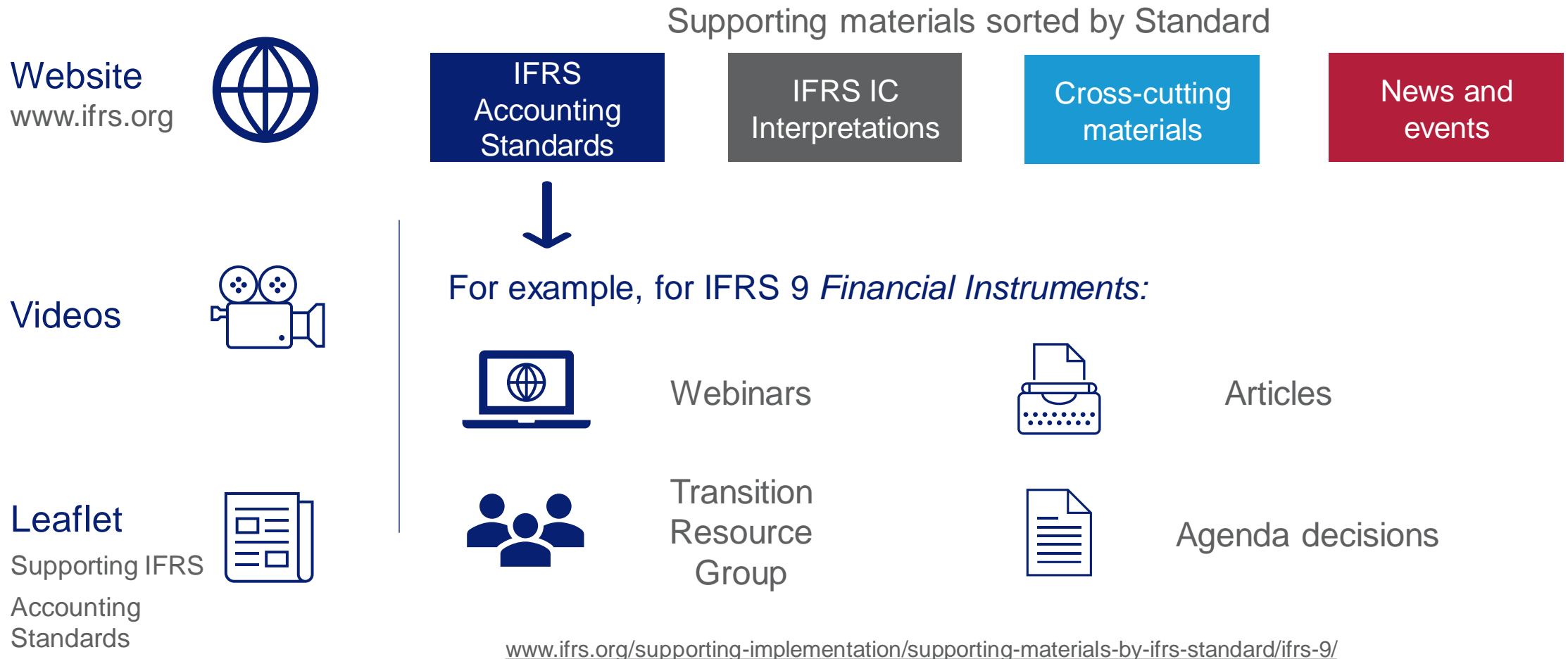
- are prepared for the **same** reporting **entity** and reporting **period** as the related financial statements
- are provided at the **same time** as the financial statements and as part of the general purpose financial reports
- include **data** and **assumptions** that **are consistent** with the corresponding data and assumptions in financial statements, to the extent possible, considering accounting requirements



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# Helpful materials

# Resources available on our website



# IFRS Accounting Standards and their annotated equivalents



## IFRS Accounting Standards

The IFRS® Accounting Standards Required 2024

The IFRS® Accounting Standards Issued 2024  
*(Available March 2024 onwards)*

IFRS Accounting Standards + extensive cross-references + annotations

The Annotated IFRS® Standards Required 2024

The Annotated IFRS® Standards Issued 2024  
*(Available March 2024 onwards)*

Annotated IFRS Accounting Standards also available in Spanish

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