



IFRS UPDATE

MOORE IFRS NEWS

Issue 011 – November/December 2022

Moore IFRS News provides you with technical updates and tips in relation to IFRS financial Reporting.

IFRS Update

IASB issues amendments on impacts of debt covenants on debt classification

The IASB has released further **amendments** to IAS 1 *Presentation of Financial Statements* that confirms that covenants that an organisation is required to comply with after the reporting date, does not affect the classification as current or non-current as at reporting date. Instead, the entity will be required to provide additional disclosures about the covenants in the notes.

This amendment further amends the amendments issued in 2020 around classification of liabilities as current or non-current and has pushed back the implementation date of these amendments. Both amendments will now be applicable for years beginning on or after 1 January 2024.

Webcast on IFRS for SMEs Consultation

The IASB has released a **webcast** that provides a summary of the IFRS for SMEs standard and the proposed amendments. The deadline for comments on the proposals is 7 March 2023.

Compilation of IFRIC Agenda Decisions – Volume 7 now available

IFRIC has released the **seventh compilation of agenda decision** which captures all finalised agenda decisions made by the IFRS Interpretations Committee from May 2022 to October 2022. This compilation is publicly available and is useful reference tool on the application requirements of IFRS requirements.

IASB November 2022 Meeting

The November IASB meeting was held on 22 – 24 November. At that meeting they covered

- *Post-implementation review of IFRS 9 – Classification and measurement*
The Board decided to take no further action in relation to the classification and measurement of financial liabilities and presentation of change in own credit risk. Further, the Board decided to conclude the Post-implementation review.
- *Dynamic Risk management*
The Board discussed and tentatively confirmed that equity is not an eligible item for the purpose of the DRM model and that it should not be included in the calculation of the current net open position. In addition, notional alignment would not be required between the designated assets and liabilities when determining the net open position.
- *Rate regulated activities*
The Board tentatively decided that when there is a direct relationship between the entities regulatory capital base and their property plant and equipment, and the entity capitalises borrowing costs, the treatment will depend on what returns the regulatory requirements permits on such assets not yet available for use. The board also heard feedback from the consultative group on rate regulation, but made no decisions based on that feedback.
- *Analysis of feedback on the project on Supplier Finance Arrangements*
The Board decided to maintain the scope of the projects as a disclosure only project, and discussed and confirmed a number of the disclosures included in the Exposure Draft.
- *Amendments to the classification and measurement requirements for financial instruments*
The Board have tentatively decided to permit financial liabilities to be derecognised before cash is delivered to the counterparty in limited circumstances, where it is being settled via an electronic payment system. The Board also considered some sweep issues regarding the scope of the proposed amendments in relation to contractually linked instruments. An Exposure Draft is expected to be issued with a 120-day comment period.
- *Accounting for goodwill*
The Board tentatively confirmed to maintain the view to retain the impairment-only model for accounting for goodwill and not to introduce an amortisation model.
- *Business combinations under common control*
The Board discussed different measurement methods that the receiving entity in a business combination under common control could apply, but did not make any decisions.
- *Disclosure initiatives for subsidiaries without public accountability*
The Board tentatively decided that the entities that would be in scope of the new standard would be subsidiaries without public accountability.
- *International Tax Reform – Pillar Two Model Rules*
The IASB have decided to propose amendments to IAS 12 *Income Taxes* with regards to the requirements to account for deferred taxes arising from the implementation of the OECD's Pillar Two rules, which require minimum corporate tax rates to be applied. The proposed amendments

would permit the entity to make disclosures regarding the potential effect of these tax requirements. An Exposure Draft is expected to be issued in January 2023.

For further information refer to the [IASB Update](#) or listen to the [IASB November Podcast](#).

IFRIC November 2022 Meeting

The November IFRIC meeting will be held on 29 November 2022. At that meeting they will be discussing

- Definition of a lease – substitution rights (initial consideration)
- Initial consideration of potential Annual Improvements including
 - terminology updates to IFRS 1 *First time adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments* and IAS 7 *Statement of Cash flows*
 - Reference updates and implementation guidance in IFRS 7 *Financial Instruments: Disclosures*
 - ‘De facto agent’ assessments in IFRS 10 *Consolidated Financial Statements*
- Views on what topics should be covered in a post implementation review of IFRS 15 *Revenue from contracts with customers*

A summary of the meeting will be provided in the next edition of the newsletter.

ISSB Supplementary November 2022 Meetings

The ISSB held a supplementary meeting on 1 – 3 November 2022, at which they decided the following

- *Climate scenario analysis*
The ISSB voted to confirm that organisations will be required to use climate-related scenario analysis to report or climate resilience and to identify climate related risks and opportunities. Additional application support will be made available to assist preparers
- *General Sustainability-related disclosures*
The ISSB tentatively decided to confirm that preparers would be permitted to use guidance from materials other than IFRS sustainability disclosure standards to identify sustainability related risks and opportunities and disclose them.

For further information refer to the [ISSB Supplementary Update](#).

ISSB November 2022 Meeting

At the November meeting the ISSB discussed:

- *Comparative information*
The ISSB tentatively decided to update the requirements relating to restating comparative information for updated estimates such that it would not apply to forward-looking estimates disclosed in the previous period, and provide more application guidance on when restatements would be required.
- *Timing of Reporting*
The ISSB tentatively confirmed that the standards will require the sustainability-related financial disclosures to be released at the same time as the financial reports, although short-term transitional relief will permit it to be provided at a later date, including up to the date as of its H1/Q2 earnings reporting.
- *Strategy and decision-making and climate related targets*
The ISSB tentatively confirmed that they intend for entities to disclose how climate related risks and opportunities affect its strategy and decision making including their plans to transition to a low carbon economy including any assumptions and interdependencies it identifies in developing those plans. With regards to climate related targets including the scope of those targets and which international agreement on climate change they are benchmarking their targets against.
- *Current and anticipated financial effects and connected information*
The board discussed feedback but made no decisions regarding the requirements around current and anticipated effects of sustainability related risks and opportunities on financial performance, financial position and cash flows including what illustrated examples may look like. They also discussed how entities might disclose connected information.
- *Sustainability disclosure taxonomy*
The ISSB discussed feedback on the staffs proposed IFRS Sustainability Disclosures Taxonomy. The Board were not asked to make any decisions.

For further information refer to the [ISSB Update](#) or listen to the [ISSB November Podcast](#).

CONTACT US

We value your feedback on using these network resources. Contact us for any questions, comments, or ideas.

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