

IFRS UPDATE

MOORE IFRS NEWS

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

IFRS Update

IASB Releases Webinar on Primary Financial Statements Project

IASB staff held a webinar on 14 October 2022 to provide an update on the Primary Financial Statements Project and the Board's tentative decisions to date.

The webinar covers

- An overview of the project
- Categories and subtotals
- Management performance measures
- Disaggregation.

A recording of the webinar can be found on the [Primary Financial Statements Project Page](#).

Webcast series on Dynamic Risk Management

IASB Staff have produced a series of 8 short **webcasts** to explain the Dynamic Risk Management (DRM) project and the Board's tentative decisions to date.

Dynamic Risk management is a hedging strategy often used by banks, where the risk position being hedged changes frequently and it is hedged by an open portfolio of changing assets and liabilities, that the normal hedging model of IFRS 9 *Financial Instruments* does not accommodate.

Upcoming webinar on Digital Reporting

The IASB is holding an online workshop on 18 November 2022 which discusses issues relating to digital financial reporting. The session will include discussion on what digital reporting is, the IFRS Accounting Taxonomy and the interaction of digital reporting and standard setting.

The session will be held in conjunction with the European Accounting Association (EAA) and European Financial Reporting Advisory group (EFRAG).

For further details and how to register can be found [here](#).

IFRIC Q3 Podcast now available

The [podcast](#) summarising the activities of the IFRIC during Q3 2022 is now available. It contains a summary of topics discussed at the IFRIC meetings during Q3, further details of which can be found in earlier newsletters. The topics discussed in the podcast include

- Lessor forgiveness of lease payments
- Special Purpose Acquisition Companies (SPAC): Accounting for warrants at acquisition
- Multi-currency Groups of insurance contracts
- Non-current Liabilities with Covenants.

IASB October 2022 Meeting

At the October meeting the IASB discussed:

- *Post-implementation review of IFRS 9 – Classification and measurement*
The Board continued to discuss feedback on three aspects of the IFRS 9 PIR this included
 - Equity instruments and other comprehensive income
The Board tentatively decided that no changes are required around the option to present fair value changes on an equity instrument in other comprehensive income. However, some additional disclosure requirements will be proposed to be added to IFRS 7 *Financial Instruments: Disclosures*
 - Business model assessment
The Board has determined that no action is required in relation to the business model requirements in IFRS 9.
 - Exploring possible narrow scope amendments for electronic cash transfers
The Board has tentatively decided to develop an accounting policy choice to allow any entity to derecognise a financial liability before it delivers cash on the settlement date when specified criteria are met. This is in response to the previous IFRIC discussions around the derecognition requirements in IFRS 9 relating to the settlement of a financial asset or financial liability via electronic cash transfers.

- *Rate-regulated Activities*
The Board continued their re-deliberations of the proposal in the exposure draft including
 - Proposed definition of allowable expense and treatment of allowable expenses based on benchmarks
The Board tentatively decided to retain the proposed definition of allowable expenses and clarified that a regulatory agreement may determine the amount that compensates an entity for an allowable expense on a basis different to IFRS including the use of benchmarks.
 - Regulatory assets and liabilities arising from differences between the regulatory recovery period and the assets useful life
The Board tentatively decided that the standard will provide guidance on determining whether there is a direct relationship between the regulatory capital base and property plant and equipment. The determination will be based on facts and circumstances and not be an accounting policy choice. If entities conclude there is no direct relationship, they will tentatively be required to provide disclosures to enable users to understand why.
- *Disclosure Initiative – Targets Standards-level Review of Disclosures*
The Board decided to use the ‘middle-ground’ approach proposed in the exposure draft for developing disclosure requirements and will document guidance for the Board that will be publicly available on how disclosures will be drafted.

The Board decided not to proceed with any amendments to the disclosures in IFRS 13 *Fair value Measurement* and IAS 19 *Employee Benefits* which they had initially considered as a pilot for this project.

- *Equity Method*
The Board has decided to retain the research project on equity method accounting.
- *Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9)*
This project relates to features such as sustainability linked loans that may cause an asset to fail the simply payments of principal and interest (SPPI) test. The Board tentatively decided to amend IFRS 7 to require additional disclosures for instruments carried at amortised cost, who’s contractual cash flows may change as a result of a contingent event. They also tentatively agreed that the amendments to IFRS 9 would be applied retrospectively, except the comparative period would not be required to be restated. The next step is to decide whether to begin the balloting processes to issue the exposure draft.
- *Goodwill and Impairment*
The Board continued to discuss whether to retain the impairment-only model for goodwill or whether to explore the introduction of goodwill impairment. A decision will be made in Q4 2022.
- *Disclosure Initiatives – Subsidiaries without Public Accountability: Disclosures*
The Board continued to redeliberate the proposals from the exposure draft on Subsidiaries without Public accountability, which would require full IFRS recognition and measurement but reduced disclosure requirements. They confirmed the objective of the Standard, and the disclosures requirements should be drafted to ensure that the language used is consistent with the language in the Full IFRS standards. They will continue to deliberate the feedback on the

proposed disclosures in future meetings.

- *Provisions – Targeted Improvements: Discount rates – Non-performance Risk*
The Board is considering developing proposals to amend IAS 37 to specify whether the rate used to discount a provision should reflect non-performance risk.
- *IFRS Accounting Taxonomy Update*
The Board decided to reduce the comment period for the upcoming proposed IFRS Accounting taxonomy update from 60 days to 30 days.
- *Approval of IFRIC Agenda Decisions*
The IASB did not object to the following IFRIC agenda decisions, which have now been finalised. Further information can be found in the [September IFRIC update](#).
 - Multi-currency Groups of Insurance Contracts (IFRS 17 and IAS 21)
 - Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition (
 - Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)

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

IASB September 2022 Meeting

The [podcast](#) for the September IASB meeting is now available. Please refer to the September newsletter for a summary of that meeting.

ISSB October 2022 Meeting

At the October meeting the ISSB discussed:

- *Fundamental concepts of proposals*
The ISSB redeliberated on the objective of draft S1 and some of its key requirements. Tentatively they decided that:
 - Material in S1 shall have the same definitions that are used in IFRS standards and no longer be linked to 'enterprise value'. the definition of enterprise value shall also be removed.
 - The word 'significant' will be removed from the proposed requirements around sustainability risks and opportunities and will continue to deliberate how materiality shall be applied to assess what is required to be disclosed.
- *Greenhouse gas emissions*
The Board made some key decisions with regards to Greenhouse Gas (GHG) missions including:
 - Confirming that scope 3 GHG emissions will be required to be disclosed, but are considering how to provide support and guidance to organisations to deal with the issues around the quality and availability of data available

- Confirming to proceed with the disclosures relating to Scope 1 & 2 GHG emissions and clarified that the disclosures would be disaggregated separately for the consolidated group and unconsolidated investees
- Decided that the GHG Protocol standards will be required to be applied to measure GHG emissions subject to relief in specific circumstances.
- *Industry based materials*

The Board tentatively agreed to maintain the requirement that entities make industry specific disclosures in relation to climate risk but make the contents in Appendix B to S2 illustrative guidance on initial issuance of the final standard. However, they have stated an intention to make Appendix B mandatory in the future, subject to further consultation.
- *Interoperability with jurisdiction specific requirements*

The Board discussed matter that were important to enable them to achieve interoperability between the ISSB proposals and jurisdictional specific requirements. This included

 - Commitment to the use of the four pillars, requiring disclosures around governance, strategy, risk management; and metrics and targets
 - Information required to meet jurisdiction regulatory requirements may be presented alongside it but cannot obscure the information required by the standards
 - Confirmed the requirement to provide climate reliance disclosures
 - Regarding emissions targets, determined that the term ‘carbon credits’ would be used in the context of offsetting emissions, and clarified that organisations will need to disclose any emission targets that they have set including those required by local legislation.
- *Consultation on Agenda Priorities*

The Board tentatively decided that the request for information on its agenda priorities will be released in the first half of 2023 to allow the ISSB to first focus on the finalisation of S1 and S2. The intention is that their agenda priorities will focus on

 - Enhancing the international applicability of the SASB standards and continue SASB legacy project
 - Develop materials to support capacity building and articulate key concepts
 - Develop the IFRS sustainability disclosure taxonomy
 - Co-ordinating with the IASB and other sustainability reporting standard setters
 - Continue to research targeted enhancements to S2

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

CONTACT US

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