UK Endorsement Board

IASB General Update

Executive Summary

Project Type	Monitoring
Project Scope	Various
Purpose of the paper	
This paper provides the Board with an update on projects the Secretariat is currently monitoring, including the work of the IFRS Interpretations Committee. As agreed with the Board, the Secretariat monitors projects being undertaken by the IASB and IFRS Interpretations Committee. This is undertaken to inform the Board about the progress and decisions being made by the IASB on active projects. Discussion by the Board may also help inform interactions with international standard setter meetings, including the IASB's Accounting Standards Advisory Forum (ASAF).	
Summary of the Issue	
Topics discussed by the IASB at its September 2023 meeting were: **Topics for discussion:** • Climate-related and Other Uncertainties in the Financial Statements • Business Combinations – Disclosures, Goodwill and Impairment **Topics for noting:** • Rate-regulated Activities • Equity Method • Amendments to IFRS 9 – Classification & Measurement • Business Combinations under Common Control • Subsidiaries without Public Accountability: Disclosures The paper also includes the Interpretations Committee update.	

Questions for the Board
The Board is not asked to make decisions on any of the topics presented in this paper. However, the Board is asked for its views on the following questions: **<u>Items for discussion</u>:** ***Climate-related and Other Uncertainties in the Financial Statements*** **(Agenda Paper 9: Appendix A)** 1. Do Board members have any questions or comments on the Climate-related and Other Uncertainties in the Financial Statements update? ***Business Combinations – Disclosures, Goodwill and Impairment*** **(Agenda Paper 9: Appendix B)** 1. Do Board members have any comments or feedback about the IASB's tentative decisions so far? **<u>Items for noting</u>:** Do Board members have any questions or comments on the items for noting? **<u>Interpretations Committee update</u>:** 1. Do Board members agree that the UKEB will NOT undertake further work on the matter related to the application of IFRS 8 at this stage?
Recommendation
N/A
Appendices
Appendix A Climate-related and Other Uncertainties in the Financial Statements Appendix B Business Combinations – Disclosures, Goodwill and Impairment Appendix C Rate-regulated Activities Appendix D Equity Method Appendix E Amendments to IFRS 9 – Classification & Measurement Appendix F Business Combinations under Common Control Appendix G Subsidiaries without Public Accountability: Disclosures Appendix H Interpretations Committee update Appendix I List of IASB Projects

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Appendix A: Climate-related and Other Uncertainties in the Financial Statements

UKEB Project Status: Monitoring **IASB Next Milestone:** Decide Project Direction (Q1 2024)	IASB project page

Background

A1. The IASB is currently exploring targeted actions to improve application of the requirements in IFRS Accounting Standards related to reporting on the effects of climate-related and other uncertainties in the financial statements.

A2. The project is intended to complement the work of the ISSB. The IASB will consider the work of the ISSB to the extent that it applies to the financial statements.

Update

A3. The IASB met on 20 September 2023 to discuss:

a) whether to generalise the project objective to cover the reporting of financial information about the effects of other uncertainties in addition to those related to climate in the financial statements (Agenda Paper 14A[1]);

b) the results of research on the nature and causes of stakeholders' concerns about reporting the effects of climate-related risks in the financial statements (Agenda Paper 14B[2]); and

c) the potential actions the IASB could take to respond to these concerns (Agenda Paper 14C[3]).

1 Climate-related Risks in the Financial Statements – Cover paper and Project objective
2 Climate-related Risks in the Financial Statements - Results of work on the nature and causes of concern
3 Climate-related Risks in the Financial Statements - Potential actions

Scope and objectives

A4. The IASB concluded that the objective of the project was to explore whether and, if so, how targeted actions could improve the reporting of financial information about climate-related and other uncertainties in the financial statements.

A5. The project name changed from 'Climate-related risks in Financial Statements' to '*Climate-related and Other Uncertainties in the Financial Statements*'.

Results of work on the nature and causes of concern

A6. The IASB discussed potential causes but was not asked to make any decisions.

Potential actions

A7. The IASB tentatively decided to explore the possibility of:

a) Developing illustrative application examples for reporting the effects of climate-related and other uncertainties in the financial statements.

b) Standard-setting to clarify or enhance requirements in relation to disclosure of information about estimates.

A8. The IASB did not support exploring standard-setting in relation to:

a) Connections within or across the financial statements and other general purpose financial reports.

b) The assessment of materiality.

c) IAS 1 *Presentation of Financial Statements* paragraph 31, in relation to the 'catch-all' disclosure requirement.

A9. However, the IASB supported the possibility of exploring additional illustrative examples in these areas.

A10. The IASB also agreed to refer to the IFRS Interpretations Committee:

a) A question about the circumstances in which an entity recognises a liability when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to climate-related commitments.

b) To consult the Interpretations Committee on questions related to the application of IAS 36 *Impairment of Assets* to measure value in use when an asset is subject to highly variable future cash flows over an extended period.

UKEB Secretariat views

A11. It should be noted that there are a number of other IASB projects considering amendments to existing standards arising from climate-related uncertainties and companies' net zero commitments. These include projects related to amendments to IFRS 9 and to IAS 37. It will be important to ensure that mechanisms exist to identify any cross-cutting issues arising from decisions in those areas that affect those taken for this project. We will continue to interact with the IASB and with the IASB staff to highlight any cross-cutting issues we identify.

Next steps

A12. The IASB will continue to monitor developments in climate-related and other uncertainties to determine whether to take further action.

Question for the Board
1. Do Board members have any questions or comments on the Climate-related and Other Uncertainties in the Financial Statements' update?

UK Endorsement Board

Appendix B: Business Combinations – Disclosures, Goodwill and Impairment

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft H1 2024	UKEB project page UKEB FCL on DP/2020/01 *Business Combinations—Disclosures, Goodwill and Impairment* **published 29 January 2021** UKEB Report - Subsequent Measurement of Goodwill: A Hybrid Model **published September 2022**

Background

B1. In September 2023[1], the IASB gave permission to begin the balloting process to publish an exposure draft (ED), with a 120-day comment period. The ED is expected to be published in H1 2024 and will contain proposals to:

a) amend IFRS 3 *Business Combinations*—in particular, to improve the information companies disclose about the subsequent performance of business combinations; and

b) amend IAS 36 *Impairment of Assets*—in particular, proposing amendments to improve the impairment test of cash-generating units (CGUs) containing goodwill.

B2. The ED is the outcome from the Discussion Paper published in March 2020 DP/2020/01 *Business Combinations—Disclosures, Goodwill and Impairment* (DP)[2]. The comment period for the DP ended on 31 December 2020.

1 A summary of the 19 September 2023 IASB meeting and decisions made can be found here.

2 The IASB's Discussion Paper DP/2020/01 *Business Combinations—Disclosures, Goodwill and Impairment* can be found here. The IASB received 193 comment letters in response to the Discussion Paper and conducted outreach with various stakeholders (including consultative groups, the IFRS Interpretations Committee and one-to-one meetings between the staff and stakeholders). This included performing fieldwork with preparers to understand what information is reviewed within entities about the performance of business combinations and about concerns preparers might have with disclosing that information in financial statements.

IASB tentative decisions to date[3]

B3. The tentative decisions made by the IASB to date are set out below.[4]

Disclosure requirements in IFRS 3 *Business Combinations*

B4. The IASB decided to proceed with its preliminary view in its DP to add new disclosure requirements.

B5. The disclosure requirements are dealt with under the following sections:

a) Subsequent performance information of strategically important business combinations

b) Identifying information to be disclosed

c) Exemption from disclosure requirements

d) Expected synergies

e) Disclosure requirements for specific types of entities

There are no changes proposed to the recognition criteria in IFRS 3.

Subsequent performance information of strategically important business combinations

Disclosure objectives

B6. In September 2022[5], the IASB tentatively decided to propose adding two new disclosure objectives[6] to IFRS 3 that would require an entity to disclose information to help users of financial statements understand:

a) the benefits that an entity expected from a business combination when agreeing the price to acquire a business; and

b) the extent to which an entity's objectives for a business combination are being met.

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3 The joint FASB/IASB education session took place on 29 September 2023 and can be found here. Similarly, an education session was presented to the Accounting Standards Advisory Forum (ASAF) on 10 July 2023 which can be found here.

4 Tentative decisions before July 2023 have been included in previous updates to the Board.

5 A summary of the 20 September 2022 IASB meeting and decisions made can be found here.

6 Current disclosure requirements of IFRS 3 *Business Combinations* are set out in IFRS 3 paragraphs 59–63 and related application guidance is set out in IFRS 3 paragraphs B64–B67.

‘Strategically important’ business combinations

B7. Also in September 2022, the IASB tentatively decided to require disclosure for a more targeted subset of business combinations. For ‘**strategically important**’ business combinations, an entity would be required to disclose information to help users of financial statements understand:

a) management’s **objectives** for the business combination i.e. the benefits that an entity expected from a business combination when agreeing the price to acquire a business;

b) the **metrics and targets** management will use to monitor whether those objectives are being met; and

c) in **subsequent periods**, the extent to which management’s objectives are being met, using those metrics it established when entering into the business combination, for **as long as management monitors** the business combination against its objectives.

B8. The IASB tentatively decided that a ‘**strategically important**’ business combination would be a business combination for which not meeting the objectives would seriously put at risk the entity achieving its overall business strategy. To identify such business combinations, the IASB tentatively decided to propose using a closed list of thresholds—a business combination that meets any one of those thresholds would be ‘strategically important’.

The **thresholds** would be:

✓ **Quantitative**—that is, a business combination in which:

i. the **acquiree’s operating profit** (to be defined by the IASB’s Primary Financial Statements project) **exceeds 10%** of the acquirer’s operating profit, for the acquirer’s most recent annual reporting period ending before the business combination was completed;

ii. the **acquiree’s revenue exceeds 10%** of the acquirer’s revenue for the acquirer’s most recent annual reporting period ending before the business combination was completed; or

iii. the amounts recognised as of the acquisition date for **all assets acquired (including goodwill) exceed 10%** of the carrying value of the assets recognised on the acquirer’s balance sheet as at the acquirer’s most recent reporting period date before the business combination.

✓ **Qualitative**—that is a business combination that results in an entity entering a new geographical area of operations or a new major line of business.

B9. In February 2023[7], the IASB also tentatively decided that for strategically important business combinations:

a) if an entity's management **does not monitor** whether its objectives for a business combination are being met, the entity should disclose that fact and the **reasons** why it does not do so;

b) if an entity's management **stops monitoring before the end of the second full year** after the year of the business combination, whether its objectives for a business combination are being met, the entity should disclose:
   (i) that it has stopped monitoring and the reasons why it has done so
   (ii) information about **actual performance**. The entity will be required to disclose information using the metric set out in the year of acquisition, if (and only if) information about actual performance using that metric is being received by the entity's management;

c) permit an entity to disclose information about its targets for a business combination as a **range** or a point estimate; and

d) clarify that an entity will be required to disclose only information about its **key objectives**—that is, the objectives critical to the success of the business combination.

IASB Rationale:

- ✓ Users will receive information about the most important business combinations.
- ✓ Focusing on a subset of business combinations helps to reduce the cost of disclosing the information.
- ✓ More targeted identification of business combinations compared to the IASB's preliminary view.

Identifying information to be disclosed

"Primary reasons" to be replaced with "strategic rationale"

B10. Application guidance in paragraph B64(d) of IFRS 3 requires an entity to disclose the primary reasons for a business combination. In September 2022[8], the IASB tentatively decided to propose replacing the requirement for an entity to disclose the '*primary reasons for the business combination*' with a requirement to disclose the '*strategic rationale for undertaking the business combination*'. The latter

[7] A summary of the 23 February 2023 IASB meeting and decisions made can be found here.
[8] A summary of the 20 September 2022 IASB meeting and decisions made can be found here.

provides a closer link to the entity's overall business strategy and management's objectives for the business combination.

B11. In January 2023[9], the IASB tentatively decided to add to application guidance in B64 a requirement for an entity to disclose a qualitative statement of whether actual performance of a business combination in subsequent periods met the entity's target for the business combination. However, an entity is permitted to apply an exemption (see paragraph D17) to that qualitative statement.

Liabilities arising from financing activities and defined benefit pension liabilities

B12. In November 2021[10], the IASB discussed feedback on its preliminary view on developing proposals to specify that liabilities arising from financing activities and defined benefit pension liabilities are major classes of liabilities. The IASB tentatively decided to achieve the objective of its preliminary view not by specifying that these liabilities are 'major' classes of liabilities but instead by proposing to:

a) amend IFRS 3.B64(i) of IFRS 3 to remove the term 'major'; and

b) amend IFRS 3.IE72 of the Illustrative Examples accompanying IFRS 3 to illustrate liabilities arising from financing activities and defined benefit pension liabilities as classes of liabilities assumed.

Reduced disclosure requirements

B13. In March 2023[11], the IASB tentatively decided to **remove** from the application guidance in IFRS 3 the requirements to disclose:

a) information about acquired receivables (IFRS 3.B64(h));

b) in the reconciliation between opening and closing goodwill balances, adjustments resulting from the subsequent recognition of deferred tax assets (IFRS 3.B67(d)(iii)); and

c) the amount and an explanation of any material gain or loss recognised in the current reporting period that relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period (IFRS 3.B67(e)).

9 A summary of the 24 January 2023 IASB meeting and decisions made can be found here.
10 A summary of the 16 November 2021 IASB meeting and decisions made can be found here.
11 A summary of the 23 March 2023 IASB meeting and decisions made can be found here.

Contribution of the acquired business

B14. In November 2021[12], the IASB tentatively decided to retain the requirement for an entity to disclose information about the contribution of the acquired business, with some amendments to the requirements in IFRS 3 paragraph B64(q)[13]:

a) to retain the requirement in paragraph B64(q) of IFRS 3 requiring the acquirer to disclose for each business combination that occurs during the reporting period:

   (i) the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period; and

   (ii) the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period;

   and to explain the objective of the requirement in (ii), but not to provide guidance on how the information required should be prepared;

b) to specify in paragraph B64(q)(ii) of IFRS 3 that the basis that an entity applies in preparing the information required by that paragraph is an accounting policy; and

c) to replace the term 'profit or loss' in paragraph B64(q) of IFRS 3 with 'operating profit or loss'. 'Operating profit or loss' will be as defined in the IASB's Primary Financial Statements project.

The IASB also tentatively decided not to add a requirement to disclose information about cash flows arising from operating activities.

12 A summary of the 16 November 2021 IASB meeting and decisions made can be found here.

13 Paragraph B64–B67 of IFRS 3 sets out the application of the disclosures to meet the objective of the disclosures set out in paragraph 59, requiring the acquirer to disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination that occurs either: (a) during the current reporting period; or (b) after the end of the reporting period but before the financial statements are authorised for issue. Paragraph B64q includes a requirement that, if disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This IFRS uses the term 'impracticable' with the same meaning as in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Identify information using an entity's key management personnel (KMP)

B15. In February 2023[14], the IASB tentatively decide to specify, within the application guidance B67, a level of management within an entity to identify the information that the entity is required to disclose about the subsequent performance of business combinations.

B16. The IASB decided to require an entity to disclose information based on what is monitored by the **key management personnel (KMP)**, as defined in IAS 24 *Related Party Disclosures*, instead of using chief operating decision maker (CODM) from IFRS 8 *Operating Segments*. KMP are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

IASB Rationale:

✓ Retains benefits of CODM approach:

- Focuses on information provided to senior management. This is most likely to be information relevant to users; and
- Uses existing terminology.

✓ Avoids drawbacks of CODM approach:

- Not associated with segment reporting; and
- More adaptive to entities with different reporting structures.

Exemption from disclosure requirements

B17. In September 2022[15], the IASB tentatively decided to propose an exemption[16] in specific circumstances that would permit an entity not to disclose information about:

a) management's objectives for a business combination;

b) the metrics and targets management will use to monitor whether the objectives for the business combination are being met; and

c) quantitative information about synergies expected to arise from the business combination.

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14 A summary of the 23 February 2023 IASB meeting and decisions made can be found here.

15 A summary of the 20 September 2022 IASB meeting and decisions made can be found here.

16 Exemptions from disclosing information required in IFRS 3 *Business Combinations* will be added to the application guidance paragraph B67.

B18. The IASB tentatively decided to propose **no exemption** from disclosing information about:

a) the strategic rationale for the business combination; and

b) the actual performance in subsequent periods using the metrics management uses to monitor whether the objectives for the business combination are being met.

B19. The IASB gave direction on the design of the exemption, including to:

a) allow the exemption in situations in which disclosing a particular item of information can be expected to prejudice seriously any of the entity's objectives for the business combination; and

b) supplement the exemption with application guidance, to help in applying the exemption.

B20. The IASB's tentative decisions in January 2023 require an entity to:

a) consider factors including the **effect** of disclosing the information and the availability of the information in determining whether the exemption is applicable;

b) consider whether it is possible to disclose information at a sufficiently **aggregated level** to resolve concerns while still meeting the objectives of the disclosure requirements;

c) disclose, for each item of information to which an entity has applied the exemption, that it has applied the exemption and the **reason for applying the exemption** to that item of information; and

d) reassess in each reporting period whether the application of the exemption to an item of information is still **appropriate**. If it is no longer appropriate to apply the exemption, the entity would be required to disclose the item of information previously exempted. An entity would be required to perform that reassessment for as long as the entity would otherwise be required to disclose information about the subsequent performance of the business combination.

IASB Rationale:

- ✓ Address concerns regarding harm that may be caused by commercial sensitivity that might arise from a range of sources—for example, competitors using the information.
- ✓ Address some elements of/ concerns regarding litigation risk—for example, if the risk arises because an entity failed to meet an objective as a result of the disclosure.

Expected synergies

B21. In November 2021[17], the IASB decided not to define 'synergies'. However, requiring an entity to disaggregate synergies by nature and including some examples of the different natures of synergies (for example total revenue synergies, total cost synergies) could be helpful to those applying IFRS 3.

B22. The IASB tentatively decided in September 2022[18] to propose adding to IFRS 3 a requirement for an entity to disclose quantitative information about synergies expected from **all material business combinations** in the **reporting period in which the business combination occurs**, whilst providing an exemption from disclosing that information in specific circumstances (see paragraph D17 above).

B23. In January 2023[19] the IASB tentatively decided to clarify preliminary views about expected synergies and propose adding to the application guidance in IFRS 3.B64 requirements for an entity to:

a) disclose quantitative information about expected synergies by category (for example, total revenue synergies, total cost synergies and the total for each other type of synergy);

b) consider, for any case in which a disclosure of totals by category would qualify for an exemption, whether disclosure as a total for all categories could remove the reason for applying the exemption to the total by category and, if so, to disclose the total of all categories;

c) describe the synergies by specifying each category of expected synergy; and

d) disclose when the benefits expected from the synergies are expected to start and how long they will last. This disclosure would require an entity to identify whether the synergies are expected to be finite or indefinite.

B24. In November 2021[20], for the purpose of testing staff examples, the IASB decided that the examples should illustrate disclosure of information about:

a) total expected synergies disaggregated by nature (for example, total revenue, total cost and totals for other types of synergies); and

b) when the benefits expected from the synergies are expected to start and how long they will last (which would require an entity to identify whether those synergies are expected to be one-off or recurring).

17 A summary of the 16 November 2021 IASB meeting and decisions made can be found here.
18 A summary of the 20 September 2022 IASB meeting and decisions made can be found here.
19 A summary of the 24 January 2023 IASB meeting and decisions made can be found here.
20 A summary of the 16 November 2021 IASB meeting and decisions made can be found here.

IASB Rationale:

- ✓ Academic evidence and feedback suggest that the **information is useful** and many entities are already providing the information.
- ✓ Concerns from preparers about **commercial sensitivity** are dealt with by proposing an **exemption** in specific circumstances.
- ✓ Feedback from stakeholders suggests it might be **difficult for an entity to follow up on the achievement of synergies.**
- ✓ Review of information suggests there is a **common understanding** of ‘synergies’.
- ✓ Entities often **do not calculate the precise amount** of expected synergies.

Disclosure requirements for specific types of entities

B25. In July 2023, the IASB tentatively decided to propose the prospective IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures* be amended after its issue to require an eligible subsidiary to disclose quantitative information about expected synergies, subject to the same exemption proposed for an entity applying IFRS 3 (see paragraph D17).

B26. The IASB also tentatively decided that unlisted entities applying full IFRS Accounting Standards have no exemptions from disclosing information about the subsequent performance of business combinations.

Summary of key disclosure requirements

B27. The following table[21] summarises the tentative key disclosure requirements, clarifying the difference between those disclosures required for all material business combinations and those disclosures only required for strategically important business combinations:

	All material business combinations	**Only strategic business combinations**[22]
No proposed exemption	In year of acquisition, strategic rationale for undertaking the business combination.	Actual performance in subsequent periods.

21 Source: IASB education session presented to the Accounting Standards Advisory Forum (ASAF) on 10 July 2023, which can be found here.

22 The IASB tentatively decided that a strategic business combination would be a business combination for which not meeting the objectives would seriously put at risk the entity achieving its overall business strategy. To identify such business combinations, the IASB tentatively decided to propose using a closed list of thresholds.

	All material business combinations	Only strategic business combinations[22]
Proposed exemption applies[23]	In year of acquisition, quantitative information about expected synergies.	In year of acquisition, information about management's objectives and targets. Subsequently, a qualitative statement of whether actual performance met the entity's objective and target.

Impairment test in IAS 36 *Impairment of Assets*

B28. The proposed changes to the impairment test will affect any entity that has cash-generating units (CGUs) containing goodwill. Also, the proposed amendments to how 'value in use'[24] is calculated will affect the impairment test of all assets to which IAS 36 applies.

Amortisation

B29. In November 2022[25] the IASB tentatively decided not to explore amortisation of goodwill further and retain the impairment-only approach for the subsequent accounting for goodwill, using the annual quantitative impairment test. The IASB concluded that extensive evidence collected, including the UKEB research report *Subsequent Measurement of Goodwill: A Hybrid Model*[26], did not demonstrate a compelling case for change.

23 The IASB tentatively decided to permit entities not to disclose some items of information if disclosing that item of information can be expected to prejudice seriously any of the entity's objectives for the business combination. This principle will be supplemented with application guidance.

24 Under IAS 36 *Impairment of Assets*, the carrying amount of assets in the statement of financial position (SOFP) should not exceed the economic benefits anticipated from them. The amount of these economic benefits is known as the 'recoverable amount'. IAS 36.6 says the 'recoverable amount' is the higher of an asset's (i) fair value less costs of disposal (FVLCD), and (ii) value in use (VIU). 'Value in use' is covered in IAS 36.30–57 and IAS 36.A1–A14 and can be defined as the future cash inflows and outflows arising from the continued use of an asset and from its ultimate disposal. These cash flows are discounted to account for the time value of money and risk. If the carrying amount exceeds the recoverable amount, the asset is considered impaired and entities are required to reduce the value of the asset through an impairment loss.

25 A summary of the 24 November 2022 IASB meeting and decisions made can be found here.

26 To contribute to the IASB's project and to international debate on the subsequent measurement of goodwill, the UKEB published its research report *Subsequent Measurement of Goodwill: A Hybrid Model* in September 2022. The research paper explored the practical implications of a potential transition to an amortisation model. The research considered: (a) the effect of reintroducing amortisation of goodwill on reporting outcomes, financial stability and audit processes, systems and costs; and (b) the practical feasibility of transition to an amortisation model, including the feasibility of estimating a useful life of goodwill.

Reducing cost and complexity of the impairment test of CGUs containing goodwill

Retain requirement for annual impairment test

B30. In May 2023[27] the IASB tentatively decided to retain the requirement to perform the quantitative impairment test annually in IAS 36.

Simplify calculation of 'Value in use'

B31. In March 2023[28] the IASB tentatively decided to:

a) remove from IAS 36 the requirement to use pre-tax cash flows (IAS 36.51) and pre-tax discount rates[29] (IAS 36.55 and IAS 36.A20) in calculating 'value in use' when performing an impairment test;

b) require an entity to disclose whether a pre-tax or a post-tax discount rate was used in calculating value in use, adding to the requirements in IAS 36.130(g) and IAS 36.134(d)(v) to disclose the discount rate(s) applied to cash flow projections, but removing the requirement that the discount rate disclosed be a pre-tax rate; and

c) require an entity to use internally consistent assumptions for cash flows and discount rates regardless of whether value in use is estimated on a pre-tax or post-tax basis.

B32. The IASB discussed several safeguards in IAS 36 that help in auditing. The IASB tentatively decided to:

a) remove a constraint on cash flows used to estimate value in use (IAS 36.33(a) and IAS 36.44). An entity would no longer be prohibited from including cash flows:

(i) arising from future restructuring to which the entity is not yet committed; or

(ii) from improving or enhancing an asset's performance;

b) retain the requirement to assess assets or cash-generating units in their current condition; and

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27 A summary of the 24 May 2023 IASB meeting and decisions made can be found here.

28 A summary of the 23 March 2023 IASB meeting and decisions made can be found here.

29 IAS 36 requires the calculation of value in use using pre-tax cash flows and pre-tax discount rate. This requirement arises due to the complexity that tax cash flows introduce to value in use calculation. However, rates observed in the market are typically post-tax, so in practice, value in use is often calculated with post-tax cash flows and a post-tax discount rate.

c) add no additional constraints on the inclusion of those cash flows beyond those already in IAS 36.

Effectiveness of the impairment test of CGUs containing goodwill at recognising impairment losses on goodwill on a timelier basis, at a reasonable cost

Feasibility of designing a different impairment test

B33. In May 2023[30] the IASB tentatively decided that it is not feasible to design a different impairment test that would, at a reasonable cost, be significantly more effective than the impairment test currently required by IAS 36.

Reduce shielding

B34. In July 2023[31] the IASB tentatively decided to clarify the requirements on how an entity **allocates goodwill to cash-generating units** in IAS 36.80[32]. For example, by

a) replacing the wording in IAS 36.80(a) '***goodwill*** *is monitored for internal management purposes*' with '***business associated with the goodwill*** *is monitored for internal management purposes*';

b) clarifying the meaning of the proposed new wording for IAS 36.80(a) by providing limited clarifications of **what is meant by '*monitoring*'** a business associated with goodwill;

c) clarifying that '***operating segment***' in IAS 36.80(b) is intended to show the **highest level** that can be used by an entity in the impairment test when applying IAS 36.80(a), not a default; and

d) clarifying **why** IAS 36 requires an entity to **allocate** goodwill to a **cash-generating unit** or a group of cash-generating units.

Reduce management over-optimism

B35. In July 2023[33] the IASB tentatively decided to add to IAS 36.80:

a) a requirement for an entity applying IFRS 8 *Operating Segments* to **disclose[34] the reportable segments** in which cash-generating units

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30 A summary of the 24 May 2023 IASB meeting and decisions made can be found here.

31 A summary of the 25 July 2023 IASB meeting and decisions made can be found here.

32 Paragraph 80 of IAS 36 *Impairment of Assets* says: For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated shall: (a) represent the lowest level within the entity at which the goodwill is monitored for internal management purposes; and (b) not be larger than an operating segment as defined by paragraph 5 of IFRS 8 *Operating Segments* before aggregation.

33 A summary of the 25 July 2023 IASB meeting and decisions made can be found here.

34 Current disclosure requirements of IAS 36 *Impairment of Assets* are set out in IAS 36 paragraphs 126–137.

containing goodwill are included. This will give users of financial statements more visibility of what cash-generating units are, which will help them better assess the assumptions disclosed; and

b) **an explanation of the difference** between management monitoring '***strategically important'*** business combinations for the **purpose of subsequent performance disclosure**, and management monitoring a business associated with the goodwill for the **purpose of impairment testing**.

Next steps

B36. The IASB is expected to issue an exposure draft (ED) setting out its proposals in H1 2024, with a four-month comment period. It will be important to identify any major concerns with the proposals summarised in this paper in case they need to be brought to the attention of the IASB ahead of the issue of the ED.

B37. The UKEB Secretariat will continue to monitor the IASB project and a Project Initiation Plan will be brought to the board closer to the publication of the ED.

Question for the Board
1. Do Board members have any comments or feedback about the IASB's tentative decisions so far?

UK Endorsement Board

Appendix C: Rate-regulated Activities

UKEB Project Status: Monitoring **IASB Next Milestone:** Continued redeliberations on remaining topics throughout 2023 and early 2024.	UKEB Project page UKEB Final Comment Letter (Published July 2021)

Matters discussed at the September 2023 IASB meeting

C1. The IASB met on 20 September 2023:

a) To redeliberate the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (ED) relating to credit and other risks affecting the estimates of future cash flows arising from a regulatory asset or a regulatory liability.

b) To discuss how to use the responses to a survey on the direct (no direct) relationship concept to develop guidance in the prospective Accounting Standard.

c) The IASB staff also provided a paper which included the survey and the background information accompanying the survey on which the IASB was not asked to make any decisions.

Measurement—Credit and other risks

IASB tentative decisions

C2. The IASB tentatively decided that the proposed Standard would:

a) retain the requirement proposed in the ED that an entity estimating future cash flows arising from a regulatory asset or a regulatory liability:

i. reflects in the estimates the uncertainty about the amount or timing of future cash flows; and

ii. assesses whether the entity or its customers bear this uncertainty in future cash flows;

b) specify that if an entity bears credit risk, the entity:

   i. estimates uncollectible amounts considering the net cash flows that will arise from the recovery of regulatory assets and the fulfilment of regulatory liabilities; and

   ii. allocates the estimates of uncollectible amounts to regulatory assets only;

   iii. provide no additional guidance on how an entity accounts for:

   - credit risk if the entity is compensated for this risk; and
   - demand risk; and

   iv. retain the requirement proposed in the Exposure Draft that an entity's estimates of future cash flows arising from a regulatory liability do not reflect the entity's own non-performance risk.

UKEB Secretariat response

C3. It its final comment letter, the UKEB did not comment on demand risk or credit risk with respect to measurement. However, the letter highlighted the interaction between the price control period and the licence period. The UKEB was of the view that it is unclear how to apply the proposed requirements relating to the boundary of the regulatory agreement with respect to the measurement requirements. For example, it is not clear how to deal with the very practical issue that approvals from a regulator may be given well after the end of the reporting period, e.g. more than one year after the end of the regulatory period. It may well be that entities could recognise a regulatory asset or liability based on previous interactions with the regulator, but this needs to be included in the guidance.

C4. At its June 2023 meeting, the IASB staff stated that they will analyse feedback received on the boundary of a regulatory agreement and will provide corresponding recommendations for the IASB at a future meeting.

The direct (no direct) relationship concept—Report on findings from the survey

IASB tentative decisions and report on feedback from the survey

C5. The IASB staff reported on the findings from the survey[1] on the direct (no direct) relationship concept.

C6. The IASB received 48 completed surveys from 39 respondents[2] in 16 jurisdictions. Most respondents reported that they were able to conclude whether their regulatory capital base (RCB) had a direct (no direct) relationship with their property, plant and equipment (PPE). There was an almost equal split between those concluding there was a direct relationship (21 respondents) and those concluding there was no direct relationship (20 respondents, three of which were from the UK). There were five respondents that were unable to conclude whether there was a direct (no direct) relationship and the IASB followed up with these respondents to discuss their challenges. Two respondents were found not to be within the scope of the ED.

C7. The IASB tentatively decided that the prospective Accounting Standard would:

a) include the direct (no direct) relationship concept to help an entity identify differences in timing arising from the regulatory compensation the entity receives on its regulatory capital base (RCB);

b) specify that an entity's ability to trace differences between the regulatory capital base and the property, plant and equipment (PPE) at an asset level is a strong indicator that they have a direct relationship;

c) specify that, in the case of service concession arrangements, an entity determines whether the regulatory capital base has a direct (no direct) relationship with the intangible asset that arises from the service concession arrangement; and

d) include examples to illustrate how an entity determines the direct (no direct) relationship using specific fact patterns.

UKEB Secretariat response

C8. The UKEB Secretariat and a UKEB board member have met with an IASB member and IASB staff to discuss the UKEB's concerns that the IASB's survey on the direct/no direct relationship focussed on whether the concept was clear and did not go further to explore the potential impact of the tentative decisions made

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1 See Agenda Paper 9B reporting the findings of the survey and Agenda Paper 9C for the survey and background information.

2 Some respondents completed more than one survey—that is, one survey for each of their group entities subject to different regulatory schemes.

based on this concept on entities with no direct relationship between its PPE and RCB. The UKEB Secretariat has agreed that it will develop a model to illustrate how the adjustments to the RCB could be accounted for by entities with no direct relationship.

IASB Next steps

C9. The IASB will continue to redeliberate the project proposals.

C10. The IASB's Consultative Group on Rate-regulation is scheduled to meet on 13 October 2023 with discount rates the topic to be discussed.

Feedback from RRA TAG meeting held on 22 September 2023

C11. The RRA TAG held its third meeting on 22 September 2023.

C12. The topics presented by the UKEB Secretariat and discussed by the Group included:

a) An overview of the IASB's tentative decisions in June 2023.

b) Specific regulatory adjustments analysed against the definitions in the ED and the IASB's tentative decisions. The appendices to the paper addressed the Total Expenditure (Totex) adjustment mechanism, Performance Incentives – Sewer Collapses and the Traffic Risk Sharing (TRS) mechanism.

c) An overview of feedback from the interviews conducted for the economic effects study, specifically on the direct (no direct) relationship concept.

C13. The members were generally satisfied with how the papers reflected the regulatory adjustments. Discussions of the adjustments highlighted the need to expand the Totex example and to explore the unit of account and inflation in more detail.

C14. The UKEB Secretariat has proposed a meeting with the IASB staff, tentatively scheduled for 18 October 2023, to discuss this example and our understanding of the IASB's model.

C15. At the request of the UKEB Technical Director during discussions with IASB Board members at ASAF, the IASB is involving the UKEB in meetings with certain regulated entities taking place during October 2023.

UKEB
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UKEB next steps

C16. The RRA TAG agreed that the Totex example would be revised to demonstrate multi-year transactions and also include adjustments relating to capital expenditure (capex) and operating expenditure (opex) in an effort to test whether everyone had a clear understanding of the proposed requirements. This example will be developed for discussion at the 13 December 2023 RRA TAG meeting.

C17. The RRA TAG also agreed that, in addition to the expanded example on Totex, the following topics should be discussed at the same meeting:

a) Unit of account.

b) Inflation.

Question for the Board
1. Do Board members have any questions or comments on the Rate-regulated Activities update?

UK Endorsement Board

Appendix D: Equity Method[1]

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft	

D1. At its September 2023 meeting, the IASB discussed:

a) the implications of applying its tentative decisions (for investments in associates) to investments in:

i. subsidiaries in separate financial statements; and

ii. joint ventures;

b) whether to propose amendments to improve the disclosure requirements for investments in associates; and

c) whether to expand the project's scope.

Implications of applying its tentative decisions to investments other than those in associates accounted for using the equity method

D2. At the September 2023 meeting the Secretariat provided the Board an update on this topic in preparation for the September 2023 ASAF meeting[2]. The IASB's tentative decision to recognise the full gain or loss on all transactions with equity-accounted investments would change current practice for entities that either (i) applied the requirement in paragraph 28 of IAS 28 *Investments in Associates and Joint Ventures*, thereby partially restricting any gain or loss; or (ii) applied the requirement in paragraph B86(c) of IFRS 10, thereby fully restricting any gain or loss.

D3. The IASB staff identified the following two possible alternatives for investments other than those in associates:

a) Alternative 1—Equity method as applicable in IAS 28.

1 A condensed summary of the IASB's tentative decisions on application questions can be accessed here.
2 See paragraph C43-C48 of Agenda Paper 5: Appendix C of the September 2023 UKEB meeting.

b) Alternative 2—Equity method as applicable in IAS 28, with a requirement to restrict gains or losses from transactions between the parent and its subsidiaries.

In both alternatives, 'equity method as applicable in IAS 28' refers to the equity method as it would be amended by the IASB's tentative decisions.

D4. Most IASB members who provided their views on the alternatives preferred Alternative 1, consistent with the UKEB position at the September 2023 ASAF meeting.

D5. The IASB was not asked to make any decisions at its September meeting. The IASB staff plan to bring a decision-making paper to a future meeting.

Possible improvements to disclosure requirements for investments in associates

D6. The IASB also discussed whether to propose amendments to improve the disclosure requirements for investments in associates arising from its tentative decisions on the Equity Method project to date and tentatively decided to propose the following amendments to IFRS 12 *Disclosure of Interests in Other Entities:*

a) To require that an investor disclose the gain or loss from recognising its share of other changes in its associate's net assets that change its ownership interest, while it retains significant influence.

b) To require that an investor that has entered into a contingent consideration arrangement disclose:

i. on obtaining significant influence in an associate:

- the amount recognised as part of the cost of the investment;
- a description of the arrangement and the basis for determining the amount of the payment; and
- an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the investor shall disclose that fact.

ii. for each subsequent reporting period until the investor collects or settles the contingent consideration or it is cancelled or expires:

- any changes in the recognised amounts, including any differences arising upon settlement;
- any changes in the range of outcomes (undiscounted) and the

reasons for those changes; and

- the valuation techniques and key model inputs used to measure the contingent consideration.

c) Transactions with associates:

i. To require that an investor disclose its gains or losses on transactions to its associates ('downsteam' transactions e.g. a sale of assets from the investor to its associates).

ii. Not to require an investor to disclose the gains or losses on transactions from its associates ('upsteam' transactions e.g. a sale of assets from an associate to the investor).

d) To require a disclosure objective requiring an investor to disclose information that enables users of its financial statements to evaluate the changes in the amounts in the financial statements arising from investments in associates.

e) To require that an investor disclose a reconciliation between the opening and closing carrying amount of its investments in associates, to meet the new disclosure objective.

Project scope

D7. The IASB staff paper includes the staff analysis on whether to expand the project's scope for the following three application questions that have recurrent themes:

a) Applying paragraph 13 of IAS 28—in substance ownership that currently gives access to returns associated with an ownership interest.

b) Reciprocal interests, also known as crossholdings.

c) Non–coterminous reporting dates and dissimilar accounting policies.

D8. The IASB decided to retain the project's scope.

D9. The IASB also decided not to ask in the invitation to comment whether the IASB should seek views in its next agenda consultation on adding to its work plan a project on assessing the rights that currently give an investor access to returns when applying IAS 28.

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Next steps

D10. At a future IASB meeting, the staff will ask the IASB to:

a) continue discussion of the implications of applying its tentative decisions to investments, other than those in associates, accounted for using the equity method;

b) discuss possible improvements to disclosure requirements for investments, other than those in associates, accounted for using the equity method;

c) decide whether to publish an exposure draft of amendments to IAS 28 or an exposure draft of IAS 28 revised; and

d) discuss transition requirements for the proposals to revise IAS 28.

D11. The IASB work plan, at the time of writing, indicates that the Exposure Draft is expected in H2 2024.

D12. The UKEB Secretariat will continue to monitor the IASB discussions.

UK Endorsement Board

Appendix E: IASB General Update – *Amendments to the Classification and Measurement of Financial Instruments*

E1. At its September meeting, the IASB discussed[1] the responses it had received from the public consultation on the Exposure Draft (ED) *Amendments to the Classification and Measurement of Financial Instruments*. It did not take any decisions.

E2. Overall, respondents welcomed the IASB's proposals while also providing some recommendations to enhance the proposals. Overall, the feedback appears broadly consistent with the UKEB comment letter[2].

Derecognition of financial liabilities

E3. Most respondents agreed that settlement date accounting should be applied when recognising or derecognising financial assets and liabilities. However, many suggested further clarification was needed, for example, on how the requirements should be applied to derivatives and financial liabilities.

E4. Most respondents welcomed the proposal to permit derecognition of a financial liability settled in cash using an electronic payment system before the settlement date when specified criteria are met. However, some expressed concerns about the practical application of those criteria. In addition, some respondents requested similar requirements should be introduced for financial assets.

Assessment of the contractual cash flow characteristics of assets

E5. Many respondents welcomed the clarifications on assessing the contractual cash flow characteristics of assets.

E6. However, some respondents expressed concern that the proposals do not provide a clear basis for application. For example, many respondents observed that the proposed requirement in paragraph B4.1.10A of the ED that "*the occurrence (or non-occurrence) of the contingent event must be specific to the debtor*" would exclude ESG instruments with targets set at consolidated level. Many respondents further observed an apparent contradiction in paragraph B4.1.8A, between the assessment of interest, which focuses "*on* what *an entity is being compensated for, rather than* how much *compensation an entity receives*" and a change in contractual cash flows being "*inconsistent with a basic lending arrangement if it is*

1 September 2023 Staff Paper agenda reference 16.
2 The UKEB's comment letter was issued on 19 July 2023.

not aligned with the direction and magnitude of the change in basic lending risks or costs". Some respondents suggested alternative wording. Some IASB members particularly welcomed receiving specific recommendations.

E7. In addition, many respondents considered that the current proposals could have unintended consequences. For example, instruments that include an increased cost clause may no longer be considered consistent with a basic lending arrangement under these proposals.

Financial assets with non-recourse features and contractually linked instruments

E8. Most respondents supported the proposals in relation to the assessment of contractual cash flows in the case of financial assets with non-recourse features and contractually linked instruments. Many respondents asked for additional application guidance, for example, to clarify when secured lending arrangements qualify as contractually-linked instruments.

Disclosure requirements

E9. Most respondents welcomed the proposed amendments to the disclosure requirements for equity instruments presented in Other Comprehensive Income.

E10. In relation to the disclosure requirements for contractual terms that could change the timing or amount of contractual cash flows based on a contingent event specific to the borrower, many respondents, especially from the banking sector, considered that the proposed scope was too broad. Some respondents considered that some of the proposed requirements were already included within IFRS 7 *Financial Instruments: Disclosures.*

Transition

E11. Almost all respondents agreed with the proposal to apply the amendments retrospectively without being required to restate prior periods.

E12. Many respondents recommended allowing entities to initially apply the different parts of the amendments independently. Some respondents considered that the IASB should prioritise finalising the proposals in relation to the classification of financial assets with ESG-linked features.

Next steps

E13. The IASB plans to discuss the feedback further and redeliberate over the coming months. The next milestone as per the IASB workplan is a final amendment in H1 2024.

UK Endorsement Board

Appendix F: Business Combinations under Common Control

UKEB Project Status: Monitoring **IASB Next Milestone:** Decide Project direction	UKEB project page UKEB Final Comment Letter (**Published September 2021)**

Background

F1. The IASB published its Discussion Paper DP/2020/2 *Business Combinations under Common Control* (BCUCC) in November 2020[1], with a comment letter deadline of 1 September 2021. Since that date, the IASB has been discussing the feedback received on the topics set out in the DP and the plan for redeliberating the preliminary view.

F2. The current project objective[2] is to develop reporting requirements for a receiving entity that would reduce diversity and improve the transparency of reporting BCUCCs. More specifically, the IASB aims to provide users of a receiving entity's financial statements with better information that is both:

a) more relevant—by setting up reporting requirements based on user information needs; and

b) more comparable—by requiring similar transactions to be reported in a similar way.

F3. The IASB is considering the project direction, including whether to move this from a research project to standard-setting[3]. The IASB is exploring three options:

a) **Option I**—develop recognition, measurement and disclosure requirements (that is, do not change project direction). The IASB would then need to decide which specific recognition, measurement and disclosure

1 DP/2020/2 Business Combinations under common Control can be found here
2 Paragraph 3 of Staff Agenda paper 23 IASB meeting September 2023
3 Paragraphs 5.1–5.7 of the IASB Due Process Handbook set out the requirements in assessing when to move a project from the research phase into the standard-setting phase, specifically: (a) whether there is a deficiency in the way particular types of transactions or activities are reported in financial reports;(b) the importance of the matter to those who use financial reports; (c) the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others; (d) how pervasive or acute a particular financial reporting issue is likely to be for entities; and (e) the resources required for a standard-setting project.

requirements to develop, which might differ from the preliminary views in the Discussion Paper;

b) **Option II**—develop disclosure-only requirements; and

c) **Option III**—develop no recognition, measurement or disclosure requirements (that is, discontinue the project).

F4. The feedback given at the July ASAF meeting was that views from UKEB Board members were mixed but that, on balance, they thought that the BCUCC project should be discontinued and that the IASB should give priority to more relevant projects[4].

Update

F5. The IASB met on 19 September 2023 to continue its discussion on the project direction based on feedback received, including from public meetings with the IASB consultative groups[5] and meetings with other stakeholders, including regulators and users.

F6. The IASB was not asked to make any decisions at the meeting.

F7. A summary of the IASB's tentative decisions to date is included in Appendix B of Staff Agenda Paper 23 for the 19 September 2023 IASB meeting.

Next steps

F8. A decision on the project direction is expected in November 2023 (previously September 2023). IASB staff are expected to present updated analysis (including an overview of what a disclosure-only project could cover) and ask the IASB to decide:

a) whether to change project direction (that is, whether to remain with Option I); and

b) if the IASB decides to change project direction, whether to choose Option II or Option III.

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4 AFIAG members also considered that the project should be discontinued to allow the IASB to prioritise other, more urgent, projects. It appeared that user needs could not be met in all jurisdictions, and diversity in practice may not be a problem if this reflected the differing needs or preferences of investors in different jurisdictions. They thought UK practice for these transactions was well established and understood and there was no urgent need for action.

5 Further details of public meetings at which the project was discussed (including the agenda papers, recording and meeting summary) are available on the IFRS Foundation website for the: (a) Emerging Economies Group's May 2023 meeting; (b) IFRS Interpretations Committee's June 2023 meeting; (c) joint Capital Markets Advisory Committee (CMAC) and Global Preparers' Forum June 2023 meeting; and (d) Accounting Standards Advisory Forum's July 2023 meeting.

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Appendix G: Subsidiaries without Public Accountability: Disclosures

UKEB Project Status: Monitoring **IASB Next Milestone:** IFRS Accounting Standard	UKEB project page UKEB Final Comment Letter **(Published February 2022)**

Background

G1. At its September 2023 meeting, the IASB staff summarised the approach to the forthcoming IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures* ("subsidiaries Standard").

G2. The IASB also discussed whether subsidiaries without public accountability should be required to disclose information that would be required by the IASB's tentative decisions on the project Business Combinations—Disclosures, Goodwill and Impairment.

Principles for reducing disclosures

G3. The IASB confirmed its commitment to applying the following principles for reducing disclosures when deciding whether to make amendments to the subsidiaries Standard:

a) short-term cash flows: users are interested in information about the entity's ability to meet its obligations;

b) liquidity: users are interested in information about the entity's ability to generate cash flows and continue as a going concern;

c) measurement uncertainty: users need information about how amounts in the financial statements are measured, including inputs (for example, significant judgements and estimates) used in those calculations;

d) disaggregation: users want information about the composition or details of movements of amounts in the financial statements; and

e) accounting policy choices: users are interested in the accounting policies applied by an entity, particularly when a standard offers more than one accounting policy option.

Approach to maintenance

G4. When the IASB issues a new or amended IFRS Accounting Standard that includes new or amended disclosure requirements, the Exposure Draft (ED) will also include proposed consequential amendments to the subsidiaries Standard.

G5. The approach agreed by the IASB to individual potential amendments can be summarised as follows:

a) Step 1—consider each of the proposed disclosures and review them against the principles for reducing disclosures.

b) Step 2—stratify the proposed disclosure requirements in new or amended IFRS Accounting Standards into the following groups:

i. new requirements—assess using the principles for reducing disclosures;

ii. deletion of existing requirements in the subsidiaries Standard—the expected response would be to propose deletions from the subsidiaries Standard;

iii. amendment of requirements that are in the subsidiaries Standard—assess using the principles for reducing disclosures; and

iv. amendment of requirements that are not in the subsidiaries Standard—assess against the principles for reducing disclosures, considering IASB's relevant previous discussions and decisions not to include the disclosure requirement, to determine whether there is new information to warrant consideration of inclusion in the subsidiaries Standard.

c) Step 3: consider the relative costs and benefits of revised disclosure requirements in the subsidiaries Standard.

d) Step 4: assess the overall position that would be reached if any proposed new disclosure requirements were to be introduced to the subsidiaries Standard i.e. whether it would maintain the usefulness of financial statements to the users of eligible subsidiaries' financial statements while also being sufficiently appealing to those subsidiaries themselves.

"Catch-up Exposure Draft"

G6. When the IASB developed the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* published in July 2021 it included disclosure requirements from IFRS Accounting Standards issued up to 28 February 2021.

G7. When the subsidiaries Standard is issued, disclosure requirements in other IFRS Accounting Standards issued subsequent to 28 February 2021 remain applicable and include disclosure requirements in:

a) IAS 1 *Presentation of Financial Statements* as a result of its Non-current Liabilities with Covenants project;

b) IAS 12 *Income Taxes* as a result of its International Tax Reform—Pillar Two Model Rules project;

c) IFRS 7 *Financial Instruments: Disclosures* and IAS 7 *Statement of Cash Flows* as a result of its Supplier Finance Arrangements project; and

d) IAS 21 *The Effects of Changes in Foreign Exchange Rates* as a result of its Lack of Exchangeability project.

G8. The IASB has confirmed that after the subsidiaries Standard is issued, new and amended IFRS Accounting Standards issued between 1 March 2021 and the date of issue of the subsidiaries Standard will be dealt with through a "catch-up Exposure Draft" which will propose new or amended disclosure requirements based on applying the agreed approach to maintenance.

G9. The IASB will also consider the forthcoming IFRS Accounting Standard 18 *Presentation and Disclosure in Financial Statements,* expected to be published in the first half of 2024, as part of the "catch-up Exposure Draft".

G10. Subsequent to this, on an ongoing basis, each new or amended IFRS Accounting Standard will include consequential amendments to the subsidiaries Standard so that the subsidiaries Standard remains up to date and eligible subsidiaries have reduced disclosure requirements available to them by the time they are required to apply a new or amended IFRS Accounting Standard.

Forthcoming exposure drafts

G11. The IASB expects to publish the *Financial Instruments with Characteristics of Equity* ("the FICE ED") in the last quarter of 2023, before the issue of the subsidiaries Standard.

G12. The FICE ED will be the first ED to include proposed consequential amendments to the subsidiaries Standard. At the Board's July 2023 meeting the Secretariat provided an update on the proposed disclosure requirements in the FICE ED that the IASB tentatively decided to include as consequential amendments to the subsidiaries Standard[1].

[1] See paragraph A52-A57 of Agenda Paper 9: Appendix A of the July 2023 UKEB meeting.

G13. In addition, the IASB has completed its redeliberations on its project Business Combinations—Disclosures, Goodwill and Impairment, and plans to issue an Exposure Draft ("the BCDGI ED") in the first half of 2024.

G14. At its September 2023 meeting the IASB discussed whether it should require subsidiaries without public accountability to disclose information that would be required by the IASB's tentative decisions in this project.

G15. The table below lists the proposed disclosure requirements in the BCDGI ED that the IASB tentatively decided to include as consequential amendments to the subsidiaries Standard:

Disclosures tentatively agreed for BCDGI ED	Rationale/relevant principles	Benefits of disclosure outweigh the costs?	
The strategic rationale for undertaking a business combination	Useful information for users of eligible subsidiaries	✓	Eligible subsidiaries will have this information and therefore it is not costly to disclose.
Whether the discount rate used in calculating value in use is pre-tax or post-tax	Measurement uncertainty	✓	Not costly to disclose.
Information about the contribution of the acquired business	Short-term cash flows	✓	Eligible subsidiaries would need to provide such information for group reporting purposes and therefore the incremental costs should be limited.

G16. The IASB also tentatively decided to ensure the wording of the disclosure requirement in the subsidiaries Standard in relation to paragraph B64(i) of IFRS 3 *Business Combinations* aligns with the proposals made by the IASB in the project on Business Combinations—Disclosures, Goodwill and Impairment rather than the current disclosure requirement of IFRS 3[2].

[2] The existing paragraph B64(i) of IFRS 3 requires disclosure of the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed. The equivalent of paragraph B64(i) of IFRS 3 in

Next steps

G17. The IASB staff will bring any matters that arise in drafting the subsidiaries Standard (for example, matters that may arise in updating the language of the subsidiaries Standard to be the same as the language in IFRS Accounting Standards) to the IASB as sweep issues.

G18. The IASB expects to issue the Standard in the first half of 2024.

G19. The Secretariat plan to present a Project Initiation Plan to the Board once the subsidiaries Standard has been issued.

The Subsidiaries ED (paragraph 36(g)) does not use the term 'major'. The IASB tentatively decided in the BCDGI project to amend paragraph B64(i) of IFRS 3 to remove the term 'major'.

UK Endorsement Board

Appendix H: Interpretations Committee update

UKEB Project Status: Monitoring **IASB Next Milestone:**	

Background

H1. The UKEB's Due Process Handbook notes that the UKEB expects to respond to a limited number of tentative agenda decisions published by the IFRS Interpretations Committee (Interpretations Committee). Some factors to consider when deciding whether to respond may be:

a) the degree of impact of the tentative agenda decision on UK companies (for example, in cases where the tentative agenda decision is expected to affect a significant number of UK companies);

b) disagreement with the Interpretation Committee's analysis; or

c) usefulness of the explanations and clarifications included in the tentative agenda decision.

H2. The Interpretations Committee held a meeting on 12 September 2023.

H3. The following tables summarise the current matters on the Interpretations Committee agenda.

MATTERS RECEIVED BUT NOT YET PRESENTED TO THE INTERPRETATIONS COMMITTEE	
Topic	Disclosure of revenues and expenses for reportable segments—Application of IFRS 8
Standard	IFRS 8
Question*	Three questions are asked regarding the current application of IFRS 8 paragraph 23: 1) Do the specified amounts in IFRS 8.23(a)-(i) have to be reviewed separately by the Chief Operating Decision Maker (CODM) to qualify for per-segment disclosure?

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	2) Is per-segment disclosure under IFRS 8.23(f) required if the specified amount is (also) presented under another applicable IFRS Accounting Standard? 3) Regarding the application of 'material items' in paragraph 23(f) of IFRS 8: a) Are the material items referenced in IFRS 8.23(f) only those that are qualitative in nature? b) Is disclosure required if the specified amount in question is an aggregation of individually quantitatively immaterial items? c) Is the materiality assessment for an income or expense item done at an income statement level (i.e. from an overall reporting entity perspective) or at a segmental level?
Comment	The UKEB received via IFASS a request for information on this matter. The request asks about specific fact patterns, but those fact patterns would not necessarily be identifiable from publicly available financial statements. In particular, this is because the fact patterns concern matters that are ***not*** disclosed and about the application of materiality. Absence of disclosure could be for various (unstated) reasons and it is unlikely that the precise basis for deeming an item material or not material would be apparent from the financial statements. In the absence of internal entity-specific information, it is difficult to respond to the specific questions asked in the outreach request. We understand from the Financial Reporting Council that issues in respect of the application of paragraph 23 of IFRS 8 do not appear to be prevalent in the UK. Information from the FRC indicates that, although they have raised matters on the application by entities of this specific paragraph in IFRS 8, including some potential improvements in entities' reporting, such cases are relatively few and far between (only 4 in the last 6 years)[1]. Initial indications are, therefore, that this is not a priority issue in the UK.

*This provides a summary only, please review the IFRS Website for the full details

[1] The Corporate Reporting Review (CRR) team of the FRC reviews company annual reports and accounts as part of its role in monitoring reporting by public and large private UK companies. The CRR typically reviews around 250 sets of accounts each year.

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Question for the Board	
1.	Do Board members agree that the UKEB will NOT undertake further work on this matter at this point in time?

TENTATIVE AGENDA DECISIONS OPEN FOR COMMENT	
Topic	Payments Contingent on Continued Employment during Handover Periods
Standard	IFRS 3
Deadline	20 November 2023
Question*	How an entity accounts for payments to the sellers of a business it acquired when those payments are contingent on the sellers' continued employment during a post-acquisition handover period.
Tentative conclusion*	Evidence gathered by the Committee [to date] does not indicate significant diversity in the accounting for payments contingent upon continued employment in fact patterns such as that described in the request. In these fact patterns, entities apply the accounting described in the agenda decision *Contingent payments to shareholders and continuing employment* (published in January 2013) and account for the payments as compensation for post-combination services rather than as additional consideration for the Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.
Comment	The UKEB considered this matter in January 2023 and September 2023 and concluded that it did not appear to affect a significant number of UK companies. It concluded it would not respond to this Tentative Agenda Decision.

*This provides a summary only, please review the IFRS Website for the full details

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TENTATIVE AGENDA DECISIONS WAITING FOR IASB RATIFICATION	
Topic	**Guarantee over a derivative contract**
Standard	IFRS 9
Question*	The request asked whether, in applying IFRS 9, an entity accounts for a guarantee written over a derivative contract as a financial guarantee contract or a derivative. The request described a guarantee written over a derivative contract between two third parties. Such a guarantee would reimburse the holder of the guarantee for the actual loss incurred—up to the close-out amount—in the event of default by the other party. The close-out amount is determined based on a valuation of the remaining contractual cash flows of the derivative prior to default.
Final conclusion*	Based on its findings, the Interpretations Committee concluded that the matter described in the request does not have widespread effects and does not have (nor is expected to have) a material effect on those affected. Consequently, the Interpretations Committee decided not to add a standard-setting project to the work plan.
Comment	The UKEB considered this matter in December 2022 and concluded it seemed unlikely to affect a significant number of UK companies. The tentative Agenda Decision is consistent with this conclusion. The Interpretations Committee received six letters, all supportive of its conclusion.
Topic	**Homes and Home Loans Provided to Employees**
Standard	IAS 19/IFRS 9
Question*	The request asked about how an entity accounts for employee home ownership plans and employee home loans.
Final conclusion*	Based on its findings, the Interpretations Committee concluded that the matters described in the request do not have widespread effect and do not have (nor are expected to have) a material effect on those affected. Consequently, the Interpretations Committee decided not to add a standard-setting project to the work plan.
Comment	The UKEB considered this matter in December 2022 and concluded it seemed unlikely to affect a significant number of UK companies. The tentative Agenda Decision is consistent with this conclusion.

	The Interpretations Committee received seven letters. While all agreed with its conclusion a number suggested addition guidance would be helpful.
Topic	**Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)**
Standard	IFRS 17/IFRS 9
Question*	The request asked whether, when an intermediary acts as a link between an insurer and a policyholder to arrange an insurance contract between them, the premiums receivable from the intermediary are future cash flows within the boundary of an insurance contract and included in the measurement of the group of insurance contracts applying IFRS 17 or are a separate financial asset applying IFRS 9.
Final conclusion*	The Committee observed that the application of either the requirements in IFRS 17 or IFRS 9 when accounting for premiums paid by a policyholder and receivable from an intermediary would provide users of financial statements with useful information. The Committee concluded that any project to address the question further would not be sufficiently narrow in scope that the IASB or the Committee could address it in an efficient manner. The Committee therefore decided not to recommend that the IASB considers adding a standard-setting project to the work plan.
Comment	The UKEB considered this matter in November 2022, noting that the issue was prevalent globally. The Final Agenda Decision appears to be a pragmatic solution and we are not aware of any concerns from UK stakeholders relating to the tentative conclusion. The issue could be reconsidered as part of the IFRS 17 PIR. The Interpretations Committee received 17 letters. The majority agreed with its conclusion, however some respondents felt that more guidance or standard setting should be considered by the Interpretations Committee.

*This provides a summary only of the IASB staff recommendation which could be subject to further editorial amendment, please review the IFRS Website for the full details

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Appendix I - List of IASB projects

This Appendix provides a list of all IASB projects[1], including links to the IASB project page and, where relevant, to the UKEB project page and any UKEB reports or comment letters. Items highlighted in grey are changed from the last report.

List of IASB projects	
Amendments to the Classification and Measurement of Financial Instruments	
UKEB Project Status: Influencing (completed) **IASB Next Milestone:** Final Amendment by H1 2024	UKEB project page UKEB Project Initiation Plan (Published May 2023) UKEB Final Comment Letter (Published July 2023) UKEB Feedback Statement (Published July 2023) UKEB Due Process Compliance Statement (Published 4 October 2023)

[1] This list does not include projects related to the IFRS Interpretations Committee or IASB's projects outside the UKEB's work remit (such as the Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard).

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List of IASB projects	
Annual Improvements (Amendments to IFRS Accounting Standards: IAS 7, IFRS 1, IFRS 7, IFRS 9, IFRS 10)	
UKEB Project Status: Influencing **IASB Next Milestone:** Exposure Draft Feedback Q1 2024 Submit letter by: 11/12/23	UKEB Draft Comment Letter (To be published)
Business Combinations under Common Control	
UKEB Project Status: Monitoring **IASB Next Milestone:** Decide Project Direction November 2023	UKEB project page UKEB Final Comment Letter (Published August 2021) UKEB Feedback Statement (Published August 2021)
Business Combinations—Disclosures, Goodwill and Impairment	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft H1 2024	UKEB project page UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model (Published September 2022)

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List of IASB projects	
Climate-related and Other Uncertainties in the Financial Statements	
UKEB Project Status: Monitoring **IASB Next Milestone:** Decide Project Direction Q1 2024	
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	
UKEB Project Status: Monitoring **IASB Next Milestone:** IFRS Accounting Standard (H1 2024)	UKEB project page UKEB Final Comment Letter (Published February 2022) UKEB Feedback Statement (Published February 2022)
Dynamic Risk Management	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft (2025)	
Equity Method	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft (H2 2024)	

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List of IASB projects	
Extractive Activities	
UKEB Project Status: Monitoring **IASB Next Milestone:** Project Summary December 2023	
Financial Instruments with Characteristics of Equity	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft November 2023	UKEB project page
Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	
UKEB Project Status: Influencing **IASB Next Milestone:** Request for Information Feedback Q1 2024 Submit letter by: 27/10/23	UKEB project page UKEB Project Initiation Plan (Published June 2023) UKEB Draft Comment Letter (Published July 2023)

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List of IASB projects	
Post-implementation Review of IFRS 9—Impairment	
UKEB Project Status: Influencing (completed) **IASB Next Milestone:** Request for Information Feedback November 2023	UKEB project page UKEB Project Initiation Plan (Published June 2023) UKEB Draft Comment Letter (Published August 2023) UKEB Final Comment Letter (Published September 2023) UKEB Feedback Statement (Published September 2023)
Primary Financial Statements	
UKEB Project Status: Monitoring **IASB Next Milestone:** IFRS Accounting Standard (H1 2024)	UKEB project page UKEB Final Comment Letter (Published September 2020)
Provisions—Targeted Improvements	
UKEB Project Status: Monitoring **IASB Next Milestone:** Decide Project Direction December 2023	

List of IASB projects	
Rate-regulated Activities	
UKEB Project Status: Monitoring **IASB Next Milestone:** IFRS Accounting Standard (2025)	UKEB project page UKEB Final Comment Letter (Published August 2021)