UKEB
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 proactively monitors a range of 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.

Summary of the Issue

This paper provides updates on relevant IASB projects the Secretariat is currently monitoring. Comments or questions are welcomed on any topic. The paper presents separately the topics the Secretariat suggests are prioritised for discussion from those presented as for noting.

Topics identified for discussion are listed below:

- Primary Financial Statements (on draft agenda for March ASAF)
- Supplier Finance Arrangements

Topics identified for noting are listed below:

- Subsidiaries without Public Accountability: Disclosures (on draft agenda for March ASAF)
- Equity Method (on draft agenda for March ASAF)
- Business Combinations: Disclosures, Goodwill and Impairment

IFRS Interpretations Committee

- No developments to report

Decisions for the Board

The Board is not asked to make any decisions.

Board members are asked the following questions regarding the topics for discussion:

1. *Primary Financial Statements*: Do Board members have any questions or comments on the Primary Financial Statements project update and/or the IASB's agenda papers for the IASB's January 2023 meeting?
2. *Primary Financial Statements:* Do Board members have any questions or comments on the IASB's plan for responding to the feedback received?
3. *Supplier Finance Arrangements*: Do Board members have any questions or comments on the Supplier Finance Arrangements update?

Do Board members have any questions or comments on the other updates for noting?

Recommendation

N/A

Appendices
Appendix A: List of IASB projects

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Topics for Discussion

Primary Financial Statements

UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Accounting Standard	UKEB project page UKEB Secretariat Comment Letter **(Published in September 2020)**

Background

1. At its September 2022 meeting the IASB completed its redeliberations on the proposals in the Exposure Draft General Presentation and Disclosures (the ED) as part of its project on **Primary Financial Statements** (PFS).

2. Between September and December 2022, the IASB undertook targeted outreach on key topics where the IASB's tentative decisions resulted in changes to the initial proposals in the ED including:

   a) subtotals in the statement of profit or loss;

   b) disclosure of operating expenses by nature;

   c) unusual income and expenses[1]; and

   d) management performance measures (MPMs).

3. The feedback received helped the IASB assess whether selected tentative decisions would function as intended.[2]

4. During its targeted outreach activities, the IASB met with stakeholders across different jurisdictions, including with members of the UKEB's Advisory Groups.[3]

5. Our understanding is that outreach participants supported the direction of the IASB's redeliberations. However, participants also asked the IASB to issue additional guidance for better understanding and consistency of the approach

[1] We are not addressing this topic in this paper as most participants in targeted outreach agreed with the reasons for which the IASB tentatively decided to withdraw the proposals in the ED for unusual income and expenses. In addition, many IASB members believe that the general requirement to disaggregate material information would be sufficient to allow entities to disclose unusual income or expenses.

[2] **Appendix A** in IASB Agenda Paper 21A (January 2023) explains the approach taken to targeted outreach.

[3] The IASB PFS team met with the Investor Advisory Group (IAG) on 4 October 2022; with the Preparer Advisory Group (PAG) on 31 October 2022; and with the Accounting Firms and Institutes Advisory Group (AFIAG) on 3 November 2022. The feedback received was reported back to the Board in November 2022. Refer to UKEB Agenda Paper 8 IASB General Update (17 November 2022) pages 14–19.

developed.[4] Participants were keen for this project to be completed quickly and requested educational material for better understanding of the proposals before the issuance of the final standard.

6. A summary of the feedback received was discussed at the December 2022 ASAF meeting. At its January 2023 meeting, the IASB:

a) Made some tentative decisions to add, confirm and withdraw some of the proposals in the ED. In paragraphs 7–49 we list the specific topics discussed at this meeting and the outcome of the IASB's discussions.

b) Discussed additional feedback received and the plan for responding to that feedback[5] (discussed in paragraphs 50–61).

Discussions and summary of IASB's tentative decisions (January 2023 meeting)

7. The aspects discussed[6] by the IASB were:

a) **General disaggregation requirements**

i. **Total operating expenses by nature[7]**–implications of the IASB's tentative decisions to withdraw specific disclosures that were proposed in the ED for the general requirement to disaggregate material information in relation to information about the nature of operating expenses that are included in a functional line in the statement of profit or loss.

ii. **Other disaggregation requirements[8]**–possible further requirements and application guidance.

iii. **Other comprehensive income (OCI)[9]** –feedback on the proposal in the ED to relabel the two categories of other comprehensive income.

4 A summary of the feedback received is set out in IASB Agenda Paper 21A (January 2023) and in the ASAF Meetings summary (December 2022), pages 2–5. The Appendices section of IASB Agenda Paper 21A also includes a plan for responding to that feedback.

5 IASB Agenda Paper 21 (January 2023) lists in **Appendix A** the topics discussed and topics to be redeliberated (which includes the topics that were redeliberated at the January 2023 meeting) and in **Appendix B** provides a summary of proposals, feedback and tentative decisions to date.

6 The IASB also discussed the relationship with specific presentation and disclosure requirements in other Standards. The IASB did not make any decisions in this respect and this topic is not addressed in this paper.

7 Refer to IASB Agenda Paper 21C (January 2023).

8 Refer to IASB Agenda Paper 21D (January 2023).

9 Refer to IASB Agenda Paper 21E (January 2023).

b) **Statement of cash flows**[10]—interest received and classification for **entities with specified main business activities.**[11]

8. We provide a summary of these topics based on IASB staff papers for the January 2023 meeting, IASB Update (January 2023) and discussions at the January 2023 IASB meeting. We have added some commentary on the recommendations made by the UKEB in its Final Comment Letter (FCL) in relation to these topics.

9. The following table summarises the issues considered, the tentative decisions taken by the IASB and how those decisions will change the ED proposals. More background detail is provided in paragraphs 10–49 following the table.

Issues considered	Tentative decisions taken	Change from ED proposals
Analysis of total operating expenses by nature		
Whether to provide a relief from the general requirement to disaggregate material information in relation to information about operating expenses by nature.	Further limit the specific requirements on the disclosure of operating expenses by nature included in a function line item in the statement of profit or loss.	An exemption will be added to the general requirement to disaggregate material information that would apply to information about the nature of operating expenses included in a function line item in the statement of profit or loss.
Disaggregation requirements—further requirements and application guidance		
Whether to: • add application guidance on how	• Describe disaggregated amounts in a clear, understandable and transparent manner.	• More application guidance will be

10 Refer to IASB Agenda Paper 21F (January 2023).
11 Entities with specified main business activities are entities that invest as a main business activity in assets that generate a return individually and largely independently of the other resources held by the entity or provide financing to customers as a main business activity.

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Issues considered	Tentative decisions taken	Change from ED proposals
to improve the description of disaggregated amounts. • add a prohibition on some forms of disaggregation of income and expenses; and • clarify the proposals in paragraphs 26–28 of the ED on the use of the label 'other'.	• Clarify that any line items presented in the statement(s) of financial performance and the statement of financial position should be recognised and measured in accordance with IFRS Accounting Standards. • Do not prohibit the disaggregation of income and expenses in the notes to the financial statements into components not recognised and measured in accordance with IFRS Accounting Standards. • Clarify the different types of aggregation that could be labelled as 'other' and require the label 'other' to be used only in certain circumstances.	added to improve the: –Description of disaggregated amounts. –The disaggregation of income and expenses in the notes to the financial statements. • The disaggregation of income and expenses (in the notes to the financial statements) into components not recognised and measured in accordance with IFRS Accounting will not be prohibited. • The use of the label 'other' in the aggregation of material and immaterial information in the notes or presented in the primary financial statements will be further restricted.

Issues considered	Tentative decisions taken	Change from ED proposals
Other comprehensive income		
Whether to withdraw the proposal to relabel the two categories of OCI as ‘remeasurements permanently reported outside profit or loss’ and ‘income and expenses to be included in profit or loss in the future when specific conditions are met’.	Agreement to withdraw the proposal to relabel the two categories of OCI.	The proposal in paragraph 74 of the ED to relabel the two categories of OCI will be removed.
Statement of cash flows—interest received and classification for entities with specified main business activities		
Whether to confirm the proposals in the ED that: • **Entities without specified main business activities** classify interest received as investing cash flows. • **Entities with specified main business activities** classify the following cash flows in a single category (that is, either as	Agreement to confirm the proposals in the ED.	No change will be made to the proposals in paragraphs 33A, 34A–34B (and 34C–34D) of the proposed amendments to IAS 7.

Issues considered	Tentative decisions taken	Change from ED proposals
cash flows from operating, investing or financing activities): o Dividends received[12]; o Interest paid; and o Interest received.		

Total operating expenses by nature

ED proposals

10. In the ED the IASB included the following proposals:

a) To require an entity to disclose an analysis of total operating expenses by nature if the entity presented operating expenses by function in the statement of profit or loss (paragraph 72 of the ED).

b) To prohibit the presentation of operating expenses in the statement of profit or loss using a mix of function and nature line items (paragraph B48 of the ED).

Feedback received on the ED

11. Feedback indicated that entities that present operating expenses by function could only retrieve certain information about specific expenses and that disclosing full analysis of total operating expenses by nature would require extensive and costly system changes.

IASB redeliberations and amendments to the ED proposal

12. In response to the feedback received the IASB tentatively decided:

12 Other than dividends received from associates and joint ventures accounted for using the equity method.

a) To state the purpose of disaggregation more clearly, that items should be disaggregated if the resulting disaggregated information is material (IASB Update (April 2021).

b) To limit the specific requirements on the disclosure of operating expenses by nature. This is, to require an entity to disclose the amounts of depreciation, amortisation and employee benefits included in each line item in the statement of profit or loss (IASB Update July 2022).

c) To explore an approach to operating expenses by nature that would require an entity to disclose, for all operating expenses disclosed in the notes, the amounts included in each line item in the statement of profit or loss (IASB Update July 2022).

d) Not to prohibit an entity from presenting operating expenses using a mix of function and nature line items (IASB Update September 2022).

e) Not to proceed with any specific requirements for unusual income and expenses as part of this project (IASB Update September 2022).

Further IASB redeliberations and tentative decisions at the January 2023 IASB meeting

13. The IASB discussed the implications of the above tentative decisions for the general requirement to disaggregate material information and tentatively decided to further limit the specific requirements on the disclosure of operating expenses by nature, by giving a specific exemption from the general requirement to disaggregate material information. All specific disclosure requirements in IFRS Accounting Standards relating to the nature of operating expenses would not be affected by the exemption and would continue to apply.

14. The IASB's tentative decision is reproduced below:

> *The IASB tentatively decided to add an exemption to the general requirement to disaggregate material information. The exemption would apply to information about the nature of operating expenses included in a function line item in the statement of profit or loss. Specific disclosure requirements in IFRS Accounting Standards relating to operating expenses would still apply. The IASB will consider in a future paper whether it should extend the exemption to cover the disaggregation of these required specific nature expenses into the function line items in which they are included. The IASB also tentatively decided not to include a cost threshold in the exemption.*

15. We understand that the objective of this exemption is to "prevent the general requirement to disaggregate material information from undermining the cost-

benefit balance achieved by the IASB's tentative decisions on the disclosure of the nature of operating expenses".[13]

Consistency with UKEB's proposals

16. Adding an exemption may address some of the concerns and recommendations expressed in the UKEB's FCL in respect of the ED's proposals to require disclosure of operating expenses by nature when entities analyse operating expenses by function. UKEB's concerns were that these proposals:[14]

    a) Were too costly and complex for UK preparers and recommended the IASB to consider further the costs and benefits of those proposals.

    b) Were unclear on the level of disaggregation required in the proposed analysis of operating expenses by nature and on the extent to which flexibility to present separate material items of income and expense was retained or prohibited by the proposals.

Disaggregation requirements–further requirements and application guidance

ED proposals

17. In the ED the IASB included the following proposals:

    a) The inclusion of principles on the aggregation and disaggregation of information. The principles would require an entity to classify identified assets, liabilities, equity, income and expenses into groups based on shared characteristics and to separate those items based on further characteristics (paragraph 25 of the ED).

    b) To require an entity to provide a description of the items presented in the primary financial statements or in the notes that faithfully represents the characteristics of those items (paragraph 26 of the ED).

    c) To require an entity to use meaningful labels for the group of immaterial items that are not similar and to consider whether it is appropriate to use non-descriptive labels such as 'other' (paragraphs 27–28 of the ED).

    d) To require an entity to include line items and subtotals in the statement of profit or loss and the statement of financial position (paragraph 42 of the ED). When an entity presents additional subtotals in accordance with paragraph 42 of the ED, those subtotals are required to be comprised of line items made up of amounts recognised and measured in accordance with IFRS Accounting Standards.

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13 This is explained in paragraph 30 of IASB Agenda Paper 21C (January 2023).
14 Refer to UKEB Agenda Paper 8 IASB General Update (17 November 2022) paragraphs A44 and A46–A47.

Feedback received on the ED

18. Feedback from users suggested better descriptions of disaggregated amounts.

19. Feedback also indicated some confusion over the proposals relating to items that could be labelled as 'other' and asked the IASB to provide additional guidance or clarifications in this respect.

IASB redeliberations and amendments to the ED proposal

20. The IASB tentatively decided:

    a) to include further application guidance to clarify the application of the principles of aggregation and disaggregation (IASB Update April 2021) and (IASB Update September 2021).

    b) to add application guidance on how an entity could apply the requirement to describe an MPM measure in a clear and understandable manner that would not mislead users (IASB Update November 2021).

    c) not to proceed with any specific requirements for unusual income and expenses as part of this project (IASB Update September 2022).

Further IASB redeliberations and tentative decisions at the January 2023 IASB meeting

21. The IASB discussed whether to add further requirements and application guidance relating to the general disaggregation requirements. More specifically, whether to:

    a) Add application guidance on how to improve the description of disaggregated amounts.

    b) Add a prohibition on some forms of disaggregation of income and expenses.

    c) Clarify the proposals in the ED on the use of the label 'other'.

22. The outcome of these discussions is summarised in the tentative decisions presented below.

23. The IASB tentatively decided to clarify the requirement in paragraph 26 of the ED (i.e. requirement to include descriptions of items that faithfully represent the characteristics of those items) by adding specific requirements for an entity:

    (a) to describe disaggregated amounts in a clear and understandable manner that would not mislead users; and

    (b) to be transparent about the meaning of the terms used and the methods applied to the disaggregation.

24. The IASB tentatively decided to extend the requirement in paragraph 43 of the ED (i.e. requirement for amounts to be recognised and measured in accordance with IFRS Standards when an entity presents additional subtotals in accordance with paragraph 42 of the ED) to all line items presented by adding:

> *a requirement that any line items an entity presents in its statement(s) of financial performance and statement of financial position are recognised and measured in accordance with IFRS Accounting Standards.*

25. We understand that this decision is intended to achieve comparability and understandability of the information presented in these statements.[15]

26. The IASB tentatively decided:

> *not to prohibit an entity from disaggregating income and expenses in the notes to the financial statements into components not recognised or measured in accordance with IFRS Accounting Standards.*

27. We understand that this information could be useful in some circumstances[16].

28. The IASB tentatively decided to clarify the requirements in paragraphs 26–28 of the ED (i.e. aggregation of material and immaterial information and use of non-descriptive labels such as 'other') by clarifying the different types of aggregation that could be labelled as 'other' and by adding the following specific requirements:

> *(a) to use the label 'other' only if it is unable to find a more informative label. If an entity is unable to find a more informative label:*
>
> *(i)* for an aggregation of varied material items—*the IASB would require it to use a label that is as precise as possible about the type of item the 'other' amount is, for example, 'other operating expenses' or 'other finance expenses'.*
>
> *(ii)* for an aggregation of varied immaterial items—*the IASB would require an entity to consider whether the aggregated amount is large enough that users of financial statements might question what it includes. If so, further information about that amount is material and accordingly would be provided by the entity.*
>
> *(b) to include as examples of material information about the amount described in (a)(ii):*
>
> *(i) an explanation that no material items are included in the amount; and*

15 Refer to paragraph 17 in IASB Agenda Paper 21D (January 2023).
16 Some examples included in paragraph 21 of IASB Agenda Paper 21D (January 2023) are the disaggregation of the change in fair value of cash-settled employee share options into a service cost and a remeasurement of amounts relating to past service.

(ii) *an explanation that the amount consists of several unrelated immaterial items with an indication of the nature and amount of the largest item.*

Consistency with UKEB's proposals

29. In its FCL the UKEB expressed support with the principle in paragraph 25(c) of the ED that "aggregation and disaggregation in the financial statements shall not obscure relevant information or reduce the understandability of the information presented or disclosed" as it would lead to more useful information.[17] However, the UKEB expressed concerns that the proposals in paragraphs 27 and 28 of the ED (i.e. aggregation of immaterial items and use of non-descriptive labels such as 'other') could lead to the presentation and disclosure of immaterial items which could obscure the presentation of relevant information[18].

30. We are of the view that the IASB's tentative decisions to further clarify the aggregation and disaggregation guidance and the use of the label 'other' are responding to UKEB's concerns and could potentially lead to more aggregation of items that share similar characteristics and to more disaggregation of material items.

Other comprehensive income

ED proposals

31. Paragraph 74 of the ED proposed requiring entities to classify income and expenses included in OCI[19] into:

(a) *remeasurements permanently reported outside profit or loss; and*

(b) *income and expenses to be included in profit or loss in the future when specific conditions are met.*

Feedback received on the ED

32. Respondents expressed disagreement with the proposal to relabel the two categories of OCI. For example, they thought that the proposed labels:

a) Were inconsistent, e.g. the proposed labelling could suggest that all income and expenses that are not remeasurements are always reclassified to profit or loss.

b) Were unclear, e.g. the ED did not define the term 'remeasurement'.

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17 See paragraph A38 of the FCL.
18 See paragraph A39 of the FCL.
19 The proposals in the ED relabelled the existing OCI categories in paragraph 82A of IAS 1 which are: "items that will not be reclassified subsequently to profit or loss" and "items that will be reclassified subsequently to profit or loss when specific conditions are met".

IASB redeliberations and tentative decisions at the January 2023 IASB meeting

33. The IASB tentatively decided to withdraw its proposal to relabel the two categories of OCI as this may not improve the communication of OCI. Some IASB members asked the staff to emphasise that this decision does not change the existing requirements on OCI.

Consistency with UKEB's proposals

34. In its FCL, the UKEB:

    a) Disagreed with the proposed labelling in the ED as it considered that it was unlikely to improve understandability of the items included in OCI. We think that the IASB's tentative decision to withdraw its proposals on OCI addresses the UKEB's concern.

    b) Further recommended that the proposals on OCI be reviewed more fully as part of a separate project.[20]

35. We note that the IASB staff paper mentions that the IASB has received similar requests from other standard-setters to reconsider the topic of OCI more comprehensively. However, after considering the feedback received the IASB decided not to add such a project to its work plan.[21]

Statement of cash flows–interest received and classification for entities with specified main business activities

ED proposals

36. Paragraphs 33A and 34A of the proposed amendments to IAS 7 proposed to require that **entities without specified main business activities**, classify:

    a) interest received and dividends received as cash flows from investing activities; and

    b) interest paid and dividends paid as cash flows from financing activities.

37. Paragraph 34B of the proposed amendments to IAS 7 proposed that for **entities with specified main business activities**, interest paid, interest received, and dividends received (other than those from associates and joint ventures accounted for using the equity method) should be classified in a single category of the statement of cash flows (i.e. either as operating, investing or financing activities).

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20 See paragraph A83 of the FCL.

21 The IASB has already considered this topic as part of the development of its *Conceptual Framework*. Refer to paragraphs 5 and 11–12 of IASB Agenda Paper 21E (January 2023).

38. When determining which single category should be used, an entity is required to refer to the classification of the corresponding income or expenses in the statement of profit or loss (by following the guidance in paragraphs 34C–34D of the proposed amendments to IAS 7). According to this guidance, if an entity classifies related income or expenses:

a) in a single category of the statement of profit or loss, the entity is required to classify the cash flows in the corresponding category in the statement of cash flows; or

b) in more than one category of the statement of profit or loss, the entity is required to make **an accounting policy choice** to classify the cash flows in one of the corresponding categories of the statement of cash flows.

Feedback received on the ED

39. There was general agreement with the ED proposals. Most users supported the removal of options for the classification of interest and dividend cash flows. A few preparers, however, expressed concern for the costs that they would incur to implement the proposals.

40. Concerns were also raised on the lack of full alignment of the classification of interest and dividends between the statement of profit or loss and the statement of cash flows.

IASB redeliberations and amendments to the ED proposal

41. The IASB tentatively decided (refer to IASB Update March 2021):

To proceed with the proposals in the ED relating to the classification of interest paid and dividend cash flows for entities other than those with specified main business activities. Accordingly:

(i) *interest paid and dividends paid are classified as cash flows arising from financing activities* [proposed amendments to IAS 7 paragraphs 33A and 34A(a)]*; and*

(ii) *dividends received are classified as cash flows arising from investing activities.* [proposed amendments to IAS 7 paragraph 34A(b)]

42. At that meeting, the IASB did not discuss the classification of interest received for entities without specified main business activities or the classification of interest paid and received, and dividends received for entities with specified main business activities (as related decisions on the statement of profit or loss had not been made at the time).

Further IASB redeliberations and tentative decisions at the January 2023 IASB meeting

43. The IASB discussed the classification of **interest received for entities without a specified main business activity** and tentatively decided:

> *To confirm the proposal in the Exposure Draft to require an entity without a specified main business activity to classify in the statement of cash flows interest received as 'cash flows arising from investing activities'* [proposed amendments to IAS 7 paragraph 34A(b)]

44. The IASB also discussed the classification of **interest received, interest paid** and **dividends received** for entities that:

    a) **invest as a main business activity**; and

    b) **provide financing to customers as a main business activity**.

45. In this respect the IASB tentatively decided:

> *To confirm the proposals in the Exposure Draft* [proposed amendments to IAS 7 paragraphs 34B(a)–(c)] *to require an entity with a specified main business activity to classify some cash flows within a single category of the statement of cash flows (that is, as cash flows from either operating, investing or financing activities). These cash flows are:*
>
> *(a) dividends received (other than dividends received from associates and joint ventures accounted for using the equity method);*
>
> *(b) interest paid; and*
>
> *(c) interest received.*

46. We understand that after the IASB's redeliberations some misalignment is still likely between the statement of profit or loss and the statement of cash flows. An example of this misalignment is as follows:

> *An entity that provides financing to customers as a main business activity would generally classify interest expense in more than one category in the statement of profit or loss; either because:*
>
> *(a) it makes an accounting policy choice to classify only the portion of interest expense related to providing financing to customers in the operating category, leaving the rest in the financing category; and/or*
>
> *(b) has other liabilities, interest expense on which is always classified in the financing category (for example, interest expense from lease liabilities).*

> *Applying the proposals in the Exposure Draft, an entity would make an accounting policy choice to classify interest paid in a single category in the statement of cash flows—thus making some misalignment likely.*[22]

47. We also note that the IASB decided to confirm the proposals in the ED to remove the choices currently permitted by IAS 7 to promote comparability and because classification in a single category (that is, as cash flows from either operating, investing or financing activities) is more useful for users than full alignment with the statement of profit or loss.[23]

Consistency with UKEB's proposals

48. In its FCL, the UKEB supported the proposed changes to the statement of cash flows to reduce optionality. The UKEB further noted the misalignment in the categorisation of income and expenses and cash flows and suggested the IASB to undertake a more comprehensive review of the statement of cash flows.

49. We understand that this suggestion has been taken on board and the IASB has added a project on the statement of cash flows as part of its "Research Pipeline" that will consider whether the project should aim comprehensively to review IAS 7 or make more targeted improvements.[24]

Question for the Board
1. Do Board members have any questions or comments on the Primary Financial Statements project update and/or the IASB's agenda papers for the January 2023 meeting?

Additional feedback received by the IASB

50. At its January 2023 meeting the IASB discussed other feedback received on its targeted outreach topics and determined the plan for responding to that feedback. The IASB tentatively decided:

    a) To add four topics to the IASB's redeliberations plan (refer to paragraphs 51–52).

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22 We took this example from paragraphs 33–34 of IASB Agenda Paper 21F (January 2023). In addition, paragraphs 38–39 of IASB Agenda Paper 21F (January 2023) provide other examples of situations where this misalignment might (or might not) occur depending on whether a) entities invest (or not) in financial assets as a main business activity; b) invest only in non-financial assets as a main business activity; c) provide financing to customers as a main business activity and/or whether in the latter scenario the entity also invests in financial assets as a main business activity

23 Refer to paragraphs 24 and 26 in IASB Agenda Paper 21F (January 2023).

24 Refer to paragraphs 42–47 of IASB Agenda Paper 24A (April 2022) which analyses feedback received on the Third IASB Agenda consultation related to the statement of cash flows.

b) Not to add some other topics to the IASB's redeliberations plan (refer to paragraphs 53–61).

Topics added to the redeliberations plan

51. The four topics that the IASB tentatively decided to add to its redeliberations plan are[25]:

a) Classification of income and expense from associates and joint ventures accounted for using the equity method.

b) Classifying income and expense from off-balance-sheet items.

c) Including interest expense on lease liabilities in operating profit if subleasing is a main business activity.

d) Rebuttable presumption in the definition of MPMs.

52. The table below:

a) Summarises some concerns identified during the IASB's targeted outreach and comments from UKEB advisory groups.

b) Provides information on future topics that may be addressed by the IASB.

Concerns	Advisory groups	Future topics
Classification of income and expense from associates and joint ventures accounted for using the equity method in the 'investing' category		
• Mixed views from participants on the classification of these income and expenses. • Some users supported classification outside the operating category. • Some preparers supported classification in the operating category when investments relate to an entity's main business activities.	• Generally supportive of the approach to present these income and expenses in the investing category. • A PAG member supported classification in the operating category when the investment in the associate or joint venture is a	• Reconfirm the IASB tentative decision to classify income and expense from associates and joint ventures accounted for using the equity method in the 'investing' category. • Address the classification of related cash flows.

[25] Our summary is based on paragraphs 69–73 in IASB Agenda Paper 21A (January 2023). The IASB's tentative decision to add these topics into its agenda is in IASB Update (January 2023).

Concerns	Advisory groups	Future topics
	main business activity.[26]	• Address the interaction with IAS 28 *Investments in Associates and Joint Ventures*. [27]
Classification of income and expense from off-balance-sheet items		
Participants were unclear as to how the revised approach to classifying income and expenses in the financing category will be applied to classifying expenses related to off-balance sheet items such as fees for undrawn credit lines or guarantees. Their view was that a fee for an undrawn credit line should be included in the same category as drawn credit lines.	This topic was not raised by UKEB Advisory groups.	Address the classification of income and expense from off-balance-sheet items.
Including interest expense on lease liabilities in operating profit if subleasing is a main business activity		
A few participants questioned whether interest on lease liabilities should be included in the operating category if subleasing assets is the main business activity of the entity. One user raised concern about the different categorisation of interest on lease receivables being classified in the operating category while interest on lease liabilities will be included in the financing category.	This topic was not raised by UKEB Advisory groups.	Address the classification of interest expense on lease liabilities if subleasing is a main business activity.

26 Refer to UKEB Agenda Paper 8 IASB General Update (17 November 2022) paragraph 45.
27 We understand that this is related to the election to account for associates and joint ventures at fair value through profit or loss in paragraph 18 of IAS 28.

Concerns	Advisory groups	Future topics
Rebuttable presumption in the definition of MPMs[28]		
Participants agreed with the IASB's tentative decision to include a rebuttable presumption in the definition of MPMs. However, some participants requested application guidance to understand when this presumption can be rebutted.	UKEB Advisory group members were generally supportive of this tentative decision.[29]	Explore the development of application guidance for the proposed rebuttable presumption in the definition of MPMs.

Topics not added to the redeliberations plan

53. The IASB did not propose adding to the redeliberations plan those topics:

a) That have already been included in the IASB's redeliberations plan. The IASB staff will consider the related feedback in the relevant papers and discuss it at future meetings (see paragraph 54).

b) That relate to how some of the IASB's tentative decisions will be drafted in the final standard. The IASB staff will consider those topics in drafting[30] (see paragraphs 55–59).

c) Where no further action is required[31] (see paragraphs 60–61).

Topics already included in the redeliberations plan

54. The table below:

a) Summarises some concerns identified during the IASB's targeted outreach and comments from UKEB advisory groups.

b) Provides information on future topics that may be addressed by the IASB.[32]

28 This is, that a subtotal of income and expenses in the entity's public communications tends to represent management's view of the entity financial performance.
29 Refer to UKEB Agenda Paper 8 IASB General Update (17 November 2022) paragraph 66.
30 Refer to paragraphs 84–89 in IASB Agenda Paper 21A (January 2023).
31 Refer to paragraph 15 in IASB Agenda Paper 21A (January 2023).
32 Our summary in this section is based on paragraphs 74–83 in IASB Agenda Paper 21A (January 2023).

Concerns	Advisory groups	Future topics
Whether to remove the accounting policy choice for classifying income and expenses from cash and cash equivalents		
Some participants were concerned with removing the accounting policy choice for classifying income and expenses from cash and cash equivalents for entities that provide financing to customers as a main business activity[33]. They observed that these entities should be able to include these income and expenses in the operating category even if they do not invest in financial assets as a main business activity.	AFIAG members expressed a similar concern[34].	• Discuss the potential withdrawal of the accounting policy choice for cash and cash equivalents considering the feedback received. • Address classification of gain or loss on net monetary position required to be presented applying IAS 29 *Financial Reporting in Hyperinflationary Economies* as the ED did not provide guidance in this respect.
Disaggregation of operating expenses by nature		
Participants supported the IASB's tentative decision to require an entity to disclose the amounts of depreciation, amortisation and employee benefits included in each line item in the statement of profit or loss. However, they suggested that	Some IAG members noted that limiting the disclosure requirement to (only) some items would not capture other more	• Explore adding further application guidance and suggestions for additional line items. • Explore developing an approach to operating expenses by nature

33 Entities that provide financing to customers that do not also invest in financial assets as a main business activity have an accounting policy choice to classify either all income and expenses from cash and cash equivalents in the operating category or the portion related to the provision of financing to customers (see paragraph 51 of the ED). As we explained in paragraphs 56–56 of UKEB Agenda Paper 8 IASB General Update (17 November 2022), the IASB's rationale for removing this choice is that many entities that provide financing to customers *also* invest as a main business activity (e.g. banks). Those entities would therefore be required to include income and expenses from cash and cash equivalents in the operating category, because investing in cash and cash equivalents is a main business activity. It would not, therefore, be appropriate to retain an accounting policy choice.

34 Refer to paragraph 56 in UKEB Agenda Paper 8 IASB General Update (17 November 2022).

Concerns	Advisory groups	Future topics
disclosing costs incurred, rather than expenses recognised in the period, would meet the disclosure requirement because otherwise the disclosure would become very costly particularly in relation to cost of sales. Some suggested extending the disclosure requirement to other items (e.g. impairments and write-downs of inventory or energy costs). Users observed that the revised proposal will result in significantly less information than what was initially proposed in the ED.	significant expenses for other entities.[35]	that would require an entity to disclose, for all operating expenses disclosed in the notes, the amounts included in each line item in the statement of profit or loss (taking into consideration the feedback received that this information might be costly).
Simplified approach for MPMs		
• Most participants supported the introduction of a simplified approach to calculating the tax effects of items reconciling an MPM and the closest IFRS subtotal. • Other participants raised concerns about costs and usefulness of the simplified tax approach.	Some IAG and AFIAG members noted that it would be important to clarify whether the simplified approach was an accounting policy choice or whether it could be used selectively.[36]	Address questions from stakeholders on the application of the simplified approach.

35 Refer to paragraph 60 in UKEB Agenda Paper 8 IASB General Update (17 November 2022).
36 Refer to UKEB Agenda Paper 8 IASB General Update (17 November 2022) paragraph 69.

Topics to be addressed in drafting

55. Targeted outreach feedback showed that some participants are still concerned about the proposals and/or think that some remain unclear and have asked for further guidance[37].

56. We understand that questions or concerns on the related IASB's proposals will be addressed by the IASB staff when drafting the final Standard (i.e. by adding examples and/or application guidance and by developing educational materials) with any issues arising during drafting being brought to the IASB as sweep issues. All IASB members agreed with this approach[38].

57. For example, on the application of the revised approach to the financing category, feedback suggested that there are still some concerns on the classification of:

    a) Interest expenses on lease liabilities for entities that provide financing as a main business activity in the financing category. Participants suggested they should be classified in the operating category instead.

    b) Income and expenses arising from foreign exchange differences in the operating category (when the cost relief is applied[39]). Participants suggested they should be classified in the financing category instead, as this would be consistent with these income and expenses being managed centrally in a treasury function.

58. Some related concerns from members of UKEB Advisory groups were[40]:

    a) IAG members noted that users are interested in net finance expenses and questioned the need for presentation in separate categories. Also, some PAG members noted that this decision may prohibit presentation of net interest expense in the statement of profit or loss.

    b) AFIAG noted that some types of transactions which are financing in nature, such as supplier finance arrangements or commodity transactions, may not be captured in the financing category.

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37 Refer to paragraphs 84–89 in IASB Agenda Paper 21A (January 2023). This paper recommends that the following issues could be addressed in drafting: the revised approach to the financing category, the scope of 'public communications' in the definition of MPMs and the 'mixed' presentation of operating expenses.

38 There was some debate about whether the IASB staff could consider the definition of 'public communications' based on the intention of management. However, some IASB members rejected this proposal as this 'intention' would be difficult to establish.

39 At its July 2021 meeting the IASB tentatively decided to require an entity to classify foreign exchange differences included in the statement of profit or loss applying paragraphs 28 and 30 of IAS 21 *The Effects of Changes in Foreign Exchange Rates* in the same category of the statement of profit or loss as the income and expenses from the items that gave rise to the foreign exchange differences, except when doing so would involve undue cost or effort. In cases that involve undue cost or effort, an entity classifies the foreign exchange differences on the item in the operating category.

40 Refer to UKEB Agenda Paper 8 IASB General Update (17 November 2022) paragraphs 49 and 51.

59. In this respect the IASB staff mentioned[41] (emphasis added):

> *The staff think that* ***most of the questions*** *raised by participants regarding the application of the revised approach to the* ***financing category can be resolved in the drafting*** *of the final Accounting Standard […]* ***Many of the questions raised were directly considered in the staff analysis supporting the IASB's tentative decisions*** *and could be incorporated into the draft Accounting Standard without the need for changes to the decisions tentatively taken by the IASB. The staff do not plan to bring a further paper to the IASB on the approach to the financing category.* ***Any issues that arise in drafting will be brought to the IASB when it considers sweep issues****.*

Topics where no further action is required

60. The IASB staff provided a list of topics[42] identified through targeted outreach where it considered that no further action was required because they:

    a) are unrelated to the topics discussed during targeted outreach as they repeat feedback already considered by the IASB; or

    b) represent counter arguments to the IASB's tentative decisions that do not significantly outweigh the reasons for which the IASB reached the related conclusions[43].

61. All IASB members agreed with this approach. One IASB member questioned the exclusion of some items. These were: the classification of stand-alone derivatives in the operating category, the assessment of main business activities and the interaction of required subtotals with IFRS 8 *Operating Segments*. The IASB staff responded that no new evidence or information had been brought to their attention that would justify the inclusion of these topics in the IASB's redeliberations plan.

Question for the Board
2. Do Board members have any questions or comments on the IASB's plan for responding to the feedback received?

Next steps

62. The IASB will continue its redeliberations on the feedback received at future meetings. The UKEB Secretariat will continue to monitor the IASB discussions.

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[41] We are reproducing an extract of paragraph 85 in IASB Agenda Paper 21A (January 2023).
[42] These topics are summarised in Appendix C of IASB Agenda Paper 21A (January 2023).
[43] These reasons are mentioned in paragraph 15 of IASB Agenda Paper 21A (January 2023).

UK Endorsement Board

Supplier Finance Arrangements

UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Amendment to Accounting Standards (expected Q2 2023)	UKEB project page UKEB Final Comment Letter **(Published March 2022)**

Background

63. The IASB plans issuing final amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* in Q2 2023.

64. In November 2022, the IASB decided how to proceed on the project *Supplier Finance Arrangements: Proposed amendments to IAS 7 and IFRS 7*. A high-level summary of the tentative decisions made by the IASB was presented at the December 2022 UKEB meeting (see agenda paper here).

65. At its January 2023 meeting, the IASB discussed transition and effective date. The IASB staff recommended an effective date of annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. However, during the meeting some IASB members suggested bringing the effective date forward to 1 January 2024. No decisions were made at the meeting. The IASB will make a decision after it has considered further analysis of feedback on this topic. The IASB expects to discuss this topic at its February meeting.

Next steps

66. The UKEB Secretariat will continue to monitor the IASB discussions, while assessing the potential implications of an earlier effective date for UK stakeholders and for the UKEB's endorsement and adoption assessment of the final amendments.

Question for the Board
3. Do Board members have any questions or comments on the Supplier Finance Arrangements update?

Topics for Noting

Subsidiaries without Public Accountability: Disclosures

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

Background

67. At its January 2023 meeting, the IASB discussed the Exposure Draft's proposals[44] on the following topics:

    a) Transition matters—interaction between IFRS 1 and the proposed standard;

    b) Transition matters—changes in accounting policies; and

    c) Maintenance of the proposed standard.

Transition matters—interaction between IFRS 1 and the proposed standard

68. The Exposure Draft (ED) proposed reduced disclosure requirements for IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The ED explained that:

    a) an entity that applies the proposed standard when preparing its first IFRS financial statements shall apply the disclosure requirements of the proposed standard, not those of IFRS 1;

    b) electing or revoking an election to apply the proposed standard does not, on its own, result in an entity meeting the definition of a first-time adopter of IFRS Accounting Standards as defined in IFRS 1; and

    c) an entity revoking the election to apply the proposed standard does not apply IFRS 1 in the current period if in its previous period it provided an explicit and unreserved statement of compliance with IFRS Accounting Standards.

[44] The IASB's Exposure Draft can be found here.

69. The UKEB Final Comment Letter (FCL) supported the ED proposal for reduced disclosure requirements for IFRS 1 and found the guidance on electing or revoking an election to apply the proposed standard helpful and clear.

70. The IASB staff paper highlighted that including reduced disclosure requirements for IFRS 1 in the proposed standard is consistent with the IASB's approach to developing the proposed disclosure requirements. This approach ensures the disclosures are sufficient to meet the information needs of users of eligible subsidiaries' financial statements.

71. All IASB members supported the IASB staff recommendation to proceed with the proposal to:

a) include reduced disclosure requirements for IFRS 1 in the proposed standard; and

b) explain the interaction between IFRS 1 and the proposed standard, as set out in the ED.

Transition matters—changes in accounting policies

72. In their feedback on the ED, some respondents asked the IASB whether electing or revoking an election to apply the proposed standard requires an eligible subsidiary to apply IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors,* i.e. constitutes a change in accounting policy.

73. Paragraphs BC82—BC83 of the Basis for Conclusions on the ED state:

> "In its deliberations, the [IASB] considered the requirements in IAS 8 on changes in accounting policies. The [IASB] noted that a subsidiary need not apply those requirements when it elects to apply the [proposed standard] or revokes that election.
>
> Further, the [IASB] considered the interaction of electing or revoking the election to apply the [proposed standard] with the requirements to present a statement of financial position in circumstances described in paragraphs BC78 and BC80 as at the beginning of the preceding period (see paragraph 40A of IAS 1). The [IASB] noted that a 'third statement of financial position' is unnecessary because it would not change the recognition or measurement of items or amounts presented in the primary financial statements."

74. All IASB members supported the IASB staff recommendation to clarify in the proposed standard that an eligible subsidiary that elects, revokes an election or is no longer eligible to apply the proposed standard:

a) does not apply the requirements in IAS 8 on changes in accounting policies; and

b) is not required to present a third statement of financial position as at the beginning of the earliest period presented.

75. One IASB member highlighted the requirements in IAS 8 on impracticability in determining the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods[45]. If an eligible subsidiary needs to revoke its election to apply the proposed standard and that subsidiary is unable to provide the comparative information, in the view of that IASB member the requirements in IAS 8 on impracticability should remain applicable i.e. explaining the circumstances that led to the existence of that condition. IASB staff agreed that the proposed standard would need to stipulate that those paragraphs in IAS 8 relating to limitation on retrospective application remain applicable.

76. All IASB members agreed that if an eligible subsidiary that revokes the election to apply the proposed standard (or ceases to be eligible to apply the proposed standard) and continues to apply IFRS Accounting Standards, this would not constitute a change in accounting policy. On the other hand, if an eligible subsidiary ceases to be a subsidiary and becomes a stand-alone entity, it may apply the *IFRS for SME*s Accounting Standard or a local GAAP and would not apply IAS 8.

Maintenance of the proposed standard

77. In developing the ED, the IASB considered when to update the proposed standard for any new disclosure requirements or amendments to disclosure requirements arising from new IFRS Accounting Standards or amendments to IFRS Accounting Standards.

78. The IASB said it would consider proposing amendments to the proposed standard when it publishes an ED of a new or amended IFRS Accounting Standard[46] as this facilitates consideration of the amendments to the proposed standard at the same time as the related amendments to IFRS Accounting Standards are being discussed.

79. The UKEB's FCL supported the IASB's approach because it is an efficient approach that would ensure the reduced disclosure requirements for eligible subsidiaries keep pace with standards development for the parent entity's consolidated financial statements.

45 In such circumstances, IAS 8 requires an entity to adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable including disclosure of the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

46 Refer to the Introduction to the ED.

80. Most IASB members supported the staff recommendation that the IASB confirms its proposal to consider amendments to the proposed standard when it publishes an ED of a new or amended IFRS Accounting Standard.

81. IASB members raised a number of other salient points on this topic as summarised below:

a) the need for flexibility for urgent amendments i.e. the possibility of amending an IFRS Accounting Standard before amending the proposed standard or vice versa;

b) the need to acknowledge that the proposed standard and the *IFRS for SMEs* Accounting Standard are two separate accounting frameworks and to avoid any linkage between the two sets of standards. Further one IASB member thinks the IASB should acknowledge in its communication to stakeholders that the users of the two sets of standards are different in order to avoid confusion; and

c) whether the SME Implementation Group (SMEIG)[47] should be consulted after the proposed standard is issued—whilst some IASB members supported ongoing consultation with the SMEIG, some IASB members were of the view that the SMEIG might not have the relevant experience to provide feedback given their focus on SMEs. Some IASB members think national standard-setters are better placed to provide feedback on the proposed standard.

82. The UKEB Secretariat's initial view is that the tentative decision on the maintenance of the proposed standard is the right approach, consistent with the position in our FCL. However, we think the IASB should stipulate the principles it will consider in maintaining the proposed standard in the future to ensure it continues to achieve its objectives of satisfying users' needs and cost-benefit considerations including reductions of costs for preparers. As pointed out in our FCL the *IFRS for SMEs* Accounting Standard and this reduced disclosure framework have different user bases, a view shared by some IASB Board members. We think a clearer articulation of users' information needs for the reduced disclosure framework would be helpful. Further, we welcome improved communication by the IASB to acknowledge the users of the proposed standard are not the same as the *IFRS for SMEs* Accounting Standard.

Next steps

83. The IASB staff plan to present agenda papers to future IASB meetings on transition-related matters including:

[47] A group established to support the international adoption of the *IFRS for SMEs* Accounting Standard and monitor its implementation.

a) the status of application of amendments to disclosure requirements in IFRS Accounting Standards issued after 28 February 2021; and

b) the disclosure requirements on transition in other IFRS Accounting Standards.

84. Other key areas of the ED to be considered by the IASB include further details of the proposed disclosure requirements in the proposed standard and the effects analysis.

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

UK Endorsement Board

Equity Method

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction	

Background

86. At its January 2023 meeting, the IASB continued discussing four alternatives to answer the application question:

'how should an investor recognise gains and losses that arise from the sale of a subsidiary to its associate, applying the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*?'

87. The following table summarises the four alternatives:

Alternative	Overview of the alternative
Alternative 1	Recognise the **full gain** on all contributions and sales of assets or businesses, regardless of whether they are housed in a subsidiary or not. No elimination entry.
Alternative 2	Recognise a **partial gain** on all contributions and sales of assets or businesses, regardless of whether they are housed or not in a subsidiary
Alternative 3	Recognise the **full gain** on transactions out of the scope of IFRS 15. Recognise a **partial gain** on transactions in the scope of IFRS 15 (even if it is housed in a subsidiary).
Alternative 4	Recognise the **full gain** when a transaction involves a business. Recognise a **partial gain** when a transaction involves an asset.

88. IASB staff paper discusses further considerations on applying the four alternatives, in particular whether:

a) ‘upstream’ and ‘downstream’ transactions should be affected in the same way when applying any of the alternatives; and

b) the disclosure requirements in IAS 24 *Related Party Disclosures* provide users with sufficient useful information about the gain or loss arising from transactions in the application question, particularly if Alternative 1 is pursued.

89. The IASB staff presented a summary of the informal feedback from accounting firms; feedback from the Accounting Standards Advisory Forum (ASAF) and the Global Preparers Forum (GPF) on the application question.

90. Overall, the feedback received from the outreach discussions did not provide evidence of other viable alternatives (beyond the four alternatives identified) to answer the application question. The key message from the feedback indicate support for either Alternative 1 or 2 and to proceed with an alternative that is simple i.e. do not introduce complexities.

91. The IASB staff also presented preliminary analysis on some of the feedback, including:

a) Alternative 1—is not requiring elimination entries a move away from the equity method viewed as a one-line consolidation method?

b) Alternative 2—are there new structuring opportunities associated with this alternative?

c) Alternative 3—is it justifiable to introduce different requirements for sales to customers and to those that are not customers?

d) Alternative 4—is it justifiable to introduce a distinction between the sale of an asset and of a business?

92. The IASB did not make any decisions on the application question but asked the staff to:

a) narrow down the alternatives—focussing on Alternatives 1 and 2 on the ground of simplicity. One IASB member said it would be helpful to understand the prevalence of Alternatives 1 and 2 in practice and whether elimination entries are helping or hindering investors’ valuation of associates;

b) reach out to those jurisdictions who are ‘heavy users’ of IAS 28 to better understand users’ information needs;

c) keep the accounting for such transactions simple—one Board member highlighted the difficulty of getting information from associates particularly for multinational companies with overseas associates;

d) include examples in a future decision-making paper to outline the information produced under Alternatives 1 and 2 and consult investors to understand what information would provide them useful information;

e) consider whether additional disclosures in IAS 24 *Related Party Disclosures* about the gain or loss arising from transactions in the application question are needed given the comprehensive disclosure requirements in IFRS 12 and the feedback from the post-implementation review that the standard is working well in practice.

93. IASB members overall were not concerned about new structuring opportunities associated with Alternative 2 and believe that anti-abuse should not drive IFRS Accounting Standards development. One IASB member said structuring is challenging and costly to undertake and one IASB member noted the limitations of the project to address new structuring opportunities i.e. the aim is for narrow-scope amendments to IAS 28 rather than a fundamental review of the principles of equity accounting.

94. One IASB member was concerned that the approach being taken to the application question (i.e. codifying accepted practice) is inconsistent with the objective of the project which is to apply existing principles in IAS 28 to the application question. In particular, there is no principle in IAS 28 to enable a choice between Alternative 1 and Alternative 2.

Next steps

95. At future meetings, the IASB staff plans to ask the IASB to decide which alternative it prefers to address the application question.

96. The table below provides the application questions within the scope of the project that are to be discussed (or are in discussion):

Recognition of losses
a) Whether an investor that has reduced its interest in an investee to nil continues eliminating its share of gains arising from a downstream transaction?
Transactions between investor and associate
b) How should an investor recognise gains and losses that arise from the sale of a subsidiary to its associate, applying the requirements in IFRS 10 and IAS 28? In a transaction where an investor sells a subsidiary to its associate:

i. paragraph 25 and B97–B99 of IFRS 10 requires the investor to recognise in full the gain or loss on the loss of control of a subsidiary, remeasuring any retained interest, if any, at fair value; whereas ii. paragraphs 28 and 30 of IAS 28 require an investor to restrict the gain or loss recognised to the extent of the unrelated investors' interests in its associate
c) Whether to recognise the portion of the investor's share of gain that exceeds the carrying amount of its investment in the investee in a downstream transaction?
d) Whether the investor's share of gain or loss is eliminated from the carrying amount of the investment in the investee or the acquired asset in an upstream transaction?
e) Whether the provision of service and transactions that are not transfers of assets are upstream or downstream transactions?
Transactions between two associates
f) Whether the requirement for adjustment of gains and losses in intra-group transactions between subsidiaries should be applied by analogy to transactions between investees that are accounted for applying the equity method?
Impairment
g) Whether the decline in fair value is assessed in relation to the original purchase price or the carrying amount at the reporting date?
Initial recognition
h) Whether the investor recognises deferred tax assets and liabilities on the differences between the fair value and the tax base of its share of the investee's net assets?

Contingent consideration
i) How to initially and subsequently account for contingent consideration in the acquisition of an investee applying IAS 28?

97. After discussing the application questions within the scope of the project, the IASB will decide:

    a) whether to add application questions to the scope of the project; and

    b) whether to publish an exposure draft or a discussion paper as the outcome to this project.

98. A condensed summary of the IASB's tentative decisions on application questions as at February 2023 can be accessed here.

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

UKEB
UK Endorsement Board

Business Combinations: Disclosures, Goodwill and Impairment

UKEB Project Status: Monitoring **IASB Next Milestone:** Vote on proposed disclosure package, simplification of impairment test and feasibility of improving the effectiveness of the impairment test of CGUs with goodwill.	UKEB project page UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model **(September 2022)**

Background

100. At its January 2023 meeting, the IASB considered staff proposals for changes to disclosure requirements about business combinations. The IASB considered the following staff recommendations:

a) an exemption from disclosure requirements; and

b) disclosures related to synergies expected from a business combination.

Exemptions from disclosure requirements

101. In September 2022 the IASB tentatively decided to propose exempting an entity in specific circumstances from certain disclosure requirements of IFRS 3 Business Combinations.

102. Subsequently, at its January 2023 meeting the IASB tentatively decided:

a) To propose exempting an entity in specific circumstances from disclosing some information that would be required by the IASB's proposal to improve IFRS 3's disclosure requirements. The proposed exemption would apply where disclosure of a particular item of information would be expected to seriously prejudice any of the entity's objectives for the business combination.

b) To propose application guidance to assist entities in applying this exemption. The application guidance would require an entity to:

i. Consider factors including the effect of disclosing the information and the availability of the information in determining whether the exemption is applicable.

ii. Consider whether it is possible to disclose information at a sufficiently aggregated level to resolve concerns while still meeting the objectives of the disclosure.

iii. 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.

iv. 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.

c) To require 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.

d) To permit an entity to apply the exemption to the qualitative statement.

Disclosures related to synergies expected from a business combination

103. At its January 2023 meeting, the IASB, following feedback on proposed staff examples, tentatively decided to require 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.

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.

Next steps

104. The IASB will be asked to tentatively decide on the following topics at future meetings:

a) the remaining detailed aspects of the package of disclosure requirements;

b) the IASB's preliminary views on simplifying the application of the impairment test in IAS 36 Impairment of Assets; and

c) the IASB's preliminary views on the feasibility of improving the effectiveness of the impairment test of cash-generating units containing goodwill in IAS 36.

UK Endorsement Board

Appendix A. List of IASB projects

A1 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: Active Monitoring **IASB Next Milestone:** Exposure Draft March 2023	UKEB project page
Business Combinations under Common Control	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction	UKEB project page UKEB Final Comment Letter (Published August 2021)

[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).

List of IASB projects	
Business Combinations—Disclosures, Goodwill and Impairment	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft	UKEB project page UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model (Published September 2022)
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Standard (not before 2024[2])	UKEB project page UKEB Final Comment Letter (Published February 2022)
Disclosure Initiative—Targeted Standards-level Review of Disclosures	
UKEB Project Status: Influencing Completed **IASB Next Milestone:** Project Summary March 2023	UKEB project page UKEB Final Comment Letter (Published December 2021)

2 ap8-work-plan-update-december-2022.pdf (ifrs.org)

List of IASB projects	
Dynamic Risk Management	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft	
Equity Method	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction April 2023	
Extractive Activities	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction Q3 2023	
Financial Instruments with Characteristics of Equity	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft H2 2023	

List of IASB projects	
International Tax Reform—Pillar Two Model Rules	
UKEB Project Status: Influencing **IASB Next Milestone:** Exposure Draft Feedback April 2023	UKEB project page
Lack of Exchangeability (Amendments to IAS 21)	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Accounting Standard Amendment Q3 2023	UKEB project page UKEB Final Comment Letter (Published September 2021)
Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information Q2 2023	
Post-implementation Review of IFRS 9—Impairment	
UKEB Project Status: Active Monitoring	

UKEB
UK Endorsement Board

List of IASB projects	
IASB Next Milestone: Request for Information Q2 2023	
Primary Financial Statements	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Standard (not before 2024[3])	UKEB project page UKEB Final Comment Letter (Published September 2020)
Provisions—Targeted Improvements	
UKEB Project Status: **IASB Next Milestone:** Decide Project Direction	
Rate-regulated Activities	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Standard (not before 2024[4])	UKEB project page UKEB Final Comment Letter (Published August 2021)

3 ap8-work-plan-update-december-2022.pdf (ifrs.org)
4 ap8-work-plan-update-december-2022.pdf (ifrs.org)

List of IASB projects	
Supplier Finance Arrangements	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Amendment Q2 2023	UKEB project page UKEB Final Comment Letter (Published March 2022)