24 May 2024
Agenda Paper 8

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	
The topics addressed in this paper were discussed by the IASB in April 2024. **Topic for discussion:** • Rate-regulated Activities **Topics for noting:** • Climate-related matters • Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers* • Intangible Assets • Provisions – Targeted Improvements • Post-implementation Review of IFRS 9 - Impairment • Updating the Subsidiaries without Public Accountability: Disclosures Standard • Interpretations Committee Update	
Questions for the Board	
Topic for discussion **Rate-regulated Activities** 1. Do Board members have questions or comments on the tentative decisions the IASB made on the topics included in the Rate-regulated Activities update?	

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Topics for noting	
2.	Do Board members have any questions or comments on the topics for noting?
Recommendation	
Not applicable.	
Appendices	
Appendix A	Rate-regulated Activities
Appendix B	Climate-related matters
Appendix C	Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*
Appendix D	Intangible Assets
Appendix E	Provisions – Targeted Improvements
Appendix F	Post-implementation Review of IFRS 9 - Impairment
Appendix G	Updating the Subsidiaries without Public Accountability: Disclosures Standard
Appendix H	Interpretations Committee Update
Appendix I	List of IASB projects

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Appendix A: Rate-regulated Activities

UKEB Project Status: Monitoring **IASB Next Milestone:** Continued redeliberations on remaining topics throughout 2024.	UKEB Project page UKEB Final comment letter (Published July 2021)

Background

A1. The IASB is continuing its redeliberations following feedback on its Exposure Draft *Regulatory Assets and Regulatory Liabilities*[1] (ED). At its April 2024 meeting, the IASB redeliberated the following topics:

a) Discounting of future cash flows—minimum interest rate.

b) Scope—interaction with IFRS 17.

c) Amendments to IFRS 3 and IFRS 5.

A2. The table below summarises the IASB's proposals contained in the ED, the recommendations made by the UKEB in its final comment letter (FCL)[2] and the IASB's tentative decisions made at its April 2024 meeting.

1 The IASB's Exposure Draft was published in January 2021 and can be found here.
2 The UKEB final comment letter can be found here.

<table>
<tr><th>ED proposal</th><th>UKEB final comment letter[3]</th><th>IASB tentative decision</th></tr>
<tr><td colspan="3">Discounting of future cash flows—minimum interest rate</td></tr>
<tr><td>The ED proposes that on initial recognition of a regulatory asset:
a) an entity assesses whether there is any indication that the regulatory interest rate for the regulatory asset may be insufficient to compensate the entity for the time value of money and for uncertainty in the amount and timing of the future cash flows arising from the regulatory asset.
b) If there are indications that the regulatory interest rate may be insufficient, the entity:
i. estimates the minimum interest rate sufficient to provide that compensation; and</td><td>The FCL generally agreed with the proposals that an entity discount the estimated future cash flows used in measuring regulatory assets and regulatory liabilities.
The FCL also stated that outreach with stakeholders did not identify any examples of situations where the regulatory interest rate for a regulatory asset is not sufficient to compensate the entity for the time value of money and uncertainty risks.
The FCL further advised the IASB to simplify the requirements by making it a rebuttable presumption that the regulatory interest rate is sufficient, unless the indicators set out in paragraph 52 of the ED are present. This would mean that entities are only required to make this assessment</td><td>The IASB tentatively decided:
a) to retain the proposals in paragraphs 50–52 of the Exposure Draft that would require an entity to assess whether there is any indication that the regulatory interest rate for a regulatory asset may be insufficient to compensate the entity for the time value of money and for uncertainty in the future cash flows arising from the regulatory asset, and to use the minimum interest rate as the discount rate if it is higher than the regulatory interest rate;
b) to clarify in the application guidance that an entity performing the assessment described in (a) would not be required to calculate the minimum interest rate for the regulatory asset or carry out an exhaustive search for indications that the regulatory interest rate for the regulatory asset might be insufficient as described in (a);</td></tr>
</table>

3 The UKEB final comment letter can be found here.

ED proposal	UKEB final comment letter[3]	IASB tentative decision
ii. uses, as the discount rate, the higher of the regulatory interest rate and that minimum interest rate. Paragraph 53 of the ED provides examples of situations in which there may be such indications. The ED also proposes that if the regulatory agreement changes the regulatory interest rate subsequently, the entity applies the requirements in paragraphs 50–52 (as set out above) at the date of subsequent change. The entity determines the minimum interest rate to reflect conditions existing at the date of the changes in the regulatory interest rate. To avoid unnecessary cost and complexity, the ED does not propose requiring an entity to assess whether the regulatory interest rate for a regulatory liability is sufficient. Instead, paragraph 53 of the ED proposes that an entity uses the regulatory interest rate as the	where there are indicators that the regulatory interest rate for a regulatory asset is insufficient. This would achieve the same outcome whilst reducing the burden on preparers. The FCL also agreed that an entity should translate a series of different regulatory interest rates in successive periods into a single discount rate for use throughout the life of the regulatory asset or regulatory liability.	c) to retain the proposal in paragraph 53 of the Exposure Draft that would require an entity to use the regulatory interest rate as the discount rate for a regulatory liability in all circumstances; d) to provide guidance on the estimation of the minimum interest rate, and to include in that guidance principles used in other IFRS Accounting Standards to help entities carry out that estimation; e) to exempt an entity from applying the proposals on the minimum interest rate to a regulatory asset that arises from variances between estimated and actual costs or volume, and to require an entity to apply the requirements once the regulator determines the final balance to be included in future regulated rates; and f) to require an entity that chooses to apply the exemption described in (e) to disclose that fact and the carrying amount of regulatory assets at the end of the reporting period to which the entity has applied that exemption.

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ED proposal	UKEB final comment letter[3]	IASB tentative decision
discount rate for a regulatory liability in all circumstances.		**<u>Secretariat view</u>** The Secretariat will further explore this topic at a future UKEB Rate-regulated Activities Technical Advisory Group (RRA TAG) meeting.
Scope–interaction with IFRS 17		
Paragraph 3 of the ED proposes that an entity applies the draft standard to all its regulatory assets and all its regulatory liabilities. The ED does not provide any scope exclusion. Paragraph 6 of the ED specifies that a regulatory asset or a regulatory liability can exist only if: a) an entity is party to a regulatory agreement; b) the regulatory agreement determines the regulated rate the entity charges for the goods or services it supplies to customers; and	The UKEB comment letter did not include views on the interaction of the ED with IFRS 17.	The IASB tentatively decided to exclude from the scope of the prospective RRA Standard regulatory assets and regulatory liabilities that might arise when premiums charged in insurance contracts that fall within the scope of IFRS 17 are regulated. **<u>Secretariat view</u>** The Secretariat will further explore this topic at a future UKEB Rate-regulated Activities Technical Advisory Group (RRA TAG) meeting.

ED proposal	UKEB final comment letter[3]	IASB tentative decision
c) part of the total allowed compensation for goods or services supplied in one period is charged to customers through the regulated rates for goods or services supplied in a different period.		

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<table>
<tr><th colspan="3">Amendments to IFRS 3 and IFRS 5</th></tr>
<tr>
<td><u>IFRS 3</u>

The ED proposes to create an exception to the recognition and measurement principles in IFRS 3 for regulatory assets acquired and regulatory liabilities assumed in a business combination. It proposes that an entity apply the recognition and measurement principles in the ED to such regulatory assets and regulatory liabilities, rather than recognising and measuring them at fair value.

<u>IFRS 5</u>

The ED proposes to exclude regulatory assets from the scope of IFRS 5 as it would be difficult to determine the fair value of regulatory assets and the measurement requirements proposed in the ED would provide useful information.</td>
<td>The UKEB comment letter did not include views on the interaction of the ED with IFRS 3 and IFRS 5.</td>
<td>The IASB tentatively decided to retain the proposals in the ED:

a. to create an exception to the recognition and measurement principles in IFRS 3 for regulatory assets acquired and regulatory liabilities assumed; and
b. to exclude regulatory assets from the scope of IFRS 5.

<u>Secretariat view</u>

The Secretariat will further explore this topic at a future UKEB Rate-regulated Activities Technical Advisory Group (RRA TAG) meeting.</td>
</tr>
</table>

IASB next steps

A3. The IASB will continue its redeliberations on the feedback received on the ED at future meetings. Future redeliberations will focus on the following topics:

a) Amendments to other IFRS Accounting Standards.

b) Effective date and transition.

Question for the Board
1. Do Board members have questions or comments on the tentative decisions the IASB made on the topics included in the Rate-regulated Activities update?

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Appendix B: Climate-related matters

Climate-related and Other Uncertainties in the Financial Statements

B1. The IASB discussed and agreed the project direction for the *Climate-related and Other Uncertainties in the Financial Statements* (CROUFS) project at its April 2024 meeting.

B2. The requirement to demonstrate connected and cohesive information for users and to use the exposure draft process to obtain their feedback on this topic was discussed by several IASB board members. An IASB member noted that as jurisdictions were still deciding on the adoption of ISSB standards, connectivity may need to be considered in wider terms than ISSB standards. The Chair observed that while the definitions of materiality were aligned between the ISSB and IASB standards, users may require clarity regarding when a material sustainability related financial disclosure would impact the financial statements.

B3. The IASB tentatively decided[1] that:

a) the CROUFS project would provide examples illustrating how an entity applies IFRS Accounting Standards to report the effects of climate-related and other uncertainties in the financial statements;

b) these illustrative examples would accompany IFRS Accounting Standards; and

c) it would publish an exposure draft to obtain feedback from stakeholders about the examples.

B4. In addition, the IASB agreed that due process requirements had been met and that it would begin the process for balloting for the exposure draft. Feedback on the exposure draft, which is planned to be published in the third quarter of 2024, is expected to help the IASB decide whether standard-setting is required.

B5. The IASB currently has several projects that may have implications for connectivity between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. Annex B of this paper sets out in table format the IASB projects that may be impacted by sustainability matters and any potential connectivity considerations.

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1 IASB Update April 2024 - Climate-related and Other Uncertainties in the Financial Statements (Agenda Paper 14)

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Pollutant Pricing Mechanisms

IASB outreach and ASAF July meeting

B6. The IASB is currently conducting outreach with stakeholders to understand the prevalence and nature of any accounting issues with Pollutant Pricing Mechanisms (PPMs). The UKEB Investor Advisory Group[2] participated in the IASB investor survey entitled 'Are Financial Statements Transparent on Company's Participation in the Carbon Markets[3]?'.

B7. The draft agenda for the Accounting Standards Advisory Forum (ASAF) July 2024 meeting notes that the IASB staff intend to share information gathered from the National Standard Setters survey regarding the nature and prevalence of PPMs in different jurisdictions.

B8. The IASB Emerging Economies Group meeting papers[4] noted some preliminary survey results which indicated that for compliance PPM schemes "about half of respondents indicated that they are aware of diversity in practice or other deficiencies in the accounting". In relation to voluntary PPM schemes, the papers noted "more than half of respondents indicated that these schemes give rise to accounting issues that are difficult to resolve".

B9. The July ASAF draft agenda also includes two further PPM related agenda items. The Canadian national standard setter (AcSB) will present on carbon credits and Financial Accounting Standards Board (FASB) will present findings of its project Accounting for Environmental Credit Programs. The Secretariat plans to bring further information on these items to the UKEB's June meeting, by when the ASAF papers may be available.

B10. Both FASB and AcSB presented on these topics at the April 2024 meeting of the International Forum of Accounting Standard Setters (IFASS). A summary of the key points from those presentations is provided in Annex A for information.

IFRS S2 and a potential IASB PPM project

B11. Users have advised that they find it useful to be able to connect GHG disclosures in the narrative reporting to the financial statements. For example, they may seek to connect GHG emission disclosures to ESG-linked loan metrics to identify any potential impacts in the financial statements.

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2 UKEB Investor Advisory Group (IAG)

3 Are Financial Statements Transparent on Company's Participation in the Carbon Markets? (IASB PPM investor survey – deadline 24 May 2024)

4 Emerging Economies Group meeting (May 2024)

B12. In the Climate-related targets section of IFRS S2 *Climate-related Disclosures* (S2), paragraph 36 (e)[5] specifies the disclosure requirements relating to an entity's planned use of carbon credits predominantly from the perspective of an entity that generates GHG and therefore requires RECs or carbon credits to reduce or offset those emissions.

B13. S2 Appendix B Application Guidance[6] clarifies that the intention is for an entity to describe its planned use of carbon credits to offset emissions to achieve any net greenhouse gas emissions targets. However, S2 does not appear to consider disclosure requirements for entities which generate or trade such certificates or credits.

B14. If the IASB were to proceed with a PPM project and included in its scope entities generating or trading in RECs or credits, collaboration may be required between the international boards to ensure alignment across finalised IFRS Sustainability Disclosure Standards and any new or amended IFRS accounting guidance or requirements.

5 S2 paragraph 36 (e) states 'the entity's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target.' IFRS S2 Climate-related Disclosures. (Page 17)

6 S2 Appendix B Application guidance (paragraphs B70 – B71, page 41)

Annex A: IFASS April 2024 PPM-related presentations

A1. At the April 2024 IFASS meeting, FASB and AcSB gave presentations on their work relating to carbon credits. A summary of the key points from those presentations is provided in this annex for information.

FASB - Accounting for Environmental Credit Programs

A2. The project was added to the FASB technical agenda in May 2022 and seeks to improve the accounting and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits and for nongovernmental creators of environmental credits.

A3. The project has defined environmental credit and environmental credit obligations (ECO) and key tentative decisions included:

a) An entity would recognise an asset for an environmental credit when it is probable that the credit will be sold or used to settle an ECO; costs of other environmental credits will be generally recognised as an expense.

b) An entity should recognise a liability when activities or events occurring on or before a balance sheet date indicate that an ECO exists; ECOs are limited to obligations arising from enacted laws.

c) The funded portion of an ECO liability should be measured at the carrying amount of compliance environmental credits; the unfunded portion of an ECO liability should be measured at fair value (with exceptions, depending on how an entity intends to settle the unfunded portion of the ECO liability). Remeasurements of an ECO liability should be recognised in earnings and balance sheet offsetting would be prohibited.

A4. FASB deliberations are ongoing. FASB is currently considering disclosures and the interaction with business combination accounting.

Canadian Accounting Standards Board (AcSB) - Carbon Credits

A5. The AcSB provided an overview of the range of potential approaches to account for carbon credits and sought feedback as to which approaches might provide the most useful information. The AcSB noted the need for guidance and sought to understand approaches applied in practice and how they compared across jurisdictions.

A6. The AcSB observed that the lack of guidance had resulted in diversity in practice which was becoming more pronounced as entities increasingly used carbon credits to meet their carbon reduction targets or to start generating credits themselves. However, they also noted that currently carbon credits are not material for many entities with disclosures largely limited to narrative reporting and sustainability reports.

A7. AcSB noted areas of significant judgement for voluntary schemes in relation to the classification of cardon credits (i.e. either an asset or expensed) and the measurement of assets (i.e. either as inventory or an intangible). Potential accounting issues identified related to:

a) Carbon credits as a commodity.

b) Carbon credits as a by-product.

c) Determining if there is an active market.

d) Internally generated intangibles.

e) Ex-ante carbon credits.

f) Quality concerns.

A8. Similar accounting issues were noted with compliance schemes. Additional considerations also arose depending on how the credits were granted and then used to settle a compliance obligation.

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Annex B: Other IASB projects with possible connectivity matters to consider

B1. The table below summarises IASB projects potentially impacted by sustainability matters.

Project	Description	IASB status and next steps	UKEB Staff view
Amendments to the Classification and Measurement of Financial Instruments (IFRS 9)	The IASB project will provide application guidance and require additional disclosures for ESG-linked product features.	Final Amendment May 2024.	Stakeholders support clarification and consistent application of the classification and measurement requirements for ESG-linked products.
Intangibles	The IASB intends to review accounting requirements for intangibles.	The IASB met in April 2024 to start a research project and discussed the initial scope of work.	Emissions Trading Schemes (ETS) can be accounted for as intangible assets and climate-related ‘opportunities’ may also be intangibles.
Management Commentary	The IASB received an update on the project at its March 2024 meeting. No decisions were taken.	Decide project direction June 2024.	Stakeholders have expressed concerns that Practice Statements are not an effective means to achieve improved disclosures as they are not endorsed.

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Project	Description	IASB status and next steps	UKEB Staff view
Pollutant Pricing Mechanisms (PPM)	The PPM project is currently on the IASB Reserve List and would only be added to the work plan if additional capacity becomes available.	The IASB is conducting outreach.	Most stakeholders[7] considered that the significance and prevalence of both compliance and voluntary PPMs were increasing and that such schemes were likely to become more material in the short to medium term.
Post-implementation Review of IFRS 9 - Impairment	A post-implementation review to determine if the new standard is working as intended. The IASB is part way through considering the stakeholder feedback received on this project.	Ongoing discussion of stakeholder feedback expected throughout Q2 2024.	Some respondents to the post-implementation review requested application guidance or illustrative examples to demonstrate how climate risk is incorporated into forward looking information. The IASB did not support creating new requirements specific to climate-risk matters. The IASB has not yet discussed disclosure. We understand that investors have expressed interest in understanding how climate-risk has been included in the measurement of expected credit losses under IFRS 9.
Power Purchase	Narrow-scope amendments to the requirements in IFRS 9 *Financial*	Exposure Draft	Preliminary stakeholder views support the project, subject to concerns that limiting

7 IASB General Update – Appendix A: Pollutant Pricing Mechanisms – IASB survey response

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Project	Description	IASB status and next steps	UKEB Staff view
Agreements (PPA)	*Instruments* with respect to the 'own-use' and hedge accounting requirements and IFRS 7 *Financial Instruments: Disclosures*.	issued.	the scope to 'pay-as-produced' contracts may be too narrow. Draft Comment Letter to be brought to May UKEB meeting.
Primary Financial Statements (PFS)	IFRS 18 *Presentation and Disclosure in Financial Statements*, was issued by the IASB on 9 April 2024.	Final standard issued.	UKEB stakeholders have indicated overall support for the presentation and disclosure requirements of IFRS 18, although a few concerns have been raised that will require further consideration prior to the endorsement of IFRS 18.
Provisions—Targeted Improvements	The IASB is developing proposals to clarify specific aspects in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*[8]	Exposure Draft expected H2 2024.	At its April 2024 meeting, the IASB tentatively decided not to add to IAS 37 requirements relating specifically to net zero transition commitments. However, we understand that the fact pattern in the IFRS IFRIC Agenda Decision *Climate-related Commitments* could be added as an Illustrative Example accompanying IAS 37.

[8] Please refer to Agenda Paper 8 for a high-level summary of the IASB tentative decisions.

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Appendix C: Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Feedback Statement (expected Q3 2024)	UKEB project page UKEB Final Comment Letter (Published 26 October 2023)

Background

C1. In June 2023, the IASB published its Request for Information: IFRS 15 *Revenue from Contracts with Customers* (RFI) to seek stakeholders' views on the requirements in IFRS 15. The UKEB response to the IASB was submitted on 26 October 2023.

Purpose of this update

C2. The IASB met on 24 April 2024 to continue to discuss stakeholder feedback on the RFI, in particular, in relation to applying:

a) IFRS 15 with other IFRS Accounting Standards; and

b) the requirements in IFRS 15 on determining a transaction price[1], specifically:

i. on consideration payable to a customer (which had started to be discussed by the IASB in March 2024); and

ii. on a significant financing component.

C3. The purpose of this paper is to provide the Board with a summary of the tentative decisions taken by the IASB at that meeting. The IASB used the PIR Framework to determine whether action should be taken, and the priority of any such action.

1 IASB Staff Agenda Paper 6F April 2024 meeting

April 2024 IASB meeting

Applying IFRS 15 with other Accounting Standards

C4. The IASB decided to take action in relation to IFRS 10, IFRS 11, IFRS 16 and IFRIC 12, as detailed below, but decided to take no further action in relation to IFRS 3 and IFRS 9.

C5. The UKEB Final Comment Letter (FCL) did not make any recommendations to the IASB in relation to applying IFRS 15 with other Accounting Standards[2].

Applying IFRS 15 with IFRS 3 *Business Combinations*[3]

C6. Having considered the feedback, the IASB tentatively decided to take **no further action** on the matters related to:

a) the measurement of contract assets and contract liabilities acquired as part of a business combination[4]; and

b) other aspects of applying IFRS 15 with IFRS 3[5].

C7. The UKEB FCL noted that, consistent with the IASB's post-implementation review of IFRS 3 and the subsequent Discussion Paper in 2020, no new information had come to light to suggest that the IASB need reopen this question, despite the recent amendment to US GAAP requiring contract assets acquired and contract liabilities assumed in a business combination to be accounted for on acquisition at transaction price under the US GAAP equivalent revenue standard.

Applying IFRS 15 with IFRS 9 *Financial Instruments*[6]

C8. In response to the feedback, the IASB tentatively decided to take **no further action** on the matters related to:

a) the accounting for cases when an entity accepts lower consideration from a customer (price reductions) - for example, because the customer's financial position has deteriorated over the course of their relationship or because the entity wishes to enhance a customer relationship[7];

2 See paragraphs A25–A26 of the UKEB Final Comment Letter submitted to the IASB on 26 October 2023.
3 IASB Staff Agenda Paper 6B April 2024 meeting
4 Only a small majority of eight out of 14 IASB members agreed with this decision to take no further action.
5 Appendix A of IASB Staff Agenda Paper 6B April 2024 meeting includes three application matters raised by respondents to the RFI relating to applying IFRS 15 with IFRS 3.
6 IASB Staff Agenda Paper 6A April 2024 meeting
7 Some entities account for the reduction by reducing revenue while others apply IFRS 9 and recognise an expected credit loss.

b) whether to classify some of the liabilities arising from IFRS 15 as non-financial (contract) liabilities or as financial liabilities applying IFRS 9[8]; and

c) other aspects of applying IFRS 15 with IFRS 9[9].

Applying IFRS 15 with IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements*[10]

C9. Some respondents to the RFI asked the IASB to clarify how to account for transactions in which an entity—as part of its ordinary activities—sells an asset by selling an equity interest in a single-asset entity that is a subsidiary (a so-called 'corporate wrapper'). Most respondents' questions related to the presentation of the sale results—whether they should be presented net (as a gain or loss on the disposal) or gross (as proceeds from the disposal and related expense). A few respondents reported diversity in practice, in particular in the real estate, pharmaceutical and utilities sectors.

C10. In March 2023, in discussing the initial feedback on this matter in the first phase of the PIR of IFRS 15, the IASB noted that accounting for sales of assets via corporate wrappers is a cross-cutting issue, and developing a comprehensive solution for corporate wrappers could affect multiple IFRS Accounting Standards which would require significant resources.

C11. In light of the feedback to the RFI, the IASB decided to consider the priority of the matters related to applying IFRS 15 with IFRS 10 and IFRS 11 in the **next agenda consultation, instead of as part of the post-implementation review of IFRS 15**.

Applying IFRS 15 with IFRS 16 *Leases*[11]

C12. Responding to the feedback, the IASB tentatively decided:

a) to **gather further evidence** in the **forthcoming post-implementation review of IFRS 16** on the application matters related to assessing whether the transfer of an asset is a sale in a sale and leaseback transaction; and

b) to take no further action on the matters related to:

i. the accounting for contracts that contain lease and non-lease components, in particular whether to use the duration of the contract applying IFRS 15 or the lease term applying IFRS 16, and whether to measure variable consideration based on the

[8] The concerns mostly relate to liabilities for which it is uncertain whether the liability will be settled in cash or non-cash items, for example liabilities relating to points under loyalty programmes or gift cards and refund liabilities.

[9] Appendix A of IASB Staff Agenda Paper 6A April 2024 meeting includes 13 application matters raised by respondents to the RFI relating to applying IFRS 15 with IFRS 9.

[10] IASB Staff Agenda Paper 6C April 2024 meeting

[11] IASB Staff Agenda Paper 6D April 2024 meeting

requirements of IFRS 15 or those of IFRS 16; and

ii. other aspects of applying IFRS 15 with IFRS 16[12].

Applying IFRS 15 with other IFRS Accounting Standards[13]

C13. In response to the feedback, the IASB tentatively decided:

a) to classify as **low priority** (to be considered in the next agenda consultation) the matter related to applying the requirements in IFRIC 12 *Service Concession Arrangements* on contractual obligations to **maintain or restore service concession infrastructure**[14]; and

b) to take no further action on the other matters related to applying IFRS 15 with other IFRS Accounting Standards[15].

C14. Accounting for contractual obligations to maintain or restore infrastructure was the most common matter raised in relation to IFRIC 12. Paragraph 21 of IFRIC 12 requires such contractual obligations to be recognised and measured in accordance with IAS 37, that is at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. However, in some respondents' view, such obligations should be accounted for applying IFRS 15 as a contract liability relating to a separate performance obligation. Others argued that these obligations should be accounted for as contract liabilities regardless of the accounting model ('financial asset model' or 'intangible asset model') applied by the operator.

C15. Whilst the requirements are likely to affect a limited number of entities, an entity's accounting for contractual obligations to maintain or restore infrastructure would affect the amount of revenue or provision presented in financial statements, and hence profit margins and users' decisions. The IASB decided there is some evidence to suggest that the clarity and suitability of the requirements in IFRIC 12 could be improved by reviewing whether they should be further aligned with IFRS 15.

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12 Appendix A of IASB Staff Agenda Paper 6D April 2024 meeting includes eight applications matters raised by respondents to the RFI related to applying IFRS 15 with IFRS 16.

13 IASB Staff Agenda Paper 6E April 2024 meeting

14 Only half of the 14 IASB members agreed with decision to take action on this topic, with the Chair using their additional casting vote in favour of taking action.

15 Appendix A of IASB Staff Agenda Paper 6E April 2024 meeting includes 21 application matters raised by respondents to the RFI related to applying IFRS 15 with other Accounting Standards not already discussed.

Determining a transaction price[16]

C16. In March 2024, the IASB started discussing the feedback received on this topic and had decided at that meeting to take no further action on certain application matters[17].

Consideration payable to a customer

C17. Following on from the initial discussions in March 2024 on this matter, and having subsequently sought feedback from ASAF members in March 2024, in April 2024 the IASB tentatively decided to classify as **low priority** the matters related to the consideration payable to a customer.

C18. The matters related to:

a) Accounting for consideration paid by an agent to an end customer (often in the form of marketing incentives) that is not made in exchange for a distinct good or service.

b) Accounting for 'negative' revenue, including:

i. whether and in what circumstances an entity should reclassify 'negative' revenue and present it as an expenses; and

ii. what the unit of account should be for assessing whether there is 'negative revenue'.

C19. Consistent with other stakeholder comments, the UKEB FCL recommended, that to reduce diversity in practice, the IASB clarifies in what circumstances:

a) consideration payable to a customer (that does not relate to a distinct good or service) should be netted against revenue; and

b) net negative revenue should be reclassified and presented as an expense.

C20. In March 2024 the IASB determined that there is evidence to suggest that the requirements in IFRS 15 are insufficient for entities to consistently account for incentives paid by an agent to an end customer and for 'negative' revenue, and that the benefits to users are significantly lower than expected. However, further feedback was sought from ASAF members on whether these matters are prevalent and on whether the benefits of any action would be expected to exceed the costs.

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16 IASB Staff Agenda Paper 6F April 2024 meeting

17 As noted in the IASB update paper to the Board in April 2024, the IASB decided to take no further action on application matters in relation to a) variable consideration; b) sales-based taxes; and c) non-cash consideration.

C21. The feedback from the ASAF did not suggest that matters related to consideration payable to a customer are a high priority in many jurisdictions.

Significant financing component

C22. In response to the feedback, the IASB tentatively decided to take **no further action** on the matters related to:

a) the discount rate for contracts with a significant financing component[18]; and

b) other aspects of accounting for a significant financing component[19].

C23. The UKEB FCL did not make any recommendations to the IASB in relation to significant financing component.

Next Steps

C24. In May 2024, the IASB will discuss the remaining feedback raised by stakeholders on the RFI and discuss an updated academic literature review, in line with its planned timetable:

Topics for discussion	Expected timing
Quarter 2 2024	
1. Academic literature review	May 2024
2. Summary discussion—Joint IASB–FASB education session	21 June 2024
Quarter 3 2024	
3. Overall assessment of IFRS 15 4. Summary discussion—IASB only	July 2024

C25. The UKEB Secretariat will continue to monitor the IASB discussions and will update the Board on the IASB's tentative decisions.

C26. We expect the IASB to publish a project report and feedback statement in Q3 2024.

18 A majority of 11, but not all 14, members agreed with the decision to take no further action with regards to the discount rate for contracts with a significant financing component.

19 Appendix A of IASB Staff Agenda Paper 6F April 2024 meeting includes five application matters raised by respondents to the RFI relating to a significant financing component.

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Appendix D: Intangible Assets

UKEB Project Status: Monitoring **IASB Next Milestone**: Review Research Q4 2024	

D1. At its April 2024 meeting, the IASB started its research project on intangible assets and discussed the initial work it will do on this project. The IASB was not asked to make any decisions.

D2. The IASB discussed three topics[1]:

a) National standard-setter (NSS) research on intangibles.

b) Academic literature on intangibles.

c) Approaches to commencing the IASB's intangibles project.

D3. These discussions are summarised below.

Background

D4. The IASB's project will assess whether the requirements of IAS 38 *Intangible Assets* remain relevant and continue to fairly reflect current business models or whether the IASB should improve the requirements.

D5. The initial research and planning phase aims to define the scope of issues to be explored and identify the best approach to plan and organise the work.

D6. The IASB has noted that many stakeholders responding to its Third Agenda Consultation highlighted deficiencies in the reporting of intangible assets relating to all aspects of IAS 38, including its scope, its recognition and measurement requirements and the adequacy of disclosures. The IASB also noted that the project should "aim to address intangibles more broadly", focusing not just on assets but also including intangible items currently expensed.

D7. In anticipation of the IASB's review of intangibles, the UKEB decided to initiate a research project focused on understanding UK stakeholders' views on the accounting for intangibles and gathering evidence about the UK intangibles landscape.[2]

1 IASB Papers can be found here.
2 Intangibles Project | UK Endorsement Board (endorsement-board.uk)

National standard-setter (NSS) research on intangibles

D8. The IASB staff reviewed research outputs from a number of NSSs, including the UKEB's Qualitative Report (March 2023). Reference was also made to the (then) forthcoming Survey Report and Quantitative Report.

Key messages from NSS research

D9. Stakeholders are concerned about the IAS 38 requirements, and do not feel financial statements provide enough information about unrecognised internally generated intangible assets.

D10. The most commonly expressed stakeholder view was that disclosure of intangible items needs to be improved. However, there are mixed views, both across jurisdictions and between different stakeholder groups such as preparers, auditors, investors within jurisdictions, on whether the information should be within or outside the financial statements, or both.

D11. The UKEB's Qualitative Report and Survey Report highlighted similar concerns. The Survey Report suggested that users prefer the information to be in the financial statements as opposed to in the narrative disclosures.

D12. There are mixed views on what should be done in response to these concerns:

a) Reconsider the IAS 38 recognition criteria for different types of intangible items.

b) Reconsider the IAS 38 prohibitions on recognition of many internally generated intangible assets.

c) Reconsider the need to refer to an active market to be able to use the revaluation model for the subsequent measurement of intangible assets.

d) Consider commercial sensitivity of additional disclosures.

e) Improve disclosure requirements about unrecognised internally generated intangible assets, including key performance indicators relating to intangible items key to the business model and disaggregation of future-oriented/intangible expenses.

D13. It was noted that some of the concerns about accounting for intangibles may be auditing/enforcement issues rather than standard-setting issues, particularly where existing requirements are not being followed by entities.[3]

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[3] The UKEB intangibles research also reflected these mixed views. The Survey Report suggested that there was not a strong appetite among users for significant revisions to the recognition criteria or measurement requirements for intangible assets. However, there were specific views on opportunities to improve the

D14. The UKEB Qualitative Report was mentioned in reference to a lack of stakeholder information on expenses related to intangibles (the Quantitative Report provides more UK evidence on this issue).

D15. There are also mixed views on whether and how to address the inconsistency between the accounting requirements for internally generated and acquired intangible items. Some concerns were raised by IASB Board members that in attempting to solve this problem, inconsistencies might be introduced between goodwill and identifiable intangible assets that do not currently exist.[4]

D16. Some stakeholders are concerned about understandability of intangibles information and a lack of consistency in intangibles terminology used.[5]

NSS research gaps

D17. Several IASB members considered that there is a lack of evidence on best practice reporting, and on enforcement themes.

D18. The IASB staff confirmed they are working on a review of enforcement themes, primarily drawing from European Securities and Markets Authority data.

Academic literature on intangibles

D19. The IASB staff provided a comprehensive review of academic literature on the accounting for intangibles. They identified over 80 relevant papers.

D20. At a high level the themes identified include:

a) Recognition:

i. Internally generated intangible assets, which do not meet the IAS 38 recognition criteria (or are prohibited in IAS 38) and items that do not meet the asset definition, have been linked to future benefits.

ii. Separate recognition of identifiable intangible assets acquired in business combinations has shown that identifiable intangible assets are value relevant and have predictive ability for future operating and financial performance.

b) Measurement

recognition and measurement for different types of intangible items, including non-traditional intangibles such as cryptoassets and emissions trading certificates.

4 All three UKEB reports identified the lack of comparability as an issue. Again, from a UK perspective, there was a lack of consensus on whether there is a case for change to accounting requirements in response to this issue. Goodwill was not a focus of the UKEB research. It is unclear as yet whether goodwill/IFRS 3 will be in the scope of the IASB project, or whether the scope will be restricted to IAS 38.

5 The UKEB Quantitative Report demonstrated inconsistencies in the use of terminology from the sample of UK listed companies' financial statements reviewed.

i. Researchers have suggested relaxing the requirements for an “active market” to fair value intangible assets under the revaluation model, aligning the valuation of intangible assets with IFRS 13 *Fair Value Measurement*.

c) Disclosure

i. High-quality information disclosed about intangible assets and intangible items can have a positive effect on an entity's market value.

ii. There is mixed evidence on the benefits of expense disaggregation in the income statement with concerns over revealing commercially sensitive information.

d) Other topics included a discussion of terminology.

Approaches to commencing the IASB’s intangibles project

D21. The IASB staff paper focused on possible topics for the initial research project, and the approaches that could be taken to the intangibles project.

Possible topics for the initial research project

D22. A list of possible topics presented in the agenda papers is summarised in the table below.

Possible topics for the IASB intangibles research project	
Topic	**Considerations**
Scope	• Should the project be limited to financial statement elements (assets, expenses) or intangible items and information about them more broadly? • Should the project include or exclude goodwill and exploration and evaluation assets (outside IAS 38)? • Should intangibles held for investing (e.g. cryptocurrencies and emission rights) be included in the scope of the project and IAS 38?
Definition of an intangible asset	• Properties of intangible assets • Is there a need to update definitions for the 2018 Conceptual Framework? • Is there a need to update definitions based on practice issues e.g. digitisation, software as a service? • Need for more consistent terminology and labelling
Recognition	• Are the IAS 38 recognition criteria still appropriate?

Possible topics for the IASB intangibles research project	
	• Should the restrictions on recognising internally generated intangibles as assets be revised? • Improving comparability between entities that grow organically and by acquisition • Should the recognition criteria for intangible assets acquired in a business combination be amended?
Measurement	• Can the cost of internally generated intangible assets be reliably measured? • Is it necessary to use active market for the revaluation model of intangible assets? • Intangible assets often provide value in conjunction with other assets so can a fair value be linked to a specific intangible asset?
Disclosure	• What information do users need and where – in financial statements or management commentary? • Should requirements be developed to disaggregate particular expenses relating to unrecognised intangible assets? • Should qualitative or quantitative information about intangible resources that are value sources be required, and if so, where – in financial statements or management commentary?

D23. Several Board members highlighted the need to fully understand what the problem(s) is (are) and not to narrow the scope of the project too soon. A number of Board members confirmed that the project needs to be a comprehensive review, although it was noted that it might not result in comprehensive changes to IFRS Accounting Standards. Once the problems are understood, the planning should then be about prioritisation of problem(s) and phasing of work.

Approach

D24. The IASB staff presented three possible approaches to the project, with pros and cons of each one, while emphasising that each of these approaches would constitute a comprehensive review.

D25. The approaches are summarised in the table below.

Possible approaches for the IASB intangibles research project	
Approach	**Description**
All-in-one	• All topics identified by stakeholders to be further researched to identify problems and possible solutions. Likely single discussion paper for consultation.

Early evaluation	• Initial outreach used to assign priorities to topics. Only topics meeting thresholds (to be determined) would be explored further in the project to identify problems and possible solutions. Single due process document for consultation.
Phased	• Phase work based on stakeholder feedback e.g. disclosure, then recognition, then measurement. Separate due process document issued on each stage. • IASB staff envisage sequential phases, but acknowledge more than one phase could be worked on concurrently, if there is sufficient resource allocated to the project

D26. Several board members suggested phasing could be by type of intangible asset rather than a 'disclosure first' approach.

Next steps

D27. The IASB staff have proposed that the initial research phase of the intangibles project addresses the scope of the project and how best to stage work.

D28. The IASB plans to hold discussions with the IASB's consultative bodies and other external stakeholder groups and organisations in the coming months, including at ASAF in July, when the UKEB is presenting its intangibles research.

D29. The IASB is expected to focus on:

a) whether the topics identified are sufficient to inform the IASB's initial consideration of the scope of the project, or whether there are other topics that should form part of the initial consideration of the scope of the project;

b) which of the topics the IASB should prioritise;

c) which approach would best respond to the concerns stakeholders have raised and would allow more timely progress; and

d) whether there are other approaches the IASB should consider in deciding how to stage the work.

D30. The Secretariat understands that this research is likely to take the rest of 2024.

Appendix E: Provisions – Targeted Improvements

UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft (H2 2024)	

Background

E1. In this project, the IASB is assessing the following potential amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*:

a) To amend the definition of a liability and the requirements and guidance for applying the present obligation recognition criterion.

b) To indicate more clearly the rate an entity uses to discount a long-term provision to its present value.

c) To clarify which costs an entity must consider in measuring an obligation.

E2. The objective of this paper is to present a high-level summary of the IASB tentative decisions on this project to-date. The Secretariat plans to present a technical paper on the proposals at a future meeting.

Definition of a liability and present obligation recognition criterion

E3. In April 2023[1], the IASB discussed initial staff suggestions for possible amendments to the IAS 37 definition of a liability, and to the requirements and illustrative examples supporting the present obligation recognition criterion. The IASB was not asked to make any decisions at that meeting.

E4. From June to November 2023, the IASB staff sought views on the suggestions for possible amendments from various groups of stakeholders, including the IFRS Interpretations Committee[2]. Stakeholders expressed broad support for the overall direction of the possible amendments, but some expressed concerns about

1 Link to 18 May 2023 - IASB General Update - Agenda Paper 6: Appendix A.
2 Link to 14 Dec. 2023 - IASB General Update - Agenda Paper 6 - Appendix E paragraphs E2-E5.

certain aspects of the possible amendments or suggested ways of improving their presentation or drafting.

E5. In April 2024, the IASB staff presented revised suggestions for possible amendments to IAS 37, which take into account stakeholder feedback received.

E6. At that meeting, the IASB tentatively decided to propose:

a) Updating the 'liability' definition in IAS 37 to align it with that in the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*). For ease of reference, both definitions are presented below:

   i. IAS 37 - A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

   ii. *Conceptual Framework* – A liability is a present obligation of the entity to transfer an economic resource as a result of past events.

b) Updating the wording of the 'present obligation recognition criterion' to align it with the *Conceptual Framework,* by adding a requirement for the obligation to be an obligation '*to transfer an economic resource*'.

c) Clarifying the requirements supporting the 'present obligation recognition criterion' by separating out and explaining the following three conditions within that criterion:

   i. a strength condition – the entity has an obligation;

   ii. a nature condition – the obligation is to transfer an economic resource; and

   iii. a timing condition – the obligation is a present obligation that exists as a result of a past event.

d) Expanding the decision tree[3] in the *Guidance on implementing* IAS 37 to show the process an entity could follow to determine whether to recognise a provision, disclose a contingent liability or do neither.

e) Replacing the requirements supporting the 'present obligation recognition criterion' with new requirements based on concepts in the *Conceptual Framework*, and then withdrawing IFRIC 21 *Levies*.

   The amended requirements would change the timing of recognition of some provisions. Obligations for payments triggered only if an entity takes two (or more) actions would be recognised when the entity has taken the

[3] For an 'indicative drafting decision tree', refer to IASB staff paper 22F - April 2024.

first action if the entity has no practical ability to avoid the other action (or actions). At present no provision is recognised until the entity has taken the last action.

f) Improving the wording of the explanations of the application requirements for 'restructuring provisions', without changing those requirements.

g) Adding new examples to the *Guidance on implementing* IAS 37 and updating the explanation of the conclusions for some of the existing examples, without changing those conclusions.

h) Adding no requirements relating specifically to net zero transition commitments.

Threshold-triggered costs

E7. The IASB tentative decisions above include clarifying when an obligation becomes a *present* obligation. At its April 2024 meeting, the IASB was asked whether to add application requirements for costs payable if a measure of the entity's activity in a period exceeds a specified threshold (threshold-triggered costs), to clarify when an obligation for such costs becomes a *present* obligation.

E8. Examples of threshold-triggered costs within the scope of IAS 37 are:

a) levies targeted on larger entities operating within a market, such as levies payable by entities whose annual revenue exceeds a specified monetary amount;

b) some costs imposed by pollutant pricing mechanisms and other climate-related regulations, for example, penalties imposed on an entity whose greenhouse gas emissions in a specified measurement period exceed a quota allocated to that entity; and

c) maintenance costs a lessee incurs if the condition of a leased asset at the end of the lease is lower than a specified threshold, for example, if the remaining time a leased aircraft will be able to fly before its next overhaul is lower than a specified number of hours[4].

E9. The IASB tentatively decided to propose adding application requirements to IAS 37 for threshold-triggered costs, specifying that:

a) a present obligation for a threshold-triggered cost arises as the entity carries out the activity that contributes to the total amount of activity on which the cost is measured; and

4 Paragraph 25 in IFRS 16 clarifies that the obligations for the costs are recognised and measured applying IAS 37. (The obligation is recognised as a provision, it is not included in the measurement of the lease liability).

b) at any date within the measurement period, the amount of the present obligation is a portion of the total estimated cost for the measurement period – the portion being the amount attributable to the activity carried out to that date.

Discount rates

E10. At its November 2023 meeting[5], the IASB tentatively decided to amend IAS 37 to propose a discount rate that reflects the time value of money – represented by a risk-free rate – with no adjustment for non-performance risk.

E11. In April 2024, the IASB was asked whether to propose application guidance to support the above requirement. The IASB tentatively decided to propose:

a) clarifying that the time value of money reflected in the discount rate for a provision is represented by a risk-free rate; and

b) providing no further application guidance on estimating the time value of money.

E12. At that meeting the IASB also tentatively decided to propose requiring an entity to disclose, for each class of provision:

a) the rate or rates used in measuring the provision; and

b) the approach used to determine those rates.

Costs to include in measuring a provision

E13. In July 2023[6], the IASB tentatively decided to specify that:

a) The expenditure required to settle an obligation comprises the costs that relate directly to settling the obligation; and

b) The costs that relate directly to settling an obligation consist of both:

i. the incremental costs of settling the obligation; and

ii. an allocation of other costs that relate directly to settling obligations of that type.

[5] Link to 14 Dec. 2023 IASB General Update - Agenda Paper 6 - Appendix E, paragraph E6.
[6] Link to 14 Dec. 2023 IASB General Update - Agenda Paper 6 - Appendix E, paragraph E7.

Next steps

E14. The IASB will continue to discuss proposals for amendments to IAS 37. The UKEB Secretariat continues to monitor developments in this area and plans to present a technical paper on the proposals at a future meeting.

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Appendix F: Post-implementation Review of IFRS 9 – Impairment

UKEB Project Status: Active Monitoring **IASB Next Milestone**: Project Summary (Q3 2024)	UKEB project page UKEB Final Comment Letter (Published September 2023)

F1. At its April meeting the IASB continued to review feedback received during the Post-implementation Review of IFRS 9 – Impairment (the PIR). This meeting discussed how an entity applies the expected credit losses (ECL) requirements to loan commitments and financial guarantee contracts[1], purchased or originated credit-impaired (POCI) financial assets[2], and the interaction of the ECL requirements with other IFRS accounting requirements[3].

F2. Three tentative decisions were made.

Loan commitments and financial guarantee contracts

Loan commitments

F3. Some respondents said the lack of definition for a loan commitment gives rise to various application matters and interpretive issues, resulting in diversity of application.

F4. IASB staff highlighted the existing description of a loan commitment in paragraph BCZ2.2 of the Basis for Conclusions of IFRS 9, which can be used alongside the definition of a financial instrument in IAS 32. They believe most application questions arise from complex fact patterns, and therefore moving the description from the Basis of Conclusions to the standard would not resolve the issues stakeholders describe.

F5. The IASB staff recommended no further action be taken on this matter.

F6. Some respondents said it is challenging to determine the period over which to measure ECL for instruments such as credit cards, which can be contractually

[1] IASB staff paper Loan commitments and financial guarantee contracts
[2] IASB staff paper Purchased or originated credit-impaired financial assets
[3] IASB staff paper Interaction of impairment requirements with other requirements

withdrawn by the lender with as little as one day's notice. They suggest the IASB provide more explicit application guidance on this matter.

F7. The IASB staff note that determining the period over which to measure ECL for different revolving facilities would depend on specific fact patterns, and this is consistent with the IFRS Transition Resource Group for the Impairment of Financial Instruments (ITG) conclusions[4]. In the staff's view the existing text of IFRS 9 [B5.5.40] provides adequate guidance for entities to apply judgement specific to the contractual terms of a financial instrument, and that there is not sufficient evidence that standard setting activity is required. They recommended no further action be taken on this matter.

Financial Guarantee Contracts

F8. Many respondents raised concerns about diversity in practice when assessing whether cashflows from a financial guarantee contract (FGC) can be reflected in the measurement of ECL by the entity holding the FGC. They attributed this diversity in application to the lack of application guidance in IFRS 9 to determine whether a FGC is "integral" to the contractual terms of a financial instrument.

F9. The IASB staff note that questions about how to determine which FGCs fall in scope of credit enhancements which are part of the contractual terms [paragraph B5.5.55] have been previously submitted to the ITG[5] and the IFRS Interpretations Committee[6] (the Committee). They also observe that most questions arise for FGCs acquired subsequent to issuing a financial instrument and that these FGCs are widespread. They note that judgement will need to be applied in considering whether a FGC is "integral" to the contractual terms. If the IASB were to provide further guidance such guidance could not be exhaustive, and therefore the need to apply judgment would remain. Staff recommended this matter be considered as part of the next agenda consultation.

F10. Many respondents also queried how to account for a guarantee that is not considered integral to the contract.

F11. IASB staff considered this matter to be beyond the scope of this PIR, which focuses on the impairment requirements of IFRS 9. Deliberations on this matter may have implications reaching beyond IFRS 9 – for example to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Staff recommend this matter is considered as part of the next agenda consultation.

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4 Transition Resource Group for the Impairment of Financial Instruments, Meeting Summary paragraphs 40-44 April 2015

5 Transition Resource Group for the Impairment of Financial Instruments, Meeting Summary paragraphs 14-18, December 2015

6 Credit Enhancement in the Measurement of Expected Credit Losses, March 2019

Purchased or originated credit-impaired financial assets

F12. Most respondents said that the requirements in IFRS 9 for POCI financial assets can be applied consistently to these types of financial assets, and lead to accounting outcomes that faithfully reflect the underlying economic substance of these transactions.

F13. Some respondents raised application questions regarding how to account for a subsequent improvement in credit risk, and how to assess if a modified financial asset is originated credit-impaired.

Subsequent improvement in credit risk

F14. Some respondents said there is diversity in practice in how entities recognise the effect of subsequent improvements in credit risk in the statement of financial position for POCI assets. Some recognise it as a negative entry (i.e. reduction) to the ECL allowance, while others recognise it as an adjustment to the gross carrying amount of a POCI asset.

F15. IASB staff note that the term 'cumulative' used in paragraph 5.5.13 of IFRS 9 makes it explicit that all the changes in ECL (i.e. favourable or unfavourable) since initial recognition of a POCI financial asset are recognised as loss allowance in the statement of financial position.

F16. Staff therefore do not believe there is ambiguity about the accounting for such subsequent improvements in credit risk and therefore no clarification by the IASB is warranted.

Modified financial assets

F17. Some respondents said that due to insufficient specific requirements or application guidance in the standard there is diversity in how entities assess whether a modification results in the derecognition of an old asset and recognition of a new asset, and whether that asset is an originated credit-impaired asset.

F18. In relation to the issue of whether modification of an asset results in derecognition, the IASB decided in July 2022 that the pipeline project *Amortised Cost Measurement* will address application questions on the modification of financial assets. This matter will therefore be addressed as part of that project.

F19. For the issue of whether the new asset is originated credit-impaired, IASB staff consider the definition of POCI assets in Appendix A of IFRS 9 provides a helpful basis for applying judgment, and that the PIR feedback has not provided evidence that such guidance is insufficient. They therefore do not consider further action by the IASB is required.

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Interaction with other IFRS accounting requirements

F20. The interaction of the impairment requirements with the other requirements of IFRS 9 is one of the areas that attracted most feedback during the PIR.

F21. A large majority of respondents identified challenges with how the impairment requirements work alongside the requirements for derecognition, forgiveness and the write-off of financial assets. In addition, feedback noted that the agenda decision issued by the IFRS Interpretations Committee in October 2022[7] created ambiguity about the meaning of "credit losses". This decision referred to "all cash shortfalls" whereas respondents said prior to this it was widely understood that credit losses capture only cash shortfalls from credit events.

F22. In relation to the understanding of "credit losses", the IASB staff noted that isolating a single reason or event that led to a change in expected cashflows may not always be possible, nor provide a faithful representation of the circumstances leading to the change. They observe that the definition of credit loss in Appendix A of IFRS 9 refers to shortfalls in "all contractual cashflows", and therefore there is no ambiguity that for the purposes of IFRS 9 an expected credit loss includes all cash shortfalls whether they arise from a borrower being in financial difficulty or not. They recommend no further action be taken on this matter.

F23. Many respondents noted that IFRS 9 does not distinguish between the modification or restructuring of credit-impaired financial assets (e.g. forbearance) and non-credit-impaired financial assets (e.g. commercial restructuring), leading to challenges with ECL calculation, presentation and regulatory considerations.

F24. Many respondents also requested further guidance on the order in which entities apply the requirements for write-off, derecognition and impairment. Some respondents also highlighted that the requirements for the derecognition of financial assets are less specific than those for financial liabilities, leading to diversity in practice. Some respondents noted there were also challenges relating to the accounting and presentation of write-off losses.

F25. The IASB staff noted that developing requirements that distinguish between forbearance and commercial negotiations may not be appropriate, and may lead to the same problems previously discussed in BC5.231-5.235 which considers whether the modification requirements should apply only to credit-impaired assets. The IASB staff acknowledged that the presentation of modification gains or losses may require further consideration. The staff also acknowledged that, particularly in cases of forbearance, the hierarchy of modifications and the expiry of contractual cashflows, along with the associated impact on ECL, may not always be clear. They recommended the IASB take no further action on differentiating between the different types of modification. However, they

[7] Lessor Forgiveness of Lease Payments, October 2022

recommended the *Amortised Cost Measurement* project should consider holistically:

a) the presentation of modification gains and losses;

b) the interaction between the modification and derecognition requirements (and consequential impact on ECL); and

c) the requirements for the presentation of a loss arising from a write-off, and the accounting for any post write-off recoveries.

Tentative decisions

F26. The IASB tentatively decided:

a) To classify as low priority the matters relating to financial guarantee contracts and to consider these matters during the next agenda consultation.

b) To take no additional action on the matters that arise from applying the impairment requirements in IFRS 9 with other requirements in that Standard—namely, the requirements for modification, derecognition and write-off of financial assets. The IASB had already decided to consider these matters as part of its pipeline project *Amortised Cost Measurement.*

c) To take no further action on the other matters discussed.

F27. All 14 IASB members agreed with these decisions.

Next steps

F28. The IASB timeline for discussion of the feedback received on the PIR is shown in the table below. The UKEB Secretariat will continue to monitor IASB discussions.

Topics for discussion	Expected timing	IASB tentative decisions
General approach to recognition of ECL	February 2024	No standard-setting action
Significant increase in credit risk	February 2024	No standard-setting action
Measuring ECL - general	March 2024	No standard-setting action
Measuring ECL – Loan commitments and financial guarantees.	April 2024	Matters related to financial guarantee contracts will be considered at the next agenda consultation.

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Topics for discussion	Expected timing	IASB tentative decisions
		No standard setting action on other matters.
Purchased or originated credit-impaired financial assets.	April 2024	Matters related to the modification, derecognition and write-off of financial assets will be addressed as part of the pipeline project *Amortised Cost Measurement*. No standard setting action on other matters.
Interaction of impairment requirements with other requirements in IFRS 9 and other IFRS accounting requirements.	April 2024	Matters related to the modification, derecognition and write-off of financial assets will be addressed as part of the pipeline project *Amortised Cost Measurement*. No standard setting action on other matters.
Credit risk disclosures	May 2024	
Other matters.	May 2024	

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Appendix G: Updating the Subsidiaries without Public Accountability: Disclosures Standard

UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft July 2024	

G1. At its April 2024 meeting, the IASB considered:

a) the effective date and transition for the amendments that the Exposure Draft *Updating the Subsidiaries without Public Accountability: Disclosures Standard* (catch-up ED) will propose to IFRS 19 *Subsidiaries without Public Accountability: Disclosures*; and,

b) a Due Process[1] staff paper for this project.

Background

G2. IFRS 19 was issued by the IASB on 9 May 2024. The catch-up ED is expected to be published in July 2024.

G3. At the February 2024, March 2024 and April 2024 Board meetings[2] the Secretariat provided an update to the Board on the disclosure requirements the IASB has tentatively decided to propose in the catch-up ED.

G4. In relation to the forthcoming IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (RRA standard), the IASB decided not to propose reduced disclosure requirements at this time[3]. If feedback on the catch-up ED supports this approach, when the RRA standard is issued, IFRS 19 will be amended to remove the disclosure requirements for IFRS 14 *Regulatory Deferral Accounts* and replace them with the full disclosure requirements in the RRA standard.

1 See IASB April 2024 meeting Agenda paper 32B, project: Updating the Subsidiaries without Public Accountability: Disclosures Standard, topic: Due process.

2 See paragraphs G8—G11 Agenda Paper 6: Appendix G of the February 2024 UKEB meeting, paragraphs F6—F13 Agenda Paper 9: Appendix F of the March 2024 UKEB meeting and paragraphs B6—B23 Agenda Paper 7: Appendix B of the March 2024 UKEB meeting.

3 See paragraphs B24-B32 Agenda Paper 7: Appendix B of the April 2024 UKEB meeting.

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Effective date and transition

G5. IFRS 19 is effective from 1 January 2027, with early application permitted.

G6. New[4] and amended[5] IFRS Accounting Standards within the scope of the catch-up ED will be effective when IFRS 19 becomes effective, except the forthcoming RRA standard.

G7. Therefore, the proposed amendments to IFRS 19 that will be in the catch-up ED could have an effective date that is same as IFRS 19 i.e., 1 January 2027.

IASB staff analysis

G8. The IASB staff paper noted that an effective date 1 January 2027 would mean that an eligible subsidiary applying IFRS 19 from its effective date would also benefit from reduced disclosures in respect of new and amended IFRS Accounting Standards.

G9. Regarding the early application of proposed amendments to IFRS 19, the IASB could either allow or not allow eligible subsidiaries to early apply the proposed amendments to IFRS 19, when finalised. The IASB staff did not identify a compelling reason why an eligible subsidiary should be prohibited from early application of those proposed amendments, when they are finalised, if the entity has already adopted IFRS 19.

IASB tentative decision

G10. The IASB tentatively decided:

a) to require an eligible subsidiary to apply the proposed amendments to IFRS 19 on 1 January 2027, the same effective date as the standard itself; and,

b) to permit an eligible subsidiary to adopt the proposed amendments to IFRS 19 earlier than that date.

Permission to begin the balloting (due process)

G11. All IASB members confirmed they were satisfied the IASB has complied with the applicable due process requirements and has undertaken sufficient consultation and analysis to begin the process for balloting the catch-up ED.

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4 IFRS 18 *Presentation and Disclosure in Financial Statements.*

5 E.g. *Lack of Exchangeability* (Amendments to IAS 21), *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12).

G12. No IASB member indicated an intention to dissent from the proposals in the catch-up ED.

G13. The IASB set a 120-day comment period for the catch-up ED.

Next steps

G14. The IASB will begin the balloting process for the catch-up ED.

G15. The catch-up ED is expected in July 2024. We plan to present a Project Initiation Plan to the Board at the June 2024 meeting.

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Appendix H: Interpretations Committee Update

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

IASB ratification of agenda decisions

H1. At its April 2024 meeting, the IASB was asked whether it objected to two Interpretations Committee agenda decisions[1]:

a) Climate-related Commitments (IAS 37); and

b) Payments Contingent on Continued Employment during Handover Periods (IFRS 3).

H2. No IASB member objected to either of these agenda decisions so they are now finalised.

1 For details of these matters see Agenda Paper 7 Appendix H of the Board's October 2023 meeting.

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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: Monitoring **IASB Next Milestone:** Final Amendment May 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 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: Monitoring **IASB Next Milestone:** Final Amendments July 2024	UKEB project page UKEB Project Initiation Plan (Published October 2023) UKEB Final Comment Letter (Published December 2023) UKEB Feedback Statement (Published December 2023) UKEB Due Process Compliance Statement **(**Published January 2024)
Business Combinations—Disclosures, Goodwill and Impairment	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft Feedback H2 2024 Submit letter by: 15/07/24	UKEB project page (Discussion Paper) UKEB Final comment Letter on the Discussion Paper (Published January 2021) UKEB Feedback Statement **(**Published March 2021) UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model (Published September 2022) UKEB project page (Influencing) UKEB Project Initiation Plan (Published March 2024)

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List of IASB projects	
Climate-related and Other Uncertainties in the Financial Statements	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft July 2024	
Dynamic Risk Management	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft H1 2025	
Equity Method	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft Q3 2024	
Financial Instruments with Characteristics of Equity	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft Feedback May 2024	UKEB project page UKEB Project Initiation Plan (Published October 2023) UKEB Draft Comment Letter (Published February 2024)

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List of IASB projects	
	UKEB Final Comment Letter (Published April 2024) UKEB Feedback Statement (Published April 2024) UKEB Due Process Compliance Statement (Published April 2024)
Intangible Assets	
UKEB Project Status: Monitoring **IASB Next Milestone:** Review Research Q4 2024	UKEB project page
Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	
UKEB Project Status: Influencing (completed) **IASB Next Milestone:** Feedback Statement Q3 2024	UKEB project page UKEB Project Initiation Plan (Published June 2023) UKEB Draft Comment Letter (Published July 2023) UKEB Final Comment Letter (Published October 2023) UKEB Feedback Statement (Published October 2023) UKEB Due Process Compliance Statement (Published November 2023)

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List of IASB projects	
Post-implementation Review of IFRS 9—Impairment	
UKEB Project Status: Influencing (completed) **IASB Next Milestone:** Feedback Statement July 2024	**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) **UKEB Due Process Compliance Statement** (Published October 2023)
Power Purchase Agreements	
UKEB Project Status: Influencing **IASB Next Milestone:** Exposure Draft Feedback Q3 2024 Submit letter by: 07/08/2024	**UKEB project page** **UKEB Project Initiation Plan** (Published April 2024)
Provisions—Targeted Improvements	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft H2 2024	

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List of IASB projects	
Rate-regulated Activities	
UKEB Project Status: Monitoring **IASB Next Milestone:** IFRS Accounting Standard 2025	UKEB project page **(Pre-endorsement)** UKEB Preliminary Economic Assessment **(Published April 2024)** Influencing project: UKEB project page UKEB Final Comment Letter (Published August 2021) UKEB Feedback Statement (Published April 2022)
Updating the Subsidiaries without Public Accountability: Disclosures Standard	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft July 2024	
Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity (IAS 21)	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft July 2024	