14 December 2022
Agenda Paper 6

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

Updates on all the IASB projects the Secretariat is currently monitoring are provided in this paper. Comments or questions are welcomed on any topic, although the paper presents separately those topics the Secretariat suggests are prioritised for discussion and those presented as simply for noting.

Topics identified for discussion are listed below:

- Amendments to the Classification and Measurement of Financial Instruments
- Supplier Finance Arrangements
- Subsidiaries without Public Accountability
- Business Combinations under Common Control

Decisions for the Board

The Board is not asked to make any decisions.

1. Do Board members have any questions or comments on the updates provided in this paper, and in particular in respect of any of the topics identified for discussion?
2. In respect of the **IFRIC update**:
    1. Do Board members consider that either the Matter received but not yet presented to the Interpretations Committee or the Tentative Agenda Decision open for Comment has the potential to have a significant impact on UK Companies?

2. In respect of the Tentative Agenda Decision open for Comment, do Board members disagree with the tentative conclusion or the usefulness of the explanations?
Recommendation
N/A
Appendices
Appendix A List of IASB projects

UK Endorsement Board

Topics for Discussion

Amendments to the Classification and Measurement of Financial Instruments[1]

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft Q2 2023	UKEB project page

1. In November 2022, the IASB continued its discussion of the proposed amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. The aim of the proposed amendments is to respond to stakeholders' feedback on the IASB's *Request for Information Post-implementation Review of IFRS 9 – Classification and Measurement*.

2. This project covers the following three areas:

   a) Contractual cash flow characteristics – clarification of the requirements in IFRS 9 to assess whether a financial asset's contractual cash flows are solely payments of principal and interest (SPPI) and new requirements to disclose information about the variability in contractual cash flows for financial assets and financial liabilities not measured at fair value through profit or loss.

   b) Electronic cash transfers – proposed amendments to the derecognition requirements in IFRS 9 to permit an accounting policy choice to allow an entity to derecognise a financial liability before it delivers cash on the settlement date when specified criteria are met.

   c) Equity instruments and other comprehensive income – proposed amendments to IFRS 7 would require disclosure of (i) the aggregated fair value of equity investments for which the OCI presentation option is applied at the end of the reporting period; and (ii) changes in fair value recognised in other comprehensive income during the period.

3. **Expected timeline:** An Exposure Draft for the revised project is currently expected in Q2 2023 (the expected publication date was amended from H1 to Q2 2023).

4. A high-level summary of the IASB's recent tentative decisions – on the topics covered in the revised scope for this project – is presented in the following paragraphs.

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1 Previously called Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9)

Contractual Cash Flow Characteristics

5. In November, the IASB considered a sweep issue on the scope of transactions to which the requirements in IFRS 9 for contractually linked instruments (CLIs) apply.

6. The use of Special Purpose Entities (SPE) is common when obtaining a loan from a bank that is secured by specified assets of the borrower. To ringfence the borrower's assets and protect the bank's claim against the underlying assets from claims by other creditors, the borrower transfers the underlying assets into a SPE (which the borrower typically consolidates) and the bank makes a loan to the SPE. The fact pattern discussed by the IASB in November assumed the transaction has non-recourse features (which is one of the characteristics of CLIs[2]). The IASB discussion focused on how to apply the CLI requirements when there are only two debt instruments and the borrower (which is the sponsor of the SPE) holds the junior debt instrument.

7. The IASB staff analysis noted that if the borrower's investment in the SPE is in the form of equity instruments, the bank is the only investor and debt holder, therefore the structure will not be a CLI as there are no 'multiple contractually linked instruments' (which is one of the characteristics of CLIs).

8. If the borrower's investment in the SPE is in the form of a debt instrument, it might be considered a CLI because the structure seems to have the characteristics of CLIs (as tentatively agreed by the IASB in September). However, the staff noted that these types of lending arrangement are distinct from investments in CLIs and it was therefore not the IASB's intention to capture them in the CLI requirements. In these arrangements, the borrower is not an investor; rather it can be regarded as the ultimate counterparty to the lending bank, it consolidates the SPE (resulting in the junior debt instrument being eliminated), therefore the financing provided by the bank is the only debt instrument outstanding. The IASB staff therefore believe that the debt instrument held by the borrower does not constitute a separate debt instrument or 'tranche' when assessing whether a particular structure is within the scope of the CLI requirements.

9. The IASB agreed with the staff analysis and tentatively decided to clarify that when an entity determines whether a transaction contains CLIs as described in IFRS 9, any financial instruments held by the transferor of the underlying assets in the transaction are excluded.

Electronic cash transfers

10. In October, the IASB tentatively decided to develop an accounting policy choice to allow an entity to derecognise a financial liability before it delivers cash on the settlement date when specified criteria are met.

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2 For further information on CLIs, refer to Agenda Paper 7, paragraphs 18-21, UKEB October meeting here.

UK Endorsement Board

11. In November, the IASB further considered this accounting policy choice and decided not to expand the scope but to limit it to the derecognition of financial liabilities when payment is using electronic payment systems.

12. During the meeting, the IASB also suggested refinements to the proposed amendments and tentatively decided that an entity has an accounting policy choice to derecognise a financial liability before the settlement date when:

    a) the entity does not have the ability to withdraw, stop or cancel an electronic payment instruction;

    b) the entity has lost the practical ability to access the cash as a result of the electronic payment instruction; and

    c) the settlement risk associated with the electronic payment instruction is insignificant.

13. During the meeting it was noted that 'settlement risk' is considered insignificant if the payment system used has these characteristics:

    a) the period between the payment initiation date and the settlement date is relatively short and is standardised for the particular payment system concerned; and

    b) completion of the payment instruction follows a standard administrative process so that the debtor has reasonable assurance that the transfer will be completed and the cash will be delivered to the creditor.

Due process steps

14. The IASB tentatively decided to set a comment period of 120 days for the exposure draft being developed for the project. No IASB members indicated an intention to dissent from the proposals in the exposure draft.

15. 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 exposure draft.

16. **Next steps**: the IASB staff will prepare the exposure draft for balloting. The UKEB Secretariat will continue to seek input from relevant UKEB Advisory Groups as well as from the UKEB Financial Instruments Working Group when established.

Question for the Board
1. Do Board members have any questions or comments on the Amendments to the Classification and Measurement of Financial Instruments update?

Supplier Finance Arrangements

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

17. At the November meeting, 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 is presented in the paragraphs below.

Project approach

18. In November, the IASB tentatively decided to retain its current approach to this narrow-scope, disclosure only project, and to proceed with the proposal to add disclosure requirements about Supplier Finance Arrangements (SFA) to IFRS Accounting Standards.

19. This is aligned with the feedback in the UKEB comment letter to the IASB, in which we supported the proposals in the ED (subject to some suggested recommendations). We welcomed the narrow-scope project as a means of providing an urgent solution to user demands for enhanced disclosures and we also reiterated our request to the IASB for a comprehensive review, as a separate project, of IAS 7 *Statement of Cash Flows*.

Project scope

20. The Exposure Draft (ED) did not define supplier finance arrangements. It described the characteristics of an arrangement for which an entity would be required to provide the information proposed in the ED. The Basis for Conclusions in the ED noted that the IASB decided to describe SFAs in a manner that would capture all arrangements that provide financing of amounts an entity owes its suppliers in a similar way to reverse factoring arrangements.

21. In November, the IASB tentatively decided not to add characteristics to the description of SFAs or to define 'finance providers'. The IASB also tentatively decided not to change the scope or introduce scope restrictions or exclusions. When drafting the final standard, however, the IASB will consider adding examples to illustrate payment arrangements or instruments excluded from the scope. In addition, it was tentatively decided to refine some of the wording to specify that a SFA is characterised as an entity 'agreeing to pay according to the terms and conditions of the arrangement' rather than 'agreeing to pay the finance providers'.

22. This is aligned to feedback in the UKEB comment letter, where we supported the approach of not defining SFA but describing its characteristics. However, we

noted concerns on the clarity of the description and recommended clarification of the intended scope, perhaps by the way of application guidance.

Disclosure objective and requirements

23. The ED proposed introducing a disclosure objective to IAS 7. The UKEB comment letter supported the introduction of a disclosure objective but suggested expanding it to encompass the effects of SFAs on an entity's liquidity risk profile. Other stakeholder feedback to the IASB included suggestions such as adding the concept of materiality. In November the IASB decided to add a reference to liquidity risk, but to make no other changes.

24. The ED proposed specific disclosure requirements:

    a) Level of aggregation and disclosure of terms and conditions – The ED required disclosure of terms and conditions of 'each' SFA arrangement (aggregation was only permitted in certain circumstances). The UKEB comment letter recommended amending the proposal so that it refers to the 'key' terms and conditions that are 'relevant to meeting the disclosure objective'. In November, the IASB decided not to add the word 'key' but changed the level of aggregation. Entities will be required to aggregate information about SFAs and to disaggregate, if required, to avoid omitting or obscuring material information.

    b) Disclosure of the carrying amount and presentation of financial liabilities that are part of SFA – The ED required disclosure of carrying amounts and line item(s) in which financial liabilities that are part of SFA are presented in the entity's statement of financial position.

       The UKEB comment letter recommended disclosing, in the notes, the carrying amount of SFA presented in 'each' relevant line item (i.e. it should not be sufficient to disclose one single amount covering more than one line item). In order to enable users to understand the magnitude of an entity's SFAs, our letter also recommended requiring disclosure of an entity's accounting policy for the presentation of cash flows (that are part of SFAs), the amount of those cash flows and line item(s) in the Statement of Cash Flows where they are presented.

       In November, the IASB tentatively decided to clarify that if the carrying amount of financial liabilities that are part of SFAs is presented in more than one line item, an entity would be required to disclose each line item and the associated carrying amount presented in that line item. It also tentatively decided to add no requirement for an entity to disclose the line item(s) in which changes in financial liabilities that are part of SFAs are presented in the Statement of Cash Flows.

c) Disclosure of carrying amount of financial liabilities that are part of SFAs – The ED required disclosure of carrying amounts of financial liabilities for which suppliers have already received payment from the finance providers.

The UKEB comment letter expressed concerns, as entities might not have access to this information (as it is a contractual transaction between the finance provider and the supplier to which the entity is not a party). The UKEB recommended that the IASB carry out further work to determine whether in those circumstances the costs might outweigh the perceived benefit of such disclosure.

During the IASB November meeting it was noted that IASB staff (and some IASB members) had engaged with stakeholders with regard to this point. The IASB staff noted that the finance providers they spoke to said they were in a position to provide this information to entities (at an aggregated level) and didn't see any legal or other constraints. The IASB staff and one IASB member highlighted that investors considered this information very important for their work and, in some cases, it was mentioned this is the only data point they would use (from the entire package of disclosures arising from this project).

The IASB tentatively decided to proceed with requiring an entity to disclose the carrying amount of financial liabilities that are part of SFA for which suppliers have already received payment from the finance providers. Nine of 11 IASB members agreed with this decision. Some IASB members expressed concerns about requiring disclosure of information outside the entity's reporting boundary.

d) Disclosure of the range of payment due dates – The ED required disclosures of the range of payment due dates of both financial liabilities that are part of SFAs and of trade payables that are not part of a SFA. The UKEB comment letter did not specifically comment on this requirement.

In November, the IASB tentatively decided to keep this disclosure requirement and to clarify that when an entity discloses the range of payment due dates of financial liabilities that are part of a SFA, and of trade payables that are not part of such an arrangement, the financial liabilities and trade payables should be on a comparable basis.

e) Comparative information – The ED required disclosures for SFAs as at the beginning and end of the reporting period. The UKEB comment letter recommended disclosure of cash flows to enable users of financial statements to understand the magnitude of the entity's SFAs throughout the period, as opposed to only disclosing balances at specific points in time (i.e. at the beginning and end of the reporting period).

The IASB tentatively decided to proceed with the proposal to require an entity to disclose quantitative information at the beginning and end of each reporting period.

Examples and other comments

25. The ED proposed adding SFAs as an example of disclosures of changes in liabilities arising from financing activities (IAS 7) and about an entity's exposure to liquidity risk (IFRS 7).

26. The UKEB comment letter was supportive of the IASB's proposals but suggested enhancing them by extending the disclosure requirement for non-cash transactions in IAS 7 to SFAs arising from operating activities and giving appropriate prominence to the disclosure requirement of concentration of liquidity risk.

27. In November the IASB tentatively decided against proceeding with the proposed amendments to the example in IAS 7 but instead to add a clarification in the Basis for Conclusions. Six of 11 Board members agreed with this decision.

28. The IASB also tentatively decided to proceed with most of the proposed amendments to IFRS 7, without making them more prescriptive.

29. **Next steps:** During the meeting there was no indication on the IASB's next steps, however, the IASB work plan indicates an IFRS Accounting Standard Amendment by Q2 2023 as the next milestone for the project.

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

UK Endorsement Board

Disclosure Initiative—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)**

30. The IASB has been considering feedback received on the Subsidiaries without Public Accountability: Disclosures exposure draft[3] (the ED). The IASB's November 2022 meeting considered the remaining aspects on the scope of the proposed standard, that is, the eligibility criteria.

31. Paragraph 6 of the ED proposed the following scope for the proposed standard:

An entity is permitted to apply this draft Standard in its consolidated, separate or individual financial statements if and only if, at the end of its reporting period, it:

a) is a subsidiary;

b) does not have public accountability; and

c) has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Standards.

Subsidiary at the end of the reporting period

32. Our Final Comment Letter (FCL) did not comment on this eligibility criterion. However, during outreach meetings the IASB was asked to consider permitting entities that have ceased to be eligible subsidiaries close to the end of the reporting period to apply the proposed standard. These respondents said it would be difficult for such entities to make necessary changes to reporting systems and processes to move to either full IFRS Accounting Standards or local GAAP (including the *IFRS for SMEs* Accounting Standard).

33. Most IASB Board members supported the staff recommendation that an entity is permitted to apply the proposed standard in its consolidated, separate or individual financial statements if and only if, at the end of its reporting period, it is a subsidiary primarily because:

a) The issue was raised by few respondents and therefore not widespread.

3 The IASB's Exposure Draft can be found here

b) This is a disclosure issue and therefore less challenging to transition compared to a recognition and measurement issue.

c) If a transition relief is provided, an arbitrary cut-off period would be needed which would create challenges for the IASB due to the need to address different situations.

d) The ED proposal is easier to apply without the need for subjective interpretation.

34. One IASB member did not support the staff recommendation. In his view it is sensible to provide a temporary transition relief. That IASB member also disagreed with the staff argument that an entity ceasing to be a subsidiary would usually have been planned for some time.

35. The IASB tentatively decided to confirm this eligibility criterion as proposed in the ED.

Ultimate or intermediate parent producing consolidated financial statements that comply with IFRS Accounting Standards

36. Feedback received by the IASB on the ED included a suggestion to permit subsidiaries without public accountability to apply the proposed standard regardless of the generally accepted accounting principles (GAAP) applied in the parent's consolidated financial statements.

37. The UKEB comment letter highlighted the concerns of UK stakeholders on this eligibility criterion of the ED and suggested the IASB undertake further research and outreach to address this issue at an international level. Failing an international solution, the UKEB considered that this issue may warrant local jurisdiction-based solutions, for example, by extending the scope as currently set out in the ED to incorporate accounting regimes deemed equivalent by the local listing authorities. At the June 2022 Board meeting, this issue was highlighted as a challenge to address on UKEB's future endorsement and adoption of the standard[4].

38. Most IASB members agreed that the proposed standard should be available only to a subsidiary whose ultimate or intermediate parent produces consolidated financial statements that comply with IFRS Accounting Standards mainly because:

a) This is consistent with the objective of the project based on feedback to the Request for Views: *2015 Agenda Consultation* where stakeholders—mainly preparers—requested that the IASB permit subsidiaries with a parent that applies IFRS Accounting Standards in its consolidated financial

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4 See paragraphs 23-28 of Appendix 3 of Agenda Paper 4 of the June 2022 meeting.

statements to apply IFRS Accounting Standards with reduced disclosure requirements.

b) Defining 'equivalence' to IFRS is beyond the scope of this project and is the role of regulators rather than the IASB as a global standard setter. Market authorities in some jurisdictions, for example in the US and Europe, have already defined 'equivalence' to IFRS.

c) This is consistent with IASB's previous tentative decision for a narrow scope because the IASB prefers to proceed 'cautiously'. The IASB could re-examine this issue during post-implementation if there is overwhelming feedback on this aspect of the scope of the proposed standard.

39. An IASB member who was neutral on the staff recommendation disagreed with the staff's rationale that it is questionable whether the cost-benefit analysis would be similar if the subsidiary's parent entity does not comply with IFRS Accounting Standard. In his view, extending the scope to subsidiaries with ultimate or intermediate parent producing non-IFRS consolidated financial statements would lead to greater cost saving.

40. The IASB tentatively decided to confirm this eligibility criterion as proposed in the ED.

Available for public use

41. Some respondents asked the IASB to clarify whether financial statements are available for public use in specific situations in their jurisdictions. For example, where the filing of the parent's financial statements is required with a governing regulatory body, but:

a) the public cannot access such financial statements;

b) access is permitted at the regulator's discretion for only certain users, such as banks or financial institutions for credit evaluation; or

c) access is permitted to the public on request or on payment of a prescribed fee.

42. Whilst the UKEB FCL did not comment on this eligibility criterion, we provided input on this aspect relating to scope at the September 2022 ASAF meeting. In particular, we were neutral on removing or retaining the requirement 'available for public use'.

43. The IASB staff recommended not to proceed with the proposal in the ED, i.e. recommended removing the requirement 'available for public use' in the final standard.

44. There were mixed views among IASB members on this aspect relating to the scope. Those IASB members in favour of retaining the requirement 'available for public use' mentioned:

    a) The need to maintain consistency with IFRS 10.

    b) The fact that the PIR of IFRS 10 did not identify major concerns about the interpretation of 'available for public use'.

    c) The fact that it is in line with the IASB's previous tentative decision for a narrow scope at this stage.

    d) That it would be inconsistent to require that the ultimate or intermediate parent produce consolidated financial statements that comply with IFRS Accounting Standards while not requiring those consolidated financial statements to be 'available for public use'.

45. Those IASB members in favour of removing the requirement 'available for public use' said:

    a) It is practical solution and would simplify the application of the proposed standard.

    b) It would avoid the need for the IASB to provide guidance on the concept.

    c) The disclosure requirements of the proposed standard are designed to meet the needs of users of eligible subsidiaries' financial statements and should not be contingent on the financial statements of the ultimate or intermediate parent.

    d) The objective of the project was not limited to groups that make their accounts available for public use.

46. The IASB tentatively decided to confirm this eligibility criterion as proposed in the ED.

Next steps:

47. The IASB's redeliberation at its November 2022 meeting completed its discussion on the scope of the proposed standard.

48. The IASB staff plan to present the following papers in December 2022 to continue the IASB's redeliberation of the ED proposals:

    a) **Applying the draft Standard**: statement of compliance with IFRS Accounting Standards

    b) **Proposed disclosure requirements:**

i. disclosure requirements in IFRS 8 *Operating Segments*, IFRS 17 *Insurance Contracts* and IAS 33 *Earnings per Share* which remain applicable and excluded from the ED; and

ii. comments received on IAS 34 *Interim Financial Reporting.*

49. The UKEB Secretariat will continue to monitor IASB discussions, particularly around the proposed disclosure requirements.

Question for the Board
3. Do Board members have any questions or comments on the Subsidiaries without Public Accountability update?

UKEB
UK Endorsement Board

Business Combinations under Common Control[5]

UKEB Project Status: Influencing Completed **IASB Next Milestone**: Decide Project Direction	UKEB project page UKEB Final Comment Letter **(Published September 2021)**

50. At its November 2022 meeting, the IASB moved away from their previous approach of considering the conceptual answer to the question of which measurement technique to use, to be followed later by consideration of practical factors, to instead consider both conceptual and practical issues holistically. The conceptual factors include the similarity of Business Combinations under Common Control (BCUCC) and IFRS 3 Business Combinations, and user information needs. The practical factors include the cost-benefit trade-off, structuring opportunities, and other practical considerations.

51. The UKEB comment letter recommended that any entity which qualifies to use a book-value method should have the option to use the acquisition method if they wish to do so. The IASB staff paper maintained the recommendation that a book-value method should apply to all BCUCCs that do not affect non-controlling shareholders (NCS)[6]. In discussion only one Board member suggested that entities that qualify to use a book-value method should be given an option to use the acquisition method.

52. Based on analysis of feedback received on the discussion paper, the IASB staff recommended two new exceptions.

a) **"Insignificant" NCS.** New exceptions to permit the use of a book-value method are being considered where the non-controlling shareholders are "insignificant" or objections to the use of the book-value method are from "insignificant" non-controlling shareholders. Staff note that when non-controlling shareholders are insignificant there are fewer structuring opportunities and the cost/benefit considerations of using the acquisition method are harder to justify.

b) **Government-related entities.** A new exception to permit use of a book value method when the controlling entity is a government-related entity. Staff note that in such cases the BCUCC may have characteristics that may affect the applicability of the acquisition method and the usefulness of information provided.

5 This is expected to be discussed at the December 2022 ASAF meeting.
6 Agenda paper 23A of IASB November 2022 meeting, paragraph 26(b) can be found here.

c) Staff are also considering how these new exceptions could be packaged together with the original "optional exemption" and "related party exception" included in the previous discussion paper.

53. In discussion the IASB members appeared open to the idea of an insignificant NCS exception. However, most of the IASB members questioned the definition of 'insignificant'. A few IASB members mentioned that both quantitative and qualitative factors should be considered when defining 'insignificant'. The IASB staff were instructed to further consider the question of definition and report back at a future meeting.

54. There was limited discussion on the government-related entity exception. One IASB member asked for more clarity on the scope of the exception because the proposed exception is only applicable for those BCUCCs with a government as the controlling party and this may exclude all entities in certain jurisdictions from using the exception. Another Board member questioned why a specific exception for government-related entities should be considered given there is no comparable exception in IFRS 3 to address the government impact.

Question for the Board
4. Do Board members have any questions or comments on the Business Combinations under Common Control update?

Topics for Noting

International Tax Reform – Pillar Two Model Rules

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft (expected January 2023)	

55. In 2021 the Organisation for Economic Co-operation and Development (OECD) released new 'Global Anti-Base Erosion' (GloBE) rules, the Pillar Two model rules, designed to ensure that large multinationals pay a minimum amount of tax arising in each jurisdiction in which they operate. The rules aim to put a floor on tax competition by introducing a global minimum corporate tax rate of 15%.

56. The Pillar Two model rules are expected to be passed into UK legislation in 2023 and to apply from 2024.

57. Stakeholders have informed the IASB of concerns over the implications of the Pillar Two model rules for the accounting for income tax under IAS 12:

    a) it is not clear how to account for 'top-up' tax; and

    b) it is not clear that accounting for deferred tax in respect of 'top-up' tax would lead to useful information.

58. Stakeholders have also highlighted the urgent need for clarification given the imminent enactment of the Pillar Two model rules.

59. At its November 2022 meeting, the IASB decided to amend IAS 12 in order to:

    a) introduce a temporary exception from accounting for deferred tax arising from the Pillar Two model rules; and

    b) require specific disclosures explaining how the Pillar Two model rules apply to an entity.

60. The IASB plans to introduce the amendments to IAS 12 on an accelerated timetable, issuing an exposure draft in early-mid January 2023 with a 60-day comment period.

61. The Pillar Two model rules and the implications for tax accounting are complex and we propose bringing further information to the Board in January 2023. In the meantime, a link to the November IASB staff paper providing detailed information, including an illustration of how top-up tax would be calculated, is here. We expect to bring a project plan and Draft Comment Letter to the Board in early 2023.

Rate-regulated Activities

UKEB Project Status: Active Monitoring **IASB next milestone:** IFRS Accounting Standard (not before 2024)	UKEB project page UKEB Final Comment Letter **(August 2021)**

62. The IASB is continuing its redeliberations following feedback on its Exposure Draft *Regulatory Assets and Regulatory Liabilities* (RRA ED)[7].

63. The ED did not propose capitalisation of borrowing costs to an asset not yet available for use, nor did it propose that any amendments be made to IAS 23 *Borrowing Costs*. Consequently, the UKEB comment letter[8] did not make any recommendations regarding this topic. This topic arose from the IASB's redeliberations on the proposed treatment of regulatory returns on an asset not yet available for use.

64. The IASB tentatively decided that where an entity's regulatory capital base and its property, plant and equipment have a direct relationship, and the entity capitalises its borrowing costs:

    a) If the regulatory agreement provides the entity with both debt and an equity return on an asset not yet available for use—to require the entity to reflect only those returns in excess of the entity's capitalised borrowing costs in the statement of financial performance during the construction period; and

    b) If the regulatory agreement provides the entity with only a debt return on such an asset—to prohibit the entity from reflecting the return in the statement of financial performance during the construction period.

65. The IASB also discussed advice from its Consultative Group for Rate Regulation on the interaction between regulatory returns on assets not yet available for use and an entity's capitalisation of borrowing costs incurred in constructing the asset. The IASB was not asked to make any decisions on this.

66. **Next steps**—The IASB will continue its redeliberation of the feedback received on the ED at future meetings.

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

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7 The IASB's Exposure Draft can be found here.
8 The UKEB's comment letter can be found here

UK Endorsement Board

Post-implementation Review of IFRS 9 – Classification and Measurement

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Feedback Statement December 2022	UKEB project page UKEB Final Comment Letter **(Published January 2022)**

68. In November, the IASB discussed feedback from its *Post-implementation Review of IFRS 9 Financial Instruments – Classification and Measurement* and decided to take no further action on the matters identified in the feedback on IFRS 9 relating to the requirements for classification and measurement of financial liabilities and the presentation of changes in own credit risk.

69. During the meeting the IASB decided that adequate work had been completed to conclude the Post-implementation Review and for the staff to prepare the report and feedback statement on the review.

70. **Next steps**: The IASB will publish a Report and Feedback Statement (expected in December 2022). The UKEB Secretariat will continue to monitor the IASB discussions and related publications.

UK Endorsement Board

Goodwill and Impairment

UKEB Project Status: IASB Next Milestone: Vote on proposed disclosure package December 2022	UKEB project page UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model (September 2022)

71. At its November 2022 meeting, the IASB voted on whether to continue to explore whether to reintroduce amortisation of goodwill. The staff recommendation in the board paper was to retain the impairment-only model and not to continue to explore whether to reintroduce amortisation of goodwill.

72. The IASB Chair stated that a decision to continue to explore whether to reintroduce amortisation of goodwill should be made only if there was a compelling case for change from the current impairment-only model. The IASB Chair noted that the vote was not on which model was best for subsequent measurement of goodwill, but rather whether there was a case for change.

73. The IASB voted not to continue to explore the reintroduction of amortisation (10 votes out of 11). Three board members noted that in their opinion amortisation was the best model, but that they did not see a compelling case for change at present.

74. The following points were made during the IASB's discussion:

    a) An extensive evidence-base was considered in reaching the staff recommendation. That evidence was taken from the responses to the Discussion Paper Business Combinations: Disclosures, Goodwill and Impairment and from subsequent research.

    b) Stakeholders had divergent and strongly-held views on the subsequent measurement of goodwill.

    c) Since acquisitions are unique, it is difficult to arrive at one single 'best' model for subsequent measurement of goodwill. Different views on the best model may arise because in some cases goodwill is a wasting asset, in other cases it is a non-wasting asset, and in other cases it is an acquisition premium.

    d) The disclosures aspect of the project is important.

    e) Non-convergence with US GAAP would increase costs for preparers and investors.

    f) Maintaining the status quo now does not tie the Board's hands in future should further evidence become available e.g., from the intangibles project.

75. The IASB is expected to continue its work aimed at improving the impairment-only model. This is likely to address improved disclosures about goodwill, potentially including some disclosures recommended by the UKEB.

IFRS Interpretations Committee

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

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

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

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

77. A summary of the latest matters considered by the Interpretations Committee at its November 2022 meeting is set out below.

Matters received but not yet presented to the Interpretations Committee

Topic	**Guarantee over a derivative contract**
Standard	IFRS 9
Question*	Whether, applying IFRS 9 *Financial Instruments*, an entity accounts for a guarantee over a derivative contract as a financial guarantee contract or a derivative financial instrument
Topic	**Homes and home loans provided to employees**
Standard	IAS 19/IFRS 9
Question*	How an entity accounts for homes and loans to buy homes provided to its employees
Topic	**Insurance premiums receivable from an intermediary (see requests 1 and 2)**[9]
Standard	IFRS 17/IFRS 9
Question*	Whether receivables from an intermediary for premiums under an insurance contract are within the scope of IFRS 17 Insurance Contracts or IFRS 9.

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

9 These matters were discussed with the Board as part of the November 2022 IFRS 17 – Implementation Update

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Matters under consideration by the Interpretations Committee

TENTATIVE AGENDA DECISIONS OPEN FOR COMMENT	
Topic	Definition of a lease—Substitution rights
Standard	IFRS 16
Comments due	6 February 2023
Question*	The request asked about: a) the level at which to evaluate whether a contract contains a lease—by considering each asset separately or all assets together—when the contract is for the use of more than one similar asset. b) how to assess whether a contract contains a lease applying IFRS 16 when the supplier has particular substitution rights—ie the supplier: i. has the practical ability to substitute alternative assets throughout the period of use; but ii. would not benefit economically from the exercise of its right to substitute the asset throughout the period of use.
Tentative conclusion*	In the fact pattern described in the request, the customer is able to benefit from use of each asset (a battery) together with other resources (a bus) available to it and each battery is neither highly dependent on, nor highly interrelated with, the other batteries in the contract. Therefore, the Committee concluded that, in the fact pattern described in the request, applying paragraph B12, the customer assesses whether the contract contains a lease—including evaluating whether the supplier's substitution right is substantive—for each potential separate lease component, that is, for each battery. In the fact pattern described in the request, each battery is specified. Even if not explicitly specified in the contract, a battery would be implicitly specified at the time it is made available for the customer's use. Therefore, the Committee observed that, unless the supplier has the substantive right to substitute the battery throughout the period of use, each battery is an identified asset. To assess whether the contract contains a lease, the customer would then apply the requirements in paragraphs B21–B30 of IFRS 16 to determine whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from use, and direct the use, of each battery.

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

Questions for the Board	
5.	Do Board members consider that either the Matter received but not yet presented to the Interpretations Committee or the Tentative Agenda Decision open for Comment has the potential to have a significant impact on UK Companies?
6.	In respect of the Tentative Agenda Decision open for Comment, do Board members disagree with the tentative conclusion or the usefulness of the explanations?

TENTATIVE AGENDA DECISIONS CLOSED FOR COMMENT	
Topic	None to report
Standard	
Next Step	
Question*	
Tentative conclusion*	
Observation	

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

Agenda decisions ratified by IASB

Topic	None to report
Standard	
Question*	
Conclusion*	

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

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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 Q2 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 September 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).

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List of IASB projects	
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 Feb 2023	UKEB project page UKEB Final Comment Letter (Published December 2021)
Dynamic Risk Management	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft	

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

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List of IASB projects	
Equity Method	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction	
Extractive Activities	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction Q2 2023	
Financial Instruments with Characteristics of Equity	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft H2 2023	

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List of IASB projects	
Goodwill and Impairment	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction December 2022	UKEB project page UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model (Published September 2022)
International Tax Reform—Pillar Two Model Rules	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft H2 2023	
Lack of Exchangeability (Amendments to IAS 21)	
UKEB Project Status: **IASB Next Milestone:** Decide Project Direction December 2022	UKEB project page UKEB Final Comment Letter (Published September 2021)

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List of IASB projects	
Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information H1 2023	
Post-implementation Review of IFRS 9—Classification and Measurement	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Feedback Statement December 2022	**UKEB project page** **UKEB Final Comment Letter** (Published January 2022)
Post-implementation Review of IFRS 9—Impairment	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information Q2 2023	

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List of IASB projects	
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)

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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)