13 July 2023
Agenda Paper 9

IASB General Update

Executive Summary

Project Type	Monitoring
Project Scope	Various

Purpose of the paper

This paper provides the Board with an update on projects the Secretariat is currently monitoring, including the work of the IFRS Interpretations Committee.

As agreed with the Board, the Secretariat monitors projects being undertaken by the IASB and IFRS Interpretations Committee. This is undertaken to inform the Board about the progress and decisions being made by the IASB on active projects. Discussion by the Board may also help inform interactions with international standard setter meetings, including the IASB's Accounting Standards Advisory Forum (ASAF).

Summary of the Issue

Topics covered by the IASB at its June meeting included:

Topics identified for discussion:

- Subsidiaries without Public Accountability: Disclosures
- IFRIC Agenda Decisions Update

Topic identified for noting:

- Rate-regulated Activities

Whilst the Primary Financial Statements and Equity Method projects were also discussed by the IASB at its June 2023 meeting, these topics will be discussed in more detail at a future Board meeting.

Questions and decision for the Board

<u>Items for discussion</u>

Subsidiaries without Public Accountability: Disclosures

1. Do Board members have any questions or comments on the IASB's tentative decisions on the revisions to the proposed disclosure requirements in the ED?

2. Do Board members have any questions or comments on any of the IASB's tentative decisions (excluding in relation to Topic 3, which is addressed in Question 1 above)?

IFRIC Agenda Decisions Update   1. Do Board members agree that the UKEB will NOT respond to the Interpretations Committee Tentative Agenda Decision currently open for comment?   **Items for noting**   1. Do Board members have any questions or comments on the update for noting?
Recommendation
N/A
Appendices
Appendix A Subsidiaries without Public Accountability: Disclosures   Appendix B Rate-regulated Activities   Appendix C IFRIC Agenda Decisions Update   Appendix D List of IASB projects

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Appendix A: Subsidiaries without Public Accountability: Disclosures

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

Background

A1. In October 2022, the IASB decided on an approach to analysing the feedback on the proposed disclosure requirements in the forthcoming standard[1].

A2. Following a decision on the approach, the IASB continued its discussion on the proposals in the **Exposure Draft Subsidiaries without Public Accountability: Disclosures** (the ED) as part of its project on reduced disclosure for subsidiaries without public accountability.

A3. At its April and May 2023 meetings the IASB discussed the feedback received and considered whether to revise any of the proposed disclosure requirements in the forthcoming standard.

A4. At its June 2023 meeting the IASB discussed whether any of the feedback received on the proposed disclosure requirements and proposed clarification to the definition of public Accountability on the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard*[2] needs to be taken into consideration in finalising the forthcoming standard.

[1] See paragraph 104 of Agenda Paper 8 of the November 2022 UKEB meeting for an overview of the approach. See paragraph A21-A22 of this paper for the principles applied by the IASB including the factors taken into consideration in reducing disclosure requirements for the forthcoming standard.

[2] In September 2022, the IASB published Exposure Draft Third edition of the *IFRS for SMEs* Accounting Standard. The Exposure Draft was open for comment for 180 days, which ended on 7 March 2023.

A5. As a result of these discussions the IASB made some tentative decisions. At this meeting we would like to ask the Board for any comments on these decisions. The topics discussed at the April, May and June 2023 meetings were:

a) **disclosure objectives;**

b) **relief from providing comparative information;**

c) the feedback on the **proposed disclosure requirements** in the ED;

d) **guidance on how to apply the disclosure requirements**;

e) **updating the language of the disclosure requirements** to be the same as in IFRS Accounting Standards;

f) **disclosure requirements about transition** in other IFRS Accounting Standards;

g) **new disclosure requirements** in IFRS Accounting Standards that have been issued or will be issued after the ED was published;

h) proposed consequential amendments to the forthcoming standard in the **forthcoming Exposure Draft *Financial Instruments with Characteristics of Equity* ("the FICE ED")**;

i) feedback on proposed disclosure requirements in the Exposure Draft *Third edition of the* IFRS for SMEs *Accounting Standard;* and

j) proposed clarification to the **definition of public accountability**.

A6. For each of these topics we provide some background information around the IASB's tentative decisions (i.e. how they relate to the ED proposals and the IASB's rationale for making those decisions). When applicable we have included commentary on the consistency of these decisions with the UKEB's recommendations.

Topic 1: Disclosure objectives

Background

A7. In developing the proposed disclosure requirements in the ED, the IASB excluded disclosure objectives included in IFRS Accounting Standards because including them might result in eligible subsidiaries being compelled to provide the same disclosures as if they had not applied the forthcoming standard[3].

A8. Some respondents disagreed with the ED proposal because in their view disclosure objectives are helpful in achieving 'fair presentation' as required by IAS 1 *Presentation of Financial Statements*, and not having them could compromise the reliability and completeness of the information required to enable the users of the financial statements to make informed decisions.

IASB tentative decision

A9. All IASB members agreed with the IASB staff recommendation to retain the ED proposal because including disclosure objectives would be contrary to the project objective i.e. eligible subsidiaries might feel compelled to comply with the disclosure requirements in full IFRS in order to meet the objective.

A10. One IASB member was concerned that it is not always clear whether a disclosure requirement is an objective. Whilst removing disclosure objectives in the forthcoming Standard may impact the development of new disclosure requirements in IFRS Accounting Standards, IASB members generally agreed on flexibility for the inclusion of disclosure objectives and guidance in IFRS Accounting Standards.

A11. The IASB tentatively decided not to include disclosure objectives in the forthcoming standard.

Consistency with UKEB's recommendations

A12. In its Final Comment Letter (FCL) the UKEB expressed support for excluding disclosure objectives in IFRS Accounting Standards from the forthcoming standard. We agreed with the IASB's rationale in the ED for excluding disclosure objectives and believe this will avoid the challenges with an objective-based approach to disclosures for subsidiaries without public accountability, as highlighted in our comment letter on the IASB's ED Disclosure Requirements in IFRS Standards–A Pilot Approach (Proposed Amendments to IFRS13 and IAS 19).

3 See paragraph BC41 of the Basis for Conclusions on the Exposure Draft.

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Topic 2: relief from providing comparative information

Background

A13. The *IFRS for SMEs* Accounting Standard does not require comparative information to be presented for some disclosures, specifically on the reconciliation of the movements of certain assets and liabilities (for example, comparative information need not be provided for investment property, property, plant and equipment, intangible assets and provisions)[4].

A14. The rationale for providing such relief in the *IFRS for SMEs* Accounting Standard was to avoid lengthy note disclosures that would repeat a prior year disclosure and would be available from prior year financial statements.

A15. In developing the proposed disclosure requirements in the ED, the relief was also proposed for IAS 16 *Property. Plant and Equipment*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, IAS 38 *Intangible Assets* and IAS 40 *Investment Property*[5].

A16. Some respondents to the ED suggested to the IASB that the comparative information for these reconciliations should be required.

IASB tentative decision

A17. The IASB staff paper observed that removing the relief for comparative information would be an exception to the IASB's approach to developing the disclosure requirements and do not identify any reason why the eligible subsidiaries should not be provided with this relief[6].

A18. One IASB member disagreed with the staff recommendation. In his view, 'length' is not a qualitative characteristic of useful information in financial statements. His concern is when a company changes its accounting policy, referring to prior year financial statements for comparative information will not provide valid information to users. Other IASB members pointed out that when there is a change in accounting policy, IAS 8 disclosure requirements in the ED will require comparative information to be provided.

A19. The IASB tentatively decided to retain the ED proposal i.e. provide relief from providing comparative information for some of the proposed disclosure requirements.

4 See paragraphs 16.10(e), 17.31(e), 18.27(e) and 21.14 of the *IFRS for SMEs* Accounting Standard, respectively.
5 See paragraphs 148(e), 196, 201(e), 207(b) and 209(d) of the ED, respectively.
6 Refer to paragraph 27 in IASB agenda paper 31A (April 2023)

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UKEB Secretariat views

A20. This topic was not covered in the FCL. The Secretariat is of the view that the IASB's tentative decision to retain the relief as proposed in the ED will contribute to cost savings for preparers and is unlikely to result in a significant loss of usefulness of information for users. Therefore, this relief achieves an appropriate balance of costs for preparers and users' information needs.

Topic 3: Proposed disclosure requirements

A21. The principles applied by the IASB for reducing disclosure requirements consider the information needs of users of non-publicly accountable entities and, in particular, that these users find information on the following useful:

a) short-term cash flows, obligations, commitments and contingencies;

b) liquidity and solvency;

c) measurement uncertainty;

d) accounting policy choices; and

e) disaggregation of amounts.

A22. In October 2022, the IASB agreed to assess the feedback on the proposed disclosure requirements taking into consideration these principles including the following factors:

a) Cost–benefit considerations—whether the feedback would lead to a better balance between the costs and benefits of applying the requirements.

b) Distribution of the comment—whether the comment is specific to a particular jurisdiction or a particular stakeholder group.

c) Overall usefulness of information—whether the overall disclosure requirements for a topic or a standard provides useful information to users of eligible subsidiaries' financial statements.

d) IASB decision(s)—whether the proposed disclosure requirement has been specifically discussed by the IASB and the feedback provides further insights.

A23. The table below summarises the IASB's tentative decisions on revisions to the proposed disclosure requirements in ED (that is, the table summarises the ***changes*** from the ED):

IFRS Accounting Standard	IASB tentative decision	IASB's rationale
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	Remove paragraph 25(a) from the ED (transition from previous GAAP to IFRS Standards—description of the nature of each change in accounting policy).	Proposed disclosure is more onerous than IFRS 1.
IFRS 3 *Business Combinations*	Add paragraph B64(j)(i) of IFRS 3 to the forthcoming standard (description of the nature of contingent liability assumed in a business combination).	Provides information about contingencies and measurement uncertainties.
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*	Add paragraph 33(c) of IFRS 5 to the forthcoming standard (net cash flows attributable to the operating, investing and financing activities of discontinued operations).	Provides information about short-term cash flows.
	Add paragraph 41(d) of IFRS 5 to the forthcoming standard (non-current asset (or disposal group) that has been classified as held for sale or sold—if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8).	Consistent with the IASB's approach on IFRS 8 *Operating Segments.*

IFRS Accounting Standard	IASB tentative decision	IASB's rationale
IFRS 7 *Financial Instruments: Disclosures*	Remove the following paragraphs from the ED: • Paragraph 55 (risk management strategy for each risk category of risk exposures that an entity decides to hedge and for which hedge accounting is applied). • Paragraph 60 (transition to alternative benchmark rates—description of changes to risk management strategy if the changes resulted from risks to which the entity is exposed arising from financial instruments).	Other proposed disclosure requirements provide similar information (e.g. paragraph 56 of the ED requires separate disclosure of risk exposure that an entity decides to hedge, and for which hedge accounting is applied).
	Restrict application of the following paragraphs in the ED to eligible subsidiaries that provide financing to customers as a main business activity: • Paragraph 62 (credit risk management practices and how they relate to the recognition and measurement of expected credit losses). • Paragraph 66 (explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance). • Paragraph 67 (credit risk exposure— gross carrying amount of financial assets and the exposure to credit	Considering costs and benefits of applying the proposed disclosure requirements for IFRS 7.

IFRS Accounting Standard	IASB tentative decision	IASB's rationale
IFRS 7 Financial Instruments: Disclosures	risk on loan commitments and financial guarantee contracts).	
	Add paragraph 39 of IFRS 7 (disclosures relating to liquidity risk) to the forthcoming standard.	Provides information about liquidity and solvency.
IFRS 12 *Disclosure of Interests in Other Entities*	Align paragraph 68 in the ED with paragraph B4 of IFRS 12 i.e. add 'joint operations' to paragraph 68 of the draft standard. Note: Paragraph B4 of IFRS 12 requires an entity to present information separately for interests in: subsidiaries, joint ventures, joint operations, associates and unconsolidated structured entities whereas paragraph 68 in the ED requires an entity to present information separately for interests in: subsidiaries, joint ventures and associates.	Clarifies how information required is presented.
	Add the following paragraphs of IFRS 12 to the forthcoming standard: • Paragraph 14—terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity.	Provides information about (i) cash flows, obligations and commitments, and (ii) liquidity and solvency.

IFRS Accounting Standard	IASB tentative decision	IASB's rationale
	• Paragraph 15—type and amount of support provided and reasons for providing the support to a consolidated structured entity, in cases when there is no contractual obligation to do so. • Paragraph 19D(b)—disclosures by an investment entity of any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary. • Paragraph 19E— disclosures by an investment entity of any current commitments or intentions to provide financial or other support to an unconsolidated subsidiary, in cases when there is no contractual obligation to do so. • Paragraph 19F—An investment entity should disclose terms of any contractual arrangements that could require the entity or its unconsolidated subsidiaries to provide financial support to an unconsolidated, controlled, structured entity, including events or circumstances that could expose the reporting entity to a loss. • Paragraphs 30 and 31 of IFRS 12 (actual or intention to provide financial or other support to an unconsolidated structured entity when there is no contractual obligation to do so).	

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IFRS Accounting Standard	IASB tentative decision	IASB's rationale
FRS 13 *Fair Value Measurement*	Delete paragraph 81 of the ED (requirement to provide sufficient information to permit reconciliation to the line items presented in the statement of financial position).	This disclosure is based on paragraph 94 of IFRS 13 and provides guidance on determining 'classes' for the purpose of the disclosure required by paragraph 79 of the ED.
IFRS 15 *Revenue from Contracts with Customers*	Delete paragraph 93 of the ED (explanation of significant changes in contract asset and contract liability balances during the reporting period).	Cost–benefit reasons
	Add paragraph 119(a) of IFRS 15 to the forthcoming standard (a description of when the entity typically satisfies its performance obligations).	Provides information about accounting policy choices.
IFRS 16 *Leases*	Delete paragraph 100(d) of the ED (lessee disclosure of maturity of total of future lease payments).	Other proposed disclosure requirements provide similar information.
	Delete paragraph 105 of the ED (practical expedient in IFRS 16 for rent concessions).	Relates to the Covid-19 practical expedients—unlikely to be applicable when the forthcoming standard is issued.

IFRS Accounting Standard	IASB tentative decision	IASB's rationale
	Add the following paragraphs of IFRS 16 to the forthcoming standard: • Paragraph 53(e) (lessee disclosure of expense relating to variable lease payments not included in the measure of lease liabilities). • Paragraph 53(g) (lessee disclosure of total cash flow for leases) of IFRS 16.	Provides information about cash flows.
	Add paragraph 53(i) of IFRS 16 (lessee disclosure of gains or losses arising from sale and leaseback transactions) to the forthcoming standard.	Sale and leaseback requirements in IFRS 16 are significantly different from the *IFRS for SMEs* Standard which is based on IAS 17 *Leases.*
IAS 1 *Presentation of Financial Statements*	Remove paragraphs 120–122 from the ED (structure of the notes to the financial statements). Retain paragraphs 112–114 of IAS 1 as applicable *in situ* (structure of the notes to the financial statements ie present notes in a systematic manner, examples of systematic ordering or grouping of the notes).	Consistent with the IASB's tentative decisions to not include guidance in the new Standard.
	Add paragraph 137 of IAS 1 to the to the forthcoming standard (amount of dividends proposed or declared before the financial statements were authorised for	Provides information about liquidity and solvency.

IFRS Accounting Standard	IASB tentative decision	IASB's rationale
	issue but not recognised as a distribution to owners during the period, and the related amount per share and the amount of any cumulative preference dividends not recognised).	
IAS 12 *Income Taxes*	Delete paragraph 145 of the ED (disclose information that enables users of its financial statements to evaluate the nature and financial effect of the current and deferred tax consequences of recognised transactions and other events).	Disclosure objective.
IAS 19 *Employee Benefits*	Add paragraph 141(b) of IAS 19, in particular the requirement to disclose separately the effects of interest income.	Provides further disaggregation of amounts disclosed.
	Add paragraph 147(b) of IAS 19 (defined benefit plans—expected contributions to the plan for the next annual reporting period) to the forthcoming standard.	Provides information about short-term cash flows, liquidity and solvency.
	Replace paragraph 152(c)(iii) in the ED (defined benefit plans—reconciliation of the opening and closing balances of the plan assets, showing separately the actual return on plan assets) with paragraph 141(c)(i) of IAS 19 (defined benefit plans—reconciliation of the	A result of adding the requirement to disclose separately the effects of interest income.

IFRS Accounting Standard	IASB tentative decision	IASB's rationale
	opening and closing balances of the plan assets, showing separately the return on plan assets excluding interest income or expense) to the forthcoming standard.	
IAS 24 *Related Party Disclosures*	Add paragraph 26 of IAS 24 to the forthcoming standard (applicable disclosure when an entity applies the exemption for government-related entities i.e. name of the government and the nature of its relationship with the reporting entity, nature and amount of each individually significant transaction).	Consistent with the requirements in IAS 24 when an exemption is applied for government-related entities.
IAS 27 *Separate Financial Statements*	Amend paragraphs 177–180 in the ED (investment entity status and interests in unconsolidated subsidiaries (investment entities)) to reference the applicable IFRS 12 disclosure requirements.	Consistent with the IASB's tentative decision to update the language.
IAS 34 *Interim Financial Reporting*	Delete paragraph 185(k) in the ED (transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments).	Corresponding disclosure removed from IFRS 13.
IAS 36 *Impairment of Assets*	Add the following paragraphs of IAS 36 to the forthcoming standard:	Provides information about measurement uncertainty.

IFRS Accounting Standard	IASB tentative decision	IASB's rationale
	• paragraph 130(d)(i)—description of the cash-generating unit in which an impairment loss has been recognised or reversed during the period. • paragraph 130 (d) (iii)—if the aggregation of assets for identifying the cash-generating unit has changed since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified.	
	Add paragraphs 134(d)(iv)– (v) and 134(e) (iv)–(v) of IAS 36 to the forthcoming standard (disclosures relating to estimates used to measure recoverable amounts of cash-generating units containing goodwill or intangible assets with indefinite useful lives).	Provides information about short-term cash flows and liquidity.
IAS 40 *Investment Property*	Add paragraph 79(e) of IAS 40 to the forthcoming standard (when the cost model is applied, the fair value of investment property, and additional disclosures when an entity cannot measure the fair value of the investment property reliably).	Provides information about solvency.

Consistency with UKEB's recommendations

A24. We agreed with the IASB's suggested process for addressing comments on proposed disclosure requirements in the ED[7].

A25. We are generally supportive of the IASB's tentative decisions on the revisions to the proposed disclosure requirements in the ED as they are consistent with the IASB's agreed approach to analysing the feedback received.

A26. However, we note that the tentative decisions are inconsistent with the recommendations in the UKEB FCL for removal of the proposed disclosure requirements in the ED for:

a) IFRS 2 *Share-based Payment;*

b) IFRS 7 *Financial Instruments: Disclosures;* and

c) IFRS 13 *Fair Value Measurement.*

The FCL concluded that such disclosures would be disproportionate and burdensome. This may make the forthcoming standard less attractive in the UK and, as observed in the FCL, we expect that UK groups with only UK registered subsidiaries are likely to continue to use Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

A27. In relation to IFRS 7, the IASB tentative decision to add paragraph 39 of IFRS 7 to the forthcoming standard is consistent with the FCL recommendation that the disclosures on liquidity risk should be required. Further, we note the IASB's tentative decision to restrict application of paragraphs 62, 66 and 67 of the ED (which relate to credit risk management practices and how they impact the recognition and measurement of expected credit losses) to eligible subsidiaries that provide financing to customers as a main business activity. Whilst adding this criterion mitigates the concern in the FCL that the proposed disclosure requirements for IFRS 7 are onerous, the implication of introducing this new criterion for disclosure will need to be further considered.[8]

Question for the Board
1. Do Board members have any questions or comments on the IASB's tentative decisions on the revisions to the proposed disclosure requirements in the ED?

7 At the September 2022 ASAF meeting, IASB staff ask ASAF members' views on the staff's suggested process to address comments on the proposed disclosure requirements.

8 There were mixed views amongst IASB Board members on introducing this criterion in the forthcoming standard for the specific IFRS 7 disclosures.

Topic 4: Application of disclosure requirements

Background

A28. Paragraph 16 of the ED states (emphasis added):

In accordance with paragraph 31 of IAS 1 Presentation of Financial Statements, an entity ***need not provide a disclosure required*** *by this [draft] Standard or other IFRS Standards* ***if the information resulting from that disclosure is not material****. An entity shall also* ***consider whether to provide additional disclosures*** *when compliance with the specific requirements in this [draft] Standard, including the requirements in other IFRS Standards that remain applicable, is* ***insufficient to enable users of financial statements to understand the impact*** *of particular transactions, other events and conditions on the entity's financial position and financial performance.*

A29. Whilst the ED did not ask a question on paragraph 16, respondents expressed concern on its application which is judgemental and could create practical issues and suggested:

a) Developing guidance about how eligible subsidiaries would apply materiality to disclosure requirements in the forthcoming standard given the different nature of eligible subsidiaries i.e. non-publicly accountable.

b) Adding an overall disclosure objective.

IASB tentative decision

A30. The IASB tentatively decided:

a) to retain paragraph 16 of the ED and not to add guidance; and

b) an overall disclosure objective for the forthcoming standard was not necessary.

Topic 5: Updating the language of the disclosure requirements

Background

A31. In developing the proposed disclosure requirements, the IASB started by using the disclosure requirements in the *IFRS for SMEs* Accounting Standard.

A32. Some respondents were of the view that the language of the proposed disclosure requirements should be the same as that used in IFRS Accounting Standards.

A33. At its October 2022 meeting the IASB tentatively decided to modify its approach to ensure that the language used in the disclosure requirements is the same as the language in full IFRS Accounting Standards[9].

IASB discussion

A34. The IASB staff paper from April 2023 discussed how to implement the IASB's tentative decision to ensure consistency in the language used in the forthcoming standard with the language in full IFRS.

A35. The IASB staff performed an initial comparison between the language used in the ED and in the relevant paragraphs of the applicable IFRS Accounting Standards and believe that in most cases updating the language is straightforward.

A36. However, in some cases, more judgement is required. Some of the disclosure requirements in the *IFRS for SMEs* Accounting Standard are based on an older version of the relevant IFRS Accounting Standard or depart from the requirements in the IFRS Accounting Standard for other reasons. In such cases, the updated approach may require deleting or substantially editing the proposed disclosure requirement in the forthcoming standard. Other challenges were identified in the IASB staff paper[10].

A37. In drafting the disclosure requirements in the forthcoming standard, the IASB staff proposed using the language in the full IFRS Accounting Standards and only adjusting the language to make the disclosure requirements more consistent and understandable.

Consistency with UKEB's recommendations

A38. We believe that the IASB's tentative decision to modify its approach to ensure that the language used in the disclosure requirements is the same as the language in IFRS Accounting Standard responds to our concerns with the 'bottom-up approach' to developing the proposed disclosure requirements. We believe that consistency of language with full IFRS will be helpful to stakeholders when

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9 See paragraphs 95-99 of Agenda Paper 8 of the November 2022 UKEB meeting.

10 Refer to paragraph 8 in IASB agenda paper 31B (April 2023) and paragraphs 29–31 in IASB agenda paper 21B (March 2023)

transitioning to the forthcoming standard, and better reflects the needs of the users of these accounts who are unlikely to be familiar with the disclosure requirements of the *IFRS for SMEs* Accounting Standard.

Topic 6: disclosure requirements about transition

Background

A39. The ED proposed that disclosure requirements about transition to a new or amended IFRS Accounting Standard set out in those IFRS Accounting Standards shall also apply to eligible subsidiaries that apply the forthcoming standard.

A40. Whilst almost all respondents agreed with this proposal, a few respondents suggested the IASB considers:

a) including disclosure requirements about transition if, and only if, they provide useful information to users of eligible subsidiaries' financial statements;

b) simplifications to the disclosure requirements about transition on a case-by-case basis to reduce costs for preparers.

A41. The IASB staff papers from May 2023 observed that those disclosure requirements are specific to that transition and are relevant only on initial application of that new or amended IFRS Accounting Standard.

IASB tentative decision

A42. The IASB tentatively decided to proceed with its proposal in the ED that disclosure requirements about the transition to a new or amended IFRS Accounting Standard set out in that new or amended Standard apply to eligible subsidiaries.

Consistency with UKEB's recommendations

A43. In its FCL the UKEB expressed support the ED proposal that any disclosure requirements specified in an IFRS about the entity's transition to that standard would remain applicable to an entity that applies the reduced disclosure IFRS. On balance, we think the benefits of the information to users would outweigh the one-off cost of providing the transition disclosures.

Topic 7: New disclosure requirements

Background

A44. The proposed disclosure requirements in the ED were developed considering all IFRS Accounting Standards issued as at 28 February 2021 and EDs published as at 1 January 2021, except for the ED *General Presentation and Disclosures*.[11]

A45. At its June 2022 meeting, the IASB tentatively decided to:

a) include in the forthcoming standard disclosure requirements of IFRS Accounting Standards issued as at 28 February 2021; and

b) consider amendments to the disclosure requirements in IFRS Accounting Standards issued after 28 February 2021 after the new Standard is issued.

A46. Since publication of the ED, the IASB has issued amendments to the disclosure requirements in:

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

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

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

A47. Based on its work plan at the time of writing, by the end of 2023 the IASB expects to have issued amendments in relation to Lack of Exchangeability (which would amend the disclosure requirements in IAS 21 *The Effects of Changes in Foreign Exchange Rates*). Furthermore, the ED *General Presentation and Disclosures* proposes a new IFRS Accounting Standard that will replace IAS 1 *Presentation of Financial Statements*. That new IFRS Accounting Standard will include new disclosure requirements.

IASB tentative decision

A48. The IASB tentatively decided that until the IASB issues an amendment to the forthcoming standard, eligible subsidiaries would be required to comply with disclosure requirements in amendments to IFRS Accounting Standards that have been issued after the publication of the ED.

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[11] See page 6 of the ED (Introduction).

Secretariat views

A49. We welcome the clarification regarding the application of disclosure requirements in amendments to IFRS Accounting Standards that have been issued after the publication of the ED.

A50. We note that the IASB staff paper mentioned that the IASB may propose at a future date to reduce those disclosure requirements in amendments to IFRS Accounting Standards that have been issued after the publication of the ED.

A51. We also note that the IASB has indicated that it will likely issue a 'catch-up' ED for the subsidiaries standard in which forthcoming IFRS Accounting Standards such as rate regulated activities will be exposed separately for reduced disclosures.

Topic 8: forthcoming Exposure Draft *Financial Instruments with Characteristics of Equity* ("the FICE ED")

Background

A52. The IASB expects to publish the FICE ED in the last quarter of 2023, before the issue of the forthcoming standard.

A53. The FICE ED will be the first ED to include proposed consequential amendments to the forthcoming standard.

A54. The table below lists the proposed disclosure requirements in the FICE ED that the IASB tentatively decided to include as consequential amendments to the forthcoming standard:

Disclosures tentatively agreed for FICE ED	Relevant principles
Terms and conditions—debt-like and equity-like features	Short-term cash flows
Passage-of-time changes	Short-term cash flows
Instruments containing obligations to redeem own equity instruments	Disaggregation, accounting policy information
Financial liabilities with contractual obligations to pay amounts based on the entity's performance or net assets	Disaggregation
Significant judgements	Accounting policy information

IASB tentative decision

A55. The IASB tentatively decided to propose consequential amendments to be made to the forthcoming standard after it has been issued to add the following disclosure requirements that are to be proposed in the FICE ED:

a) for all financial liabilities and equity instruments within the scope of IAS 32 *Financial Instruments: Presentation*, an entity would disclose and categorise claims against its assets in a way that reflects differences in their nature and priority, and at a minimum, distinguishes between:

  i. secured and unsecured financial instruments; and

  ii. contractually subordinated and unsubordinated financial instruments;

b) for financial instruments with characteristics of both financial liabilities and equity instruments (except for stand-alone derivatives), an entity would disclose information about:

  i. debt-like features in financial instruments that are classified as equity instruments;

  ii. equity-like features in financial instruments that are classified as financial liabilities;

  iii. debt-like and equity-like features that determine the classification of such financial instruments as financial liabilities, equity instruments or compound financial instruments;

  iv. terms and conditions that indicate priority on liquidation;

  v. terms and conditions that could lead to changes in priority on liquidation;

  vi. more than one level of contractual subordination, if applicable (for example, if some subordinated liabilities are contractually subordinated to other subordinated liabilities);

  vii. any significant uncertainty regarding the application of relevant laws or regulations that could affect how priority will be determined on liquidation; and

  viii. intra-group arrangements such as guarantees that may affect their priority on liquidation (for example, which entities are providing and receiving guarantees);

c) an entity would disclose information about terms and conditions that become, or stop being, effective with the passage of time before the end of the contractual term of the financial instrument;

d) for instruments containing obligations to redeem own equity instruments, an entity would disclose:

   i. the amount removed from equity and included in financial liabilities when the obligation was initially recognised and the component of equity from which it was removed;

   ii. the amount of remeasurement gain or loss recognised in profit or loss during the reporting period;

   iii. the amount of gain or loss, if any, that was recognised on settlement if the obligation is settled during the reporting period; and

   iv. the amount removed from financial liabilities and included in equity if the written put option has expired unexercised;

e) an entity would separately disclose the total gains or losses in each reporting period that arise from remeasuring financial liabilities containing contractual obligations to pay amounts based on the entity's performance or changes in the entity's net assets (that are measured at fair value through profit or loss); and

f) an entity would disclose the significant judgements it made in determining the classification of a financial instrument, or its component parts, as a financial liability or as equity.

Secretariat views

A56. In its FCL the UKEB expressed strong support for identification of consequential amendments to the forthcoming standard when the IASB publishes an ED of a new or amended IFRS because this is a more efficient approach that would ensure the reduced disclosure requirements for eligible subsidiaries keep pace with standards development for the parent entity's consolidated financial statements.

A57. The IASB's consideration of each of the disclosures which the IASB has tentatively decided to propose in the FICE ED, reviewing them against the principles for disclosures in the forthcoming standard to include as proposed consequential amendments, responds to the UKEB's concerns on maintaining the forthcoming standard in the future. This will ensure the forthcoming standard continues to achieve its objectives of satisfying users' needs and cost-benefit considerations including the reduction of costs for preparers.

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Topic 9: Feedback on proposed disclosure requirements in the ED Third Edition of the *IFRS for SMEs* Accounting Standard

Background

A58. In March 2023 the IASB discussed the approach to maintaining the forthcoming standard and agreed to:

a) assess separately the costs and benefits for eligible subsidiaries applying the forthcoming standard and the costs and benefits for SMEs applying the *IFRS for SMEs* Accounting Standard.

b) consider if feedback on the proposed disclosure requirements received as part of the consultation on the Exposure Draft Third edition of the *IFRS for SMEs* Accounting Standard ("SMEs ED") influences its tentative decisions in redeliberating the proposed disclosure requirements in the forthcoming standard.

A59. In proposing disclosures in the SMEs ED the IASB used the proposed disclosure requirements in the forthcoming standard, with any necessary adjustments for recognition and measurement differences, because these had been developed using the common principles for reducing disclosure requirements. In effect this means stakeholders had in some areas two opportunities to comment on the same or very similar proposed disclosure requirements.

A60. At its June 2023 meeting the IASB discussed responses from comment letters on the SMEs ED that relate to the proposed disclosure requirements in the forthcoming standard, not because these responses directly affect the forthcoming standard, but rather to check for significant comments that have not previously been discussed by the IASB.

A61. The proposed disclosures in the SMEs ED that attracted most responses related to revenue, fair value, and the liabilities arising from financing activities reconciliation supporting the statement of cash flows. The staff paper includes an analysis of the feedback on each of these themes.

IASB tentative decision

A62. The staff recommended that the IASB:

a) retain the proposed disclosure requirements relating to IFRS 15 in the forthcoming standard as revised by the IASB's tentative decision at its May 2023 meeting;

b) retain the proposed disclosure requirements in the forthcoming standard for IFRS 13 as no new information has been received to suggest that further disclosure requirements are needed; and

c) retain the proposed disclosure requirements in the forthcoming standard for IAS 7, in particular the requirement to provide a reconciliation of opening and closing liabilities relating to financing activities.

A63. All IASB members agreed with the staff recommendation.

Topic 10: Definition of public accountability

Background

A64. Feedback received by the IASB on the ED indicated some respondents were concerned about applying the definition of public accountability. These concerns were raised mainly in relation to insurance companies. A few respondents were of the view that premiums collected by an insurance company in exchange for a contractual promise to indemnify the customer for a possible future event belong to the insurance company and are not held and managed in a fiduciary capacity by the insurance company. Some respondents asked for guidance on the term 'fiduciary capacity'.

A65. In response to these concerns and to help jurisdictions better understand the basis for the definition of 'public accountability' and apply that definition consistently, in the 2022 Exposure Draft Third edition of the *IFRS for SMEs* Accounting Standard the IASB proposed the following clarifications:

a) To list banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks as examples of entities that often meet the second criterion of public accountability.

b) To clarify that an entity with the following characteristics would usually have public accountability:

i. there is both a high degree of outside interest in the entity and a broad group of users of the entity's financial statements (existing and potential investors, lenders and other creditors) who have a direct financial interest in or substantial claim against the entity.

ii. the users in (i) depend primarily on external financial reporting as their means of obtaining financial information about the entity. These users need financial information about the entity but lack the power to demand the information for themselves.

A66. Whilst most respondents agreed with listing examples of entities that often meet the second criterion of public accountability, many respondents (a large minority) disagreed with the proposed clarification to the definition of public accountability.

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IASB tentative decision

A67. The IASB tentatively decided to confirm the first proposed amendment of the *IFRS for SMEs* Accounting Standard (A65 (a) above) and to make the same amendment to the description of public accountability in the forthcoming standard.

A68. The IASB also tentatively decided to withdraw the proposed clarification in the 2022 Exposure Draft Third edition of the *IFRS for SMEs* Accounting Standard to the definition public accountability and not to include it in the educational modules for the *IFRS for SMEs* Accounting Standard and Basis for Conclusions on the standard.

Secretariat views

A69. In its Final Comment Letter (FCL) the UKEB expressed support for the definition of public accountability in the ED but recommended that guidance is included in the forthcoming standard to achieve consistency on what is intended by the concept 'holds assets in a fiduciary capacity for a broad group of outsiders' to help reduce the risk of misinterpretation or diversity in practice.

A70. We concur with stakeholders who expressed concern about the proposed amendments to the definition of public accountability in the 2022 Exposure Draft Third edition of the *IFRS for SMEs* Accounting Standard. In particular, the proposed amendments were subjective and could lead to different interpretations of the definition of public accountability, and hence the intended scope of the forthcoming standard.

A71. We welcome the IASB's response to the feedback and the tentative decision not to change the definition of public accountability in the forthcoming standard.

Next steps

A72. In a future IASB meeting, the staff will bring an agenda paper to discuss due process and an effects analysis, and will ask permission from the IASB to begin the balloting process.

Question for the Board	
2.	Do Board members have any questions or comments on any of the IASB's tentative decisions (excluding in relation to Topic 3, which is addressed in Question 1 above – page 15)?

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Appendix B: Rate-regulated Activities

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

Background

B1. The IASB is continuing its redeliberations following feedback on its Exposure Draft *Regulatory Assets and Regulatory Liabilities*[1] (RRA ED). At its June 2023 meeting, the IASB redeliberated:

a) measurement (estimating future cash flows) and unit of account; and

b) estimating uncertain future cash flows.

The board was not asked to make any decisions on the measurement (estimating future cash flows) and unit of account paper.

B2. The table below summarises the IASB's proposals contained in the ED, the recommendations made by the UKEB in its comment letter and the IASB's tentative decisions made at its June 2023 meeting.

1 The IASB's Exposure Draft was published in January 2021 and can be found here

ED proposal	UKEB comment letter[2]	IASB tentative decision
Estimating uncertain future cash flows		
An entity shall include all estimated future cash flows arising from a regulatory asset or regulatory liability, and only those cash flows. An entity shall estimate uncertain future cash flows using whichever of the following two methods the entity expects to better predict the cash flows: a) The 'most likely amount' method — this method provides an estimate of the single most likely amount in a range of possible outcomes (that is, possible cash flow amounts). This method may better predict the uncertain cash flows if the possible outcomes are clustered around one outcome or if there are only two possible outcomes and they differ widely. b) The 'expected value' method — this method provides an estimate of the	The UKEB comment letter did not share views or recommendations on estimating uncertain future cash flows.	The IASB tentatively decided that the prospective Accounting Standard would: a) retain the requirement proposed in the Exposure Draft that an entity estimate uncertain future cash flows using whichever of the two methods—the 'most likely amount' method or the 'expected value' method—the entity expects would better predict the cash flows; b) require an entity to reassess the method of estimating uncertain future cash flows only if there is a significant change in facts and circumstances such that the entity no longer expects the method to better predict the cash flows; c) clarify that when an entity uses the 'expected value' method to estimate uncertain future cash flows the entity should consider the entire range of outcomes, including those outcomes in which a regulatory asset or a regulatory liability would not exist, or would exist but produce no future cash flows; and

2 The UKEB comment letter can be found here.

ED proposal	UKEB comment letter[2]	IASB tentative decision
sum of probability-weighted amounts in a range of possible outcomes. This method may better predict the uncertain cash flows if there is a wide range of more than two possible outcomes. The ED also proposed to require that an entity continues to apply the selected method until the entity has recovered the regulatory asset or fulfilled the regulatory liability.		d) retain the proposal in the Exposure Draft not to require a separate impairment test for regulatory assets. The IASB also tentatively decided that the prospective Accounting Standard would not provide additional guidance on circumstances in which the 'most likely amount' method might better predict uncertain future cash flows. **Preliminary UKEB Secretariat view:** The Secretariat welcomes the IASB's clarification of the approach to estimating uncertain future cash flows. This topic is expected to be discussed at a future RRA TAG meeting.

RRA TAG meeting

B3. The UKEB's Rate-regulated Activities Technical Advisory Group (RRA TAG) held its second meeting on 23 June 2023. Two IASB staff members were also present.

B4. The topics presented by the Secretariat and discussed by the Group included:

a) An overview of the IASB's tentative decisions to date (to May 2023).

b) An overview of the preliminary findings of the economic effects study.

c) The direct (no direct) relationship concept.

B5. A key aspect highlighted during the meeting was the possibility of still influencing the IASB at this stage.

B6. A meeting summary is due to be published on the UKEB website on 21 July 2023.

Next steps

B7. 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) Discount rate, including the proposed minimum interest rate.

b) Items affecting regulated rates only when related cash is paid or received.

c) Presentation and disclosure.

d) Amendments to other IFRS Accounting Standards.

e) Effective date and transition.

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Appendix C: IFRIC Agenda Decisions Update

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

Background

C1. The UKEB's Due Process Handbook notes that the UKEB expects to respond to a limited number of tentative agenda decisions published by the IFRS Interpretations Committee (Interpretations Committee). Some factors to consider when deciding whether to respond may be:

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

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

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

C2. The Interpretations Committee held a meeting on 6 – 7 June 2023.

C3. The following tables summarise the current matters on the Interpretations Committee agenda.

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TENTATIVE AGENDA DECISIONS OPEN FOR COMMENT	
Topic	**Merger between a parent and its subsidiary in separate financial statements**
Standard	IAS 27
Deadline	14 August 2023
Question*	How a parent that prepares separate financial statements applying IAS 27 *Separate Financial Statements* accounts for a merger with its subsidiary in its separate financial statements.
Tentative conclusion*	Evidence gathered by the Committee indicates little, if any, diversity in accounting for the merger transaction described in the request. In accounting for the merger transaction described in the request in their separate financial statements, parent entities generally do not apply the requirements in IFRS 3 that apply to the accounting for a business combination. Therefore, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee [decided] not to add a standard-setting project to the work plan.
Comment	The UKEB considered this matter in January 2023 and concluded that it did not appear to affect a significant number of UK companies.

Question for the Board	
1.	Do Board members agree that the UKEB will NOT respond to the Interpretations Committee Tentative Agenda Decisions currently open for comment?

TENTATIVE AGENDA DECISIONS CLOSED FOR COMMENT	
Topic	**Guarantee over a derivative contract**
Standard	IFRS 9
Question*	The request asked whether, in applying IFRS 9, an entity accounts for a guarantee written over a derivative contract as a financial guarantee contract or a derivative. The request described a guarantee written over a derivative contract between two third parties. Such a guarantee would reimburse the holder of the guarantee for the actual loss incurred—up to the close-out amount—in the

	event of default by the other party. The close-out amount is determined based on a valuation of the remaining contractual cash flows of the derivative prior to default.
Tentative conclusion*	Based on its findings, the Interpretations Committee concluded that the matter described in the request does not have widespread effects and does not have (nor is expected to have) a material effect on those affected. Consequently, the Interpretations Committee [decided] not to add a standard-setting project to the work plan.
Comment	The UKEB considered this matter in December 2022 and concluded it seemed unlikely to affect a significant number of UK companies. The tentative Agenda Decision is consistent with this conclusion. The Interpretations Committee received six letters, all supportive of its conclusion.
Topic	**Homes and Home Loans Provided to Employees**
Standard	IAS 19/IFRS 9
Question*	The request asked about how an entity accounts for employee home ownership plans and employee home loans.
Tentative conclusion*	Based on its findings, the Interpretations Committee concluded that the matters described in the request do not have widespread effect and do not have (nor are expected to have) a material effect on those affected. Consequently, the Interpretations Committee [decided] not to add a standard-setting project to the work plan.
Comment	The UKEB considered this matter in December 2022 and concluded it seemed unlikely to affect a significant number of UK companies. The tentative Agenda Decision is consistent with this conclusion. The Interpretations Committee received seven letters, while all agreed with its conclusion a number suggested addition guidance would be helpful.
Topic	**Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)**
Standard	IFRS 17/IFRS 9
Question*	The request asked whether, when an intermediary acts as a link between an insurer and a policyholder to arrange an insurance contract between them, the premiums receivable from the intermediary are future cash flows within the boundary of an insurance contract and included in the measurement of the group of insurance contracts applying IFRS 17 or are a separate financial asset applying IFRS 9.

Tentative conclusion*	The Committee concluded that, because IFRS 17 is silent on when future cash flows within the boundary of an insurance contract are removed from the measurement of a group of insurance contracts, in the fact pattern described in the requests, an insurer could account for premiums paid by a policyholder and receivable from an intermediary applying either IFRS 17 or IFRS 9.
Comment	The UKEB considered this matter in November 2022, noting that the issue was prevalent globally. The Tentative Agenda Decision appears to be a pragmatic solution and we are not aware of any concerns from UK stakeholders relating to the tentative conclusion. The issue could be reconsidered as part of the IFRS 17 PIR. The Interpretations Committee received 17 letters. The majority agreed with its conclusion, however some respondents felt that more guidance or standard setting should be considered by the Interpretations Committee.

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

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Appendix D. List of IASB projects

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

List of IASB projects	
Amendments to the Classification and Measurement of Financial Instruments	
UKEB Project Status: Influencing **IASB Next Milestone:** Exposure Draft Feedback September 2023 Submit letter by: 19/07/23	**UKEB project page** **Project Initiation Plan** (Published 26th May 2023) **Draft Comment Letter** (Published 26th May 2023)
Annual Improvements (Amendments to IFRS Accounting Standards: IAS 7, IFRS 1, IFRS 7, IFRS 9, IFRS 10)	

[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	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft September 2023	
Business Combinations under Common Control	
UKEB Project Status: Monitoring **IASB Next Milestone:** Decide Project Direction September 2023	UKEB project page UKEB Final Comment Letter (Published August 2021)
Business Combinations—Disclosures, Goodwill and Impairment	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft H1 2024	UKEB project page UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model (Published September 2022)
Climate-related Risks in the Financial Statements	
UKEB Project Status: Monitoring **IASB Next Milestone:** Review research September 2023	
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	
UKEB Project Status: Monitoring	UKEB project page

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List of IASB projects	
IASB Next Milestone: IFRS Accounting Standard (2024)	UKEB Final Comment Letter (Published February 2022)
Dynamic Risk Management	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft (2025)	
Equity Method	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft (2024)	
Extractive Activities	
UKEB Project Status: Monitoring **IASB Next Milestone:** Decide Project Direction September 2023	
Financial Instruments with Characteristics of Equity	
UKEB Project Status: Monitoring	

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List of IASB projects	
IASB Next Milestone: Exposure Draft Q4 2023	
Lack of Exchangeability (Amendments to IAS 21)	
UKEB Project Status: Monitoring **IASB Next Milestone:** IFRS Accounting Standard Amendment August 2023	UKEB project page UKEB Final Comment Letter (Published September 2021)
Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	
UKEB Project Status: Influencing **IASB Next Milestone:** Request for Information H1 2024 Submit letter by: 27/10/23	UKEB project page Project Initiation Plan (Published 23 June 2023)
Post-implementation Review of IFRS 9—Impairment	
UKEB Project Status: Influencing **IASB Next Milestone:** Request for Information Q4 2023 Submit letter by: 27/09/23	UKEB project page Project Initiation Plan (Published 6 June 2023)

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List of IASB projects	
Primary Financial Statements	
UKEB Project Status: Monitoring **IASB Next Milestone:** IFRS Accounting Standard (2024)	UKEB project page UKEB Final Comment Letter (Published September 2020)
Provisions—Targeted Improvements	
UKEB Project Status: Monitoring **IASB Next Milestone:** Decide Project Direction Q4 2023	
Rate-regulated Activities	
UKEB Project Status: Monitoring **IASB Next Milestone:** IFRS Accounting Standard (2025)	UKEB project page UKEB Final Comment Letter (Published August 2021)