UK Endorsement Board

IASB General Update

Executive Summary

Project Type	Monitoring
Project Scope	Various

Purpose of the paper

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

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

Summary of the Issue

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

Topics identified for discussion are listed below:

- Primary Financial Statements
- Supplier Finance Arrangements
- Rate-regulated Activities
- Post-implementation Review - IFRS 9 Impairment
- Business Combinations: Disclosures, Goodwill and Impairment
- Subsidiaries without public accountability: Disclosures
- Equity Method

Topics identified for noting are listed below:

- Financial Instruments with Characteristics of Equity (FICE)
- Lack of Exchangeability
- Annual improvements

- Dynamic Risk Management (DRM)
- IFRS Interpretations Committee

Decisions for the Board

The Board is not asked to make any decisions.

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

Primary Financial Statements:

1. Does the Board:
   a) agree with the factors for determining the transition and effective date of the forthcoming standard?
   b) agree that a transition period of 24 months is reasonable for the forthcoming standard?
   c) think that earlier application of the forthcoming standard should be permitted?
2. Is the Board aware of:
   a) any expected costs and benefits for UK preparers and users in addition to the costs and benefits identified by the IASB)?
   b) any other information that would be readily available and/or easily obtainable in applying the requirements of the forthcoming standard and/or that is likely to require changes in systems and processes?
3. Is the Board aware of any additional expected benefits for digital reporting?

Supplier Finance Arrangements: Do Board members have any questions or comments on the Supplier Finance Arrangements update?

Rate-regulated Activities: Do Board members have any questions or comments on the Rate-regulated Activities update?

IFRS 9 Impairment PIR: Do the Board members have any questions or comments on the IFRS 9 Impairment Update?

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

Subsidiaries without public accountability: Disclosures

1. Is the Board aware of any expected costs and benefits for UK preparers and users in addition to the costs and benefits identified by the IASB and the Secretariat?
2. Does the Board agree that the benefits of applying the forthcoming standard will outweigh the costs of applying it?

Equity Method 1. Is the Board aware of any potential effects (costs and benefits) of the tentative answers to the application questions covered in this paper i.e. on: a. changes in an investor's interest while retaining significant influence; and b. recognition of losses? ***Interpretations Committee***: Do Board have any comments on the matters before the Interpretations Committee?
Recommendation
N/A
Appendices
Appendix A: List of IASB projects

Topics for Discussion

Primary Financial Statements

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

Objective of this meeting

1. At this meeting we will ask the Board for input on some topics related to the forthcoming IFRS Accounting Standard **General Presentation and Disclosures** (the 'forthcoming standard') that ASAF members will be discussing at their March 2023 meeting. The input received will help inform the UKEB's feedback to the IASB [link to ASAF handout here].

2. We are seeking Board's input on:

   a) The factors that the IASB should consider in determining the transition period and effective date of the forthcoming standard.

   b) Whether early application of the forthcoming standard should be permitted.

   c) The likely expected costs and benefits for stakeholders of implementing the requirements of the forthcoming standard, including whether there is information that would be readily available and/or easily obtainable in applying the requirements of the forthcoming standard and/or that is likely to require changes in systems and processes.[1]

   d) The expected benefits that the forthcoming standard will bring on digital reporting.

Transition period, effective date and early application

3. The IASB is asking ASAF members:

   Which are the factors that the IASB should consider in determining the transition period and effective date of the forthcoming IFRS Accounting Standard General Presentation and Disclosures*?*

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1 This is to help the IASB develop an Effects Analysis which will be published with the forthcoming standard. An Effects Analysis is a requirement in paragraph 3.76 of the IASB and IFRS Interpretations Committee Due Process Handbook.

Are there any entities in your region that are planning to apply early the new IFRS Accounting Standard?

Background

4. The IASB's proposals on the transition period and effective date of the forthcoming standard are included in paragraphs 117–119 of the Exposure Draft **General Presentation and Disclosures** (the ED). These proposals:

   a) Require the forthcoming standard to be applied retrospectively in accordance with the general requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*[2].

   b) Require, in the first year of application, the presentation of each of the headings and subtotals required by the forthcoming standard, in condensed financial statements provided in interim financial reports.

   c) Require an implementation period of up to two years (i.e. 18–24 months) after the publication of the forthcoming standard.

   d) Permit early application of the forthcoming standard.

5. In requiring retrospective application and a transition period of 18–24 months from the date of publication of the forthcoming Standard, the IASB considered the factors outlined below. The IASB did not explain the factors that it considered for permitting earlier application of the forthcoming standard[3].

Factors considered by the IASB[4]	
Retrospective application	**Transition period**
The needs of users who prefer retrospective application of new requirements and reclassification of comparative amounts because it results in comparable information that facilitates their analysis.	That jurisdictions have sufficient time to incorporate the new requirements into their legal systems and that those applying the standard have sufficient time to prepare for the new requirements[5].
The new requirements in the forthcoming standard do not affect	That introducing a longer period than 18–24 months would delay the

2 Retrospective application would entail reclassifications, new groupings and disaggregation of comparative information presented and disclosed for each prior period as if the new presentation and disclosure provisions had always been applied (refer to paragraph 22 of IAS 8) to the extent practicable (paragraphs 50–53 of IAS 8).

3 The IASB staff mentioned at the June 2019 meeting that one of the reasons for allowing early application was that it tends to be permitted for major standards.

4 These factors are mentioned in paragraphs 11, 14, 17 and 21 of IASB agenda paper 21E (June 2019) and in the Basis for Conclusions of the ED paragraphs BC181–BC182.

5 These factors are mentioned in paragraph 6.35 of the IASB and IFRS Interpretations Committee Due Process Handbook.

Factors considered by the IASB[4]	
Retrospective application	**Transition period**
recognition and measurement (the requirements only affect presentation and disclosure). As a result, entities applying these requirements will not need to adjust the opening balance of retained earnings and will only restate the comparatives for each item affected by the changes.	introduction of the improvements to financial reporting proposed in the PFS project[6].

Secretariat views

Transition and effective date

6. Another factor that the IASB could consider in setting the transition period and effective date is that most of the requirements in the forthcoming standard would be new for most entities. We have drawn this conclusion based on the IASB's preliminary analysis of the proposals in the ED.[7] It is then likely that new requirements may need longer implementation periods as entities may have to change their systems and processes to gather the new information.

How much time between finalisation and effective date would be needed?

7. We consider that 24 months is a reasonable transition period as it would give preparers and users sufficient time to educate themselves and make any necessary changes to implement the standard particularly because of the requirement for retrospective application.

Early application

8. Although the UKEB has not received specific feedback on whether UK stakeholders are planning to apply the forthcoming standard earlier[8], we think that comparability is an important aspect to consider in deciding whether to permit (or not) early application. Comparability is important to users of financial statements and is especially relevant to this project due to the proposed extensive changes to the statement(s) of financial performance. If comparability is a priority, we think that the IASB could consider *not* permitting early application so that entities can implement the requirements at the same time in the same year.

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6 This factor is mentioned in paragraph 21 of IASB agenda paper 21E (June 2019).

7 This conclusion is reflected in the analysis of the expected effect of the ED's proposals (refer to paragraph BC280 of the ED).

8 UK stakeholders did not comment on this aspect in their response to the UKEB draft comment letter.

9. However, if there are additional benefits for entities to implement the forthcoming standard sooner (e.g. to get an entity's accounting systems running, or to start sharing implementation issues with auditors) we think that the IASB could permit entities to apply the forthcoming standard earlier.

Questions for the Board
1. Does the Board: a) agree with the factors for determining the transition and effective date of the forthcoming standard? b) agree that a transition period of 24 months is reasonable for the forthcoming standard? c) think that earlier application of the forthcoming standard should be permitted?

Expected costs and benefits for stakeholders

10. The IASB is asking for input on the expected costs and benefits for stakeholders (preparers and users) with a particular focus on:

e) Expected costs and benefits to preparers and users.

f) The information that would be *readily available* to apply the requirements in the forthcoming standard.

g) The *new* information that would need to be gathered to apply the requirements in the forthcoming standard, that would:

i. be *easily obtainable* (for example, because of similar requirements in laws and regulations).

ii. require *changes in systems and processes* (and the extent of changes that are likely to be required)

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Expected costs and benefits to preparers and users

11. The IASB staff included in slides 14–18 of the ASAF handout the likely costs and benefits of the requirements in the forthcoming standard[9]. The IASB is asking ASAF members the following question:

Do you have any comments on the expected costs and benefits to preparers and users in your region shown on slides 14–18?

12. The table below provides a high-level summary of the expected costs and benefits identified by the IASB staff. We have included in the last column some specific comments made by UK stakeholders.

Requirements	Likely costs	Likely benefits	UKEB feedback[10]
Subtotals and Categories			
• Categories in the financial statements (operating, investing and financing). • Present defined operating profit or loss subtotal.	• Implementation costs for preparers–changes required in internal processes and systems to classify income and expenses into categories.	• Enhanced comparability of financial performance across entities and consistency of financial information, as well as useful	• New subtotals and categories will provide greater comparability and consistency of financial information and reduce diversity in practice in the presentation of pre-financing and pre-tax financial performance.

9 The IASB gained insight on the likely effects of the proposals in the ED through its formal exposure of the proposals and through its fieldwork, analysis and consultation as explained in paragraph BC232 of the ED. These effects are explained in paragraphs BC233–BC312 of the ED.

10 This is based on comments included in the GPD Final Comment Letter (FCL), the GPD feedback statement and on comments made by UK advisory groups included in UKEB Agenda Paper 8 IASB General Update (17 November 2022).

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Requirements	Likely costs	Likely benefits	UKEB feedback[10]
• Present profit or loss before financing and income taxes subtotal. • Present results from associates and joint ventures accounted for using the equity method in a single location.	• Ongoing costs–when classifying income and expenses following a major business change.	information for users for their analysis.	• Support for the presentation of the results from associates and joint ventures outside of operating profit as this would bring more comparability in the operating margins, except for a PAG member who supported the presentation in the operating category when the investment in the associate or joint venture is a main business activity.
Management performance Measures (MPMs)			
• Disclosure of MPMs (including reconciliation with defined subtotal) in financial statements, and rebuttable presumption. • Simplified approach to calculating the tax	• Implementation and ongoing costs for preparers–identification of MPMs and disclosure of the tax effect and NCI for adjustments made in calculating MPMs.	• Increase in transparency of MPMs that will help management to convey their view of the entity's performance to users. • Enables users to focus on measures	• Mixed views on including MPMs in the financial statements but some welcomed the discipline and transparency it would bring. • Advisory groups were generally supportive of the changes to the definition of

Requirements	Likely costs	Likely benefits	UKEB feedback[10]
impact of reconciling items between MPMs and the closest IFRS subtotal.		important to management and to make their own adjustments.	an MPM, including the rebuttable presumption.
Disaggregation and aggregation requirements			
• Principles for aggregation and disaggregation • Aggregate items using meaningful labels. • Disclose specific items by nature in each function line item in the statement of profit or loss	• Implementation and ongoing costs for preparers–in gathering the required information. • Users request more disclosures of operating expenses by nature when presenting information by function (e.g. impairments and energy costs)	• Primary financial statements that provide an understandable overview and notes that provide material information. • Better disaggregation of information. • Use of more meaningful labels used to describe items. • Reduction in items labelled as 'other'.	• The IASB should explore requiring the disclosure of other expenses relevant for investors (e.g. impairments, inventory write-downs, energy costs). • Concerns by preparers about earlier proposal to disclose an analysis of *total* operating expenses by nature as this would be costly and complex and would require significant changes in accounting systems.

Which information would be readily available?

13. The IASB is asking ASAF members the following question:

For entities in your region, what information needed to apply the requirements in the new IFRS Accounting Standard would be readily available?

Secretariat views

14. We observe that information that is already required in IFRS Standards (e.g. IAS 1 *Presentation of Financial Statements* or IAS 7 *Statement of Cash Flows*) could be readily available. For example, the forthcoming standard will be requiring:

    a) The disclosure of additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense when an entity classifies operating expenses by function. This is already a requirement in paragraph 104 of IAS 1. We note that the IASB will be discussing at a future meeting whether to expand this list to impairment and inventory write-downs which may be new information that is not currently collected by some entities.

    b) The separate presentation of the share of profit or loss of associates and joint ventures accounted for using the equity method in the statement of profit or loss. This is already a requirement in paragraph 82(c) of IAS 1. However, we note that the forthcoming standard will be requiring in addition, a specific location for this item (tentatively, as part of 'investing activities').

    c) The separate identification and presentation of cash flows from interest and dividends received and paid in the statement of cash flows. This is already a requirement in paragraph 31 of IAS 7. However, we note that the forthcoming standard will be requiring in addition, the classification of those cash flows in specific locations.

15. Some entities are also already providing management-defined performance measures in their communications with users. However, we note that the forthcoming standard will be adding more discipline to the disclosure of those measures and if an entity decides to present those measures they will be required to be disclosed in the notes (as opposed to outside the financial statements). An entity will also be required to disclose the tax effect and NCI on individual reconciling items which may not be information that entities are currently gathering.

What new information will entities need to gather to apply the requirements in the forthcoming standard?

16. The IASB is asking ASAF members the following questions:

For entities in your region, what new information will they need to gather to apply the requirements in the new IFRS Accounting Standard? Please explain:

(a) which new information is likely to be easily obtainable, for example, because of similar requirements in local laws or regulations (see slide 19); and

(b) which new information is likely to require changes in systems and processes to gather and what is the extent of changes that are likely to be required?

Secretariat views–Information that would be easily obtainable

17. Listed companies in the UK[11] are required to follow UK-adopted IFRS in preparing their consolidated financial statements as well as some additional provisions in of the Companies Act 2006. Therefore, to answer the question about which new information is likely to be easily obtainable, we examined those provisions[12].

18. One of the requirements in the forthcoming standard will be to disclose the amount of depreciation, amortisation, and employee benefits in each functional line item in the statement of profit or loss. For 'employee benefits' similar information is disclosed because of the requirements in Section 411(5) of the Companies Act 2006. These requirements are reproduced below:

> *Except in the case of a company subject to the small companies regime, the notes to the company's annual accounts or the profit and loss account must disclose, with reference to all persons employed by the company during the financial year, the total staff costs of the company relating to the financial year broken down between—*
>
> *(a) wages and salaries paid or payable in respect of that year to those persons,*
>
> *(b) social security costs incurred by the company on their behalf, and*
>
> *(c) other pension costs so incurred.]*

Secretariat views–Information that would require changes in systems and processes

19. The feedback received from UK stakeholders suggested that implementing the ED proposal to require an entity that presents an analysis of operating expenses by function in the statement of profit or loss to also disclose, in a single note, an analysis of its *total* operating expenses by nature would be costly and complex, since "*accounting systems are not set up to capture data to meet this requirement, and so would need to be adapted or changed*".[13] The UKEB FCL highlighted this

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[11] Listed companies in this context means any companies that, at the balance sheet date, have securities admitted to trading on a UK regulated market.

[12] We checked Chapter 4 'Annual accounts' of Part 15 'Accounts and reports', Sections 385–474 of the Companies Act 2006. These sections cover: 'Group accounts' and 'Information to be given in the notes to the accounts'.

[13] FCL paragraph A46.

cost for preparers and recommended the IASB further consideration of the costs and benefits.

20. The IASB subsequently considered an alternative approach to address cost concerns and tentatively decided to require the disclosure of *specific* expenses by nature (depreciation, amortisation and employee benefits expense). The PAG was of the view that this decision and any other approaches involving the disclosure of operating expenses by nature should be full field-tested and re-exposed before reaching a final decision.[14] This comment by PAG may be an indication that disclosing information on operating expenses by nature is still an issue that concerns UK preparers.

21. At the February 2023 meeting one Board member echoed those concerns–this member acknowledged that providing information by nature would be challenging for preparers and would involve costly changes in those accounting systems that are not efficient in pulling out relevant useful information at a reasonable cost.

Questions for the Board–Expected costs and benefits
2. Is the Board aware of: a) any expected costs and benefits for UK preparers and users in addition to the costs and benefits identified by the IASB? b) any other information that would be readily available and/or easily obtainable in applying the requirements of the forthcoming standard and/or that is likely to require changes in systems and processes?

Benefits for digital reporting[15]

22. The IASB is asking ASAF members the following question:

Do you have any comments on the expected benefits and additional benefits that we are developing for digital reporting on slide 20?

23. In slide 20 of the ASAF Handout the IASB staff explained that:

14 Refer to UKEB Agenda Paper 8 IASB General Update (17 November 2022) paragraph 61.

15 The IASB has defined a digital financial report as "a financial report that is machine-readable". Source: *Progressing our digital reporting strategy Background information on Digital Financial Reporting*, IFRS Advisory Council, October 2022.

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Some proposals are likely to provide similar benefits to paper-based and digital users (thus reducing the cost of obtaining information for digital users), for example:

- comparability of defined subtotals (such as operating profit or loss)

- disclosures on management performance measures (included in financial statements, thus more likely to be tagged)

24. The IASB further explained that:

We are exploring modelling approaches to IFRS Accounting Taxonomy that could facilitate digital users in consuming information (specifically with regard to 'relationship information')

25. We agree with the benefits highlighted by the IASB in the ASAF Handout (slide 20). We also consider that digital reports will allow investors to tailor financial reports to meet their needs and analyse information more efficiently.

Questions for the Board–Benefits for digital reporting
3. Is the Board aware of any additional expected benefits for digital reporting?

Supplier Finance Arrangements

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

Background

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

27. At its February 2023 meeting, the IASB continued its discussions on transition and the effective date for the amendments. The IASB tentatively decided to require an entity to apply the amendments for annual reporting periods beginning on or after 1 January 2024 (that is, a year earlier than the effective date the IASB staff had originally suggested at the January meeting).

28. The IASB also tentatively decided:

    a) To permit earlier application. If an entity applied the amendments early, it will be required to disclose that fact.

    b) Not to require an entity to disclose comparative information for preceding periods (in the annual reporting period it first applies the amendments).

    c) Not to require an entity to disclose – in its first annual financial statements after the amendments become effective – information as at the beginning of that annual reporting period on:

        i. The carrying amount of financial liabilities recognised in the statement of financial position that are part of a supplier finance arrangement for which suppliers have already received payment from the finance providers; and

        ii. The range of payment due dates of (i) financial liabilities that are part of a supplier finance arrangement and (ii) comparable trade payables that are not part of such an arrangement.

    d) Not to require the disclosures required by the amendments for any interim financial reports within the annual period in which an entity first applies the amendments.

    e) Not to provide a specific transition exemption for first-time adopters.

f) To finalise the amendments without re-exposure.

Next steps

29. The IASB is expected to publish the final amendments in May 2023. The UKEB Secretariat has commenced planning activities for the UKEB's endorsement assessment of the final amendments.

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

Rate-regulated Activities

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Continued redeliberations on remaining topics throughout 2023 and early 2024.	UKEB project page UKEB Final Comment Letter **(Published March 2022)**

Background

30. The IASB is continuing its redeliberations following feedback on its Exposure Draft *Regulatory Assets and Regulatory Liabilities*[16] (RRA ED). At its February 2023 meeting, the IASB redeliberated on the following topics:

    a) Recognition threshold;

    b) Enforceability and recognition; and

    c) Total allowed compensation — Performance incentives.

31. 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 February 2023 meeting.

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

ED proposal	UKEB comment letter[17]	IASB tentative decision
Recognition threshold		
An entity shall recognise: a) all regulatory assets and regulatory liabilities existing at the end of the reporting period; and b) all regulatory income and regulatory expense arising during the reporting period. The exposure draft further provides a list of relevant facts and circumstances that an entity uses when determining whether a regulatory asset or regulatory liability exists: a) confirmation from the regulator of amounts to be added or deducted in determining future regulated rates; b) explicit requirements or guidelines in the regulatory agreement;	We agree that an entity should recognise all its regulatory assets and regulatory liabilities and that a 'more likely than not' recognition threshold should apply when it is uncertain whether a regulatory asset or regulatory liability exists.	The IASB tentatively decided to: a) retain the proposal to require an entity to recognise a regulatory asset or a regulatory liability whose existence is uncertain if it is more likely than not that such an asset or liability exists; b) not set a recognition threshold based on the probability of a flow of economic benefits; c) not to set a recognition threshold based on the level of measurement uncertainty, except for those regulatory assets and regulatory liabilities described in paragraph (e); d) to retain the proposed symmetric recognition threshold for regulatory assets and regulatory liabilities; and

[17] The UKEB comment letter can be found here.

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ED proposal	**UKEB comment letter[17]**	**IASB tentative decision**
c) regulatory decisions or court rulings interpreting the regulatory agreement; d) evidence that *allowable expenses* have been incurred; e) evidence that performance criteria leading to a performance incentive bonus or penalty have been met or have not been met; f) direct precedents – the entity's experience with the regulator's interpretation of the regulatory agreement in similar circumstances; g) indirect precedents – such as the experience of other entities regulated by the same regulator, the decisions of other regulators or court ruling in similar circumstances; h) preliminary views expressed by the regulator; or i) advice from qualified or experienced legal or other advisors. Paragraph 28 of the exposure draft states that if it is uncertain whether a regulatory asset or a regulatory liability exists, an entity shall recognise the regulatory		e) to require an entity to recognise a regulatory asset or regulatory liabilities — whose benchmark depends on a regulatory benchmark determined after the financial statements are authorised for issue —when the regulator determines the benchmark.

UK Endorsement Board

ED proposal	UKEB comment letter[17]	IASB tentative decision
asset or regulatory liability if it is more likely than not that it exists.		
Total allowed compensation—Performance incentives		
Paragraphs B16—B18 of the ED propose that amounts relating to a performance incentive form part of or reduce that total allowed compensation for goods or services supplied in the period in which an entity's performance gives rise to an incentive. The ED also proposes the same treatment if the performance criteria test only an entity's performance of construction work (construction-related performance incentives—paragraph B18 of the ED). That is, amounts for performance incentives that test specified milestones while constructing an asset would form part of or reduce the total allowed compensation for goods or services supplied during construction.	We agree with the proposed guidance relating to performance incentives.	The IASB tentatively decided to reconfirm in the Standard the proposed requirement relating to performance incentives. The requirement would be that amounts relating to performance incentives should form part of or reduce the total allowed compensation for goods or services supplied in the period in which the entity's performance gives rise to the incentive. These amounts would include those that result from an entity's performance of construction work.

ED proposal	UKEB comment letter[17]	IASB tentative decision
Enforceability		
The ED did not have a separate section on assessing enforceability. Instead, enforceability is discussed in the sections of the ED dealing with regulatory agreements and recognition. The ED proposed the following: a) regulatory agreements–these may take on various forms such as a contractual licensing agreement or a service concession arrangement or rights and obligations specified by statute, legislation or regulations. b) recognition–the facts and circumstances listed in paragraph 27 of the ED could assist an entity in determining the existence of regulatory assets and regulatory liabilities, which by definition, require an assessment of enforceability.	On this topic, the UKEB comment letter: a) agreed with proposed definitions of 'regulatory asset' and 'regulatory liability'. b) recommended that the title of definition of 'regulatory agreement' should be amended to make it clear that it only applies to a very small subset of regulatory agreement e.g. by using the term 'specified regulatory agreement'. It would also be helpful to set out the types of regulatory agreements that are out of the scope.	The IASB tentatively decided to consider the principles of paragraph 35 of IFRS 15 *Revenue from Contracts with Customers*[18].

[18] Paragraph 35 of IFRS 15 relates to an entity's right to payment for performance completed to date

Matters to be discussed at the March 2023 ASAF meeting

32. At the March ASAF meeting the IASB staff will provide an update on the redeliberations of the Exposure Draft *Regulatory Assets and Regulatory Liabilities* and seek views on whether the concerns of stakeholders, relating to the scope and total allowed compensation, have been addressed.

33. The IASB is asking ASAF members:

    a) Do the tentative decisions on the following topics help address the concerns raised by stakeholders in your jurisdiction?

        i. Scope

        ii. Total allowed compensation.

Scope

34. The UKEB's views on scope in its comment letter on the ED considered that the proposed standard should explicitly exclude service concession arrangements unless there is clear evidence that users would gain additional information from the application of both IFRIC 12 and the proposed standard to such arrangements.

35. During its redeliberations, the IASB made a tentative decision to clarify that the other IFRS standards, including IFRIC 12, are applied to transactions and events before the applying the RRA standard to any remaining rights and obligations and to also include examples. It is the Secretariat's view that this will address concerns expressed by stakeholders in the UK.

Total allowed compensation

36. During its redeliberations, the IASB has made a number of tentative decisions on total allowed compensation:

    a) the proposed definition of allowable expense will be retained, i.e. "The full amount of compensation for goods or services supplied that a regulatory agreement entitles an entity to charge customers through the regulated rates, in either the period when the entity supplies those goods or services or a different period."

    b) "clarify that a regulatory agreement may determine the amount that compensates an entity for an allowable expense using a basis different from the basis the entity uses to measure the expense in accordance with IFRS Accounting Standards; and

    c) clarify the treatment of allowable expenses based on benchmarks and include examples to help entities to identify differences in timing in those cases."

37. Overall, the IASB's tentative decisions appear broadly consistent with the recommendations in the UKEB comment letter submitted to the IASB in July 2021. ; (ii) guidance will be provided to help an entity determine whether its regulatory capital base and its property, plant and equipment have a direct relationship; and (iii) illustrative examples will be included to provide better guidance for entities applying the standard.

38. The IASB has made a number of tentative decisions on total allowed compensation which were not included in the ED, to:

   a) "provide guidance to help an entity determine whether its regulatory capital base and its property, plant and equipment have a direct relationship;

   b) retain the proposals for an entity to account for regulatory assets or regulatory liabilities arising from differences between the regulatory recovery period and the assets' useful lives if the entity has concluded that there is a direct relationship between its regulatory capital base and its property, plant and equipment; and

   c) require an entity that has concluded that its regulatory capital base and its property, plant and equipment have no direct relationship to provide disclosures to enable users of financial statements to understand the reasons for its conclusion."

   d) "the IASB decided that when an entity's regulatory capital base and its property, plant and equipment have a direct relationship and the entity capitalises its borrowing costs:

      i. if the regulatory agreement provides the entity with both a 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

      ii. 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."

   e) "the Standard will specify that an entity is neither required nor permitted to recognise as a regulatory asset inflation adjustments to the regulatory capital base."

39. The UKEB has not yet explored these issues with stakeholders.

Next steps

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

41. The UKEB is holding the inaugural meeting of its RRA Advisory Group on Friday 24 March 2023.

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

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Post-implementation Review - IFRS 9 Impairment

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information (expected May 2023)	

Background

42. At its February 2023 meeting, the IASB discussed the following:

    a) stakeholder feedback on the first phase of the Post-implementation Review (PIR) of the impairment requirements in IFRS 9 *Financial Instruments* and the credit risk disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*;

    b) a review of academic literature relevant to this PIR; and

    c) matters the IASB will include questions in a request for information (RFI).

43. The IASB plans to ask questions in its RFI about:

    a) The general approach to recognising expected credit losses (ECL);

    b) Determining significant increases in credit risk;

    c) The measurement of ECL;

    d) The prevalence of questions from entities on how to apply the ECL requirements for purchased or originated credit-impaired financial assets;

    e) The simplified approach to recognising ECL for trade receivables, contract assets and lease receivables;

    f) The accounting for loan commitments, collateral and other credit enhancements held and financial guarantee contracts issued (that are within the scope of IFRS 9);

    g) Application of the ECL requirements in combination with other requirements in IFRS 9 or in other IFRS Accounting Standards;

    h) The effects of transition reliefs provided by the IASB, the balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements; and

    i) The credit risk disclosure requirements in IFRS 7.

Next steps

44. The IASB expects to publish the RFI by the end of May 2023.

45. The Financial Instruments Working Group (FIWG) March meeting will be focused on the PIR - IFRS 9 Impairment. The UKEB Secretariat will provide a more detailed update on the work to be performed on this project (including reporting back on the outcome of the FIWG March meeting) in due course.

Question for the Board
Do Board members have any questions or comments on the Post-implementation Review - IFRS 9 Impairment update?

Business Combinations: Disclosures, Goodwill and Impairment

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

Background

46. At its February 2023 meeting, the IASB considered some of the proposed package of new disclosure requirements in IFRS 3 *Business Combinations*. The IASB discussed the following topics:

    a) The management approach; and

    b) Other aspects of the management approach.

The management approach

47. The IASB redeliberated staff recommendations on whether and how it defines 'management' in the term 'management approach'.[19] The redeliberations also included discussions on the suitable level of management within an entity that should identify the information to be disclosed on the subsequent performance of a business combination. The following points were made during the discussion:

    a) The Discussion Paper had suggested that disclosures about the subsequent performance of a business combination would be required only in respect of business combinations reviewed by the Chief Operating Decision Maker (CODM). However, feedback on the Discussion Paper included concerns as to whether this was the right level of management (potentially too high).

    b) The IASB staff's proposal to use 'key management personnel' instead of CODM was accepted as it is a well understood concept in practice and is defined in IAS 24 *Related Party Disclosures*.

    c) The Basis for Conclusions on the final standard should reflect the IASB's discussion on why it decided to move away from its preliminary view of using CODM and instead use key management personnel as being the

[19] A 'management approach' means disclosing information the entity's management uses in assessing the subsequent performance of business combinations.

appropriate level of management to determine the information to be disclosed on the subsequent performance of a business combination.

48. The IASB tentatively decided to:

a) specify a level of management within an entity to identify the information the entity is required to disclose about the subsequent performance of business combinations; and

b) describe that level of management as the key management personnel of an entity as defined in IAS 24 *Related Party Disclosures.*

Other aspects of the management approach

49. The IASB redeliberated staff recommendations on other aspects of the management approach. The following points were made during the discussion:

a) It will be important to clarify the differences between the terms 'objectives', 'metrics' and 'targets' so as to not create any confusion in the final standard.

b) Although feedback on the Discussion Paper suggested a fixed time period, such as two or five years, for disclosures relating to whether the objectives of the business combination are being met, it would instead be best to continue with the IASB's preliminary view[20]. This would assist in avoiding the unintended consequence of creating "escapes" for entities that simply no longer wish to report on this information once a fixed time period has lapsed.

50. The IASB tentatively decided to:

a) Maintain its preliminary view to require an entity to disclose information about the subsequent performance of a business combination for as long as an entity's management continues to monitor whether the objectives of the business combination are being met (that is, the entity's management compares actual performance with the entity's objectives and targets for the business combination it established when entering into the business combination).

[20] Paragraph 2.44 of the Discussion Paper states that the Board's preliminary view is that, if management (CODM) continues to monitor whether the objectives of the acquisition are being met, a company should be required to provide information about the acquisition's subsequent performance for as long as the information remains necessary for investors to assess whether the original objectives of an acquisition are being met. If management stops monitoring the acquisition before the end of the second full year after the year of acquisition, the company should be required to disclose that fact and the reasons why it stopped monitoring the acquisition.

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

c) Maintain its preliminary view that if an entity's management stops monitoring, before the end of the second full year after the year of the business combination, whether its objectives for a business combination are being met, the entity should disclose that fact and the reasons why it has done so.

d) Propose that an entity whose management stops monitoring, before the end of the second full year after the year of the business combination, whether its objectives for a business combination are being met, be required to disclose information about actual performance. The entity will be required to disclose information using the metric set out in the year of acquisition, if (and only if) information about actual performance using that metric is being received by the entity's management.

e) Permit an entity to disclose information about its targets for a business combination as a range or a point estimate.

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

51. The IASB also tentatively decided not to proceed with its preliminary view in relation to when an entity changes the metric its management uses to monitor whether their objectives for the business combination are being met.

Matters to be discussed at March ASAF meeting

52. At the March 2023 ASAF meeting the IASB staff will be seeking views on the feedback to the Discussion Paper relating to changes to the impairment test for Cash Generating Units (CGUs) containing goodwill. The feedback from the session will help the IASB decide whether to explore the suggestions.

53. At this meeting we will ask the Board for input on some of the following topics that ASAF members will be discussing at the March 2023 meeting:

a) Comparison of past forecasts

b) Reasonable and supportable assumptions for cash flow forecasts

c) Reportable segments to which goodwill is allocated

d) Improving the list of impairment indicators

e) Allocating goodwill to CGUs

f) Impairment test when entities reorganise

g) Clarification or amendments to paragraph 99 of IAS 36[21]

54. At this meeting, the Secretariat welcomes the Board's views on the topics in paragraph 55 to paragraph 60 as these were key topics in both the UKEB comment letter and the EFRAG CFSS meeting.

<u>Comparison of past forecasts</u>

55. Respondents to the Discussion Paper suggested that the standard require entities to disclose a comparison of cash flow forecasts used in impairment tests in prior years with actual cash flows for a specified number of reporting periods to assess the accuracy of those cash flow forecasts. The IASB is asking ASAF members the following questions:

> *How useful will information from this comparison be and would it help to deter management over-optimism?*
>
> *Would entities incur incremental costs if required to provide this comparison?*

56. The UKEB comment letter was of the view that the solution to the challenges with impairment testing is to address the issue with the impairment test itself, rather than to require an additional disclosure. The comment letter also expressed concerns about the challenges that arose due to the risks of shielding that occur where goodwill is not monitored internally or is monitored at a high level. In addressing these concerns, the UKEB comment letter recommended that the final standard:

a) Explore options for testing goodwill for impairment at a more disaggregated level, so that testing is more targeted;

b) Disclose how CGUs have been identified and whether that has changed from prior period; and

c) Disclose where goodwill is more likely to be shielded, for example if it is allocated to a CGU where the acquisition has been integrated with an existing business.

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21 Paragraph 99 of IAS 36 says that the most recent detailed calculation made in a preceding period of the recoverable amount of a CGU to which goodwill has been allocated may be used in the impairment test of that unit in the current period provided all of the following criteria are met: (a) the assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation; (b) the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and (c) based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

Reasonable and supportable assumptions for cash flow forecasts

57. The UKEB comment letter was in support of the stewardship objective underlying the disclosure proposals and acknowledged the views of many users that the existing disclosure requirements relating to acquired businesses do not meet their needs. The recommendation made to the IASB was for illustrative examples and field-testing to assess the extent to which the proposals meet user information needs and are practicable.

58. Respondents to the Discussion Paper suggested that the standard provide additional guidance or illustrative examples on the application of paragraph 33 of IAS 36, particularly regarding the interaction between:

    a) the requirement to base cash flow forecasts on reasonable and supportable assumptions (paragraph 33(a)); and

    b) the requirement to base cash flow forecasts on the most recent financial budgets or forecasts approved by management (paragraph 33(b)) which may, by their nature, be ambitious because they are also used to incentivise management.

59. IASB is asking ASAF members the following question:

    Would additional guidance or illustrative examples on the application of paragraph 33 of IAS 36 as suggested on slide 14 help the application and enforcement of that paragraph and help deter management over-optimism?[22]

Reportable segments to which goodwill is allocated

60. The UKEB comment letter agreed in principle with the proposals in the Discussion Paper, but also noted that the proposal for disclosures based on information reviewed by the CODM assumed that this is a cost-efficient approach because the information already exists. However, such information would typically need development to be presented in a form suitable for disclosure, therefore the Board did not think that cost efficiency is a valid reason for restricting disclosure to those entities monitored by the CODM.

61. Respondents to the Discussion Paper suggested that since IAS 36 paragraph 134(a) requires the carrying amount of goodwill allocated to CGU(s) to be disclosed (where the carrying amount of goodwill is significant in comparison with total goodwill), entities could be required to disclose in which reportable segments the CGU(s) containing goodwill are included. This could be required only in the

22 Please refer to slide 14 of the ASAF paper

year of acquisition or in ongoing reporting periods (i.e. reflecting any reorganisations). The IASB is asking ASAF members the following question:

> *Would entities incur significant incremental costs if required to disclose the reportable segments that CGU(s) containing goodwill are included in on a continuing basis (i.e. not just the segment the CGU(s) are included in on acquisition)? Why?*
>
> *Do you think the additional information described on slide 16*[23] *would help to deter management over-optimism? Why or why not?*

Next steps

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

    a) the remaining aspects of the package of disclosure requirements for business combinations;

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

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

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

[23] Please refer to slide 16 of the ASAF paper.

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)

Objective of this meeting

64. At this meeting we will ask the Board for input on potential effects (costs and benefits) of applying the forthcoming IFRS Accounting Standard **Subsidiaries without Public Accountability: Disclosures** (the 'forthcoming standard') that ASAF members will be discussing at their March 2023 meeting. The input received will help inform the UKEB's feedback to the IASB [link to ASAF handout here].

65. The UKEB has not undertaken a detailed assessment of the costs and benefits at this stage. In considering the questions for the ASAF meeting, the Secretariat has drawn on UK experience when UK Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) was introduced in 2013[24] which provides a reduced disclosure framework for qualifying entities.

Background

66. The ED sets out proposal for a new voluntary IFRS Accounting Standard that would permit eligible subsidiaries to apply IFRS Accounting Standards with a reduced set of disclosure requirements

67. The forthcoming standard would permit a subsidiary to apply reduced disclosure requirements when applying IFRS Standards in its financial statements provided that:

    a) the subsidiary does not have public accountability; and

    b) its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Standards (see paragraph 6(c) of the draft Standard).

68. The IASB is asking ASAF members the following question:

    What are your views on potential effects (costs and benefits) of applying the Standard as proposed in the Exposure Draft?

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24 FRC's Impact Assessment published in March 2013 can be accessed here.

UK Endorsement Board

Potential cost of the forthcoming standard in the UK

Secretariat views

69. The main quantifiable costs will be transition costs as a result of changes to the reporting system. However, it is not possible to determine with any degree of accuracy an average cost or even a meaningful range of costs for subsidiaries implementing the forthcoming standard because the cost will depend on a variety of factors, including mainly:

    a) the current framework applied i.e. prior to transition to the proposed standard;

    b) the size of the subsidiary; and

    c) the volume and complexity of the subsidiary's transactions.

70. Reflecting on the UK experience, we believe the initial implementation costs would be higher for the forthcoming standard compared to when FRS 101 was introduced. This is because of FRS 101 disclosure exemptions are more effective at achieving the objective of reducing cost for preparers than the forthcoming standard which requires more disclosures in some areas.

71. We note 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 Standards. We agree this change could reduce the costs of implementation as consistency of language between the forthcoming standard and full IFRS would be deemed particularly helpful by stakeholders.

72. In the UK if most subsidiaries would transition from either FRS 101 or IFRS Accounting Standard to the forthcoming reduced disclosure framework then, we expect preparers to incur the following costs on initial implementation:

    a) familiarisation—i.e. training costs;

    b) design of data collection processes—adjusting disclosures to migrate to the proposed standard;

    c) IT system changes;

    d) external audit; and

    e) other costs

Benefits of the proposed standard in the UK

Secretariat views

73. We expect the benefits of the forthcoming standard to be similar to the benefits of applying FRS 101 in the UK.

74. The main benefits of the forthcoming standard will be:

   f) reduced costs of preparing financial statements (preparation and audit); and

   g) increased efficiency within groups given that subsidiaries without public accountability usually have few users of their financial statements, primarily parent entities, non-controlling shareholders, and providers of credit such as bank credit departments.

75. Given that applying the forthcoming standard will be optional, the overall benefits will depend on the uptake.

76. We expect the forthcoming standard will be attractive to UK groups with overseas subsidiaries. For this subset of subsidiaries where we expect an uptake of the forthcoming standard in the UK, the main benefit would be uniformity in financial information submitted by UK and overseas subsidiaries for incorporation into the group financial statements as well as preparation of their own financial statements.

77. In slide 10 of the ASAF Handout the IASB staff explained that:

Respondents said applying the Standard will:

• reduce the risk of errors occurring in the IFRS consolidation package

• improve the overall quality of consolidated financial statements because IFRS Accounting Standards used throughout the group (better knowledge of IFRS Accounting Standards by subsidiaries)

78. We concur with the feedback received by the IASB on the benefits of applying the forthcoming standard.

79. Other benefits include disclosures that are proportionate to the needs of the users of these financial statements and reduced audit work. Given that the objective of the forthcoming standard is to provide users with disclosures sufficient to meet their needs, it provides real benefits for users as it eliminates information users do not need.

80. Overall, the benefits will be limited in the UK because we do not expect a significant uptake. The benefits are further limited given the restricted scope of

the forthcoming standard. For instance, the forthcoming standard is not available to the ultimate parent of a group, as is the case in the UK under FRS 101. This would have increased the cost savings available and has been successful in the UK and Ireland. In addition, the forthcoming standard will not be available to subsidiaries where the group accounts available for public use are prepared on an equivalent framework to IFRS such as US GAAP.

81. The IASB is also asking ASAF members the following question:

Do you agree that the benefits of applying the Standard will outweigh the costs of applying it?

82. On balance, we agree the potential benefits outweigh potential costs of applying the forthcoming standard.

83. We also note that the forthcoming standard will be voluntary. Therefore, eligible subsidiaries will only apply the forthcoming standard when they see real benefits i.e. when benefits outweigh the costs. Consequently, the assessment of whether potential benefits outweigh potential costs will depend on subsidiaries' circumstances.

Next steps

84. The IASB will continue its redeliberations on the feedback received on the ED at future meetings.

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

Questions for the Board–Expected costs and benefits
Is the Board aware of any **expected costs and benefits** for UK preparers and users in addition to the costs and benefits identified by the IASB and the Secretariat? Does the Board agree that the benefits of applying the forthcoming standard will outweigh the costs of applying it?

Equity Method

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

Objective of this meeting

86. At this meeting we will ask the Board for input on the IASB's tentative answers to the application questions on (i) changes in an investor's interest while retaining significant influence and (ii) recognition of losses, that ASAF members will be discussing at their March 2023 meeting. The input received will help inform the UKEB's feedback to the IASB [link to ASAF handout here].

How does an investor apply the equity method to changes in its interest in an associate while retaining significant influence?

<table>
<tr><th colspan="2">Application questions</th><th>IASB's tentative decisions</th></tr>
<tr><td rowspan="3">How does an investor apply the equity method when purchasing an additional interest in an associate while retaining significant influence?</td><td>Aspect 1—measuring the cost of an investment in an associate when obtaining significant influence</td><td>An investor would measure the cost of an investment— when an investor obtains significant influence—at the fair value of the consideration transferred, including the fair value of any previously held interest in the associate.</td></tr>
<tr><td>Aspect 2—purchasing an additional interest in an associate while retaining significant influence</td><td>An investor would measure the investment in the associate as an accumulation of purchases.

The investor would measure its additional share in the associate's net assets at fair value at the date of purchasing the additional interest.</td></tr>
<tr><td>Aspect 3—purchasing an additional interest in an associate (that is a bargain) while retaining significant influence</td><td>An investor would recognise a bargain purchase gain in profit or loss.</td></tr>
<tr><td colspan="2">How does an investor apply the equity method when disposing of an interest in an</td><td>An investor would measure the portion to be derecognised as a proportion of</td></tr>
</table>

Application questions	IASB's tentative decisions
associate while retaining significant influence?	the carrying amount of the investment at the date of disposal. The difference between the fair value of the consideration received and the portion derecognised would be recognised as a gain or loss in profit or loss.
Does an investor recognise its share of **other changes** in an associate's net assets that affect its ownership interest, and if so, how is the change presented? For instance, an associate may issue or redeem shares that change the investor's ownership interest.	The IASB tentatively decided that when an investor's ownership increases or decreases the investor would recognise the change as a purchase of an additional interest or a partial disposal. The investor would therefore recognise gains and losses in profit or loss. IASB has yet to consider changes arising from associate's share-based payments.

87. The IASB is asking ASAF members the following questions:

Do you have any comments on the IASB's tentative answers to the application question?

What are your views on potential effects (costs and benefits) of the tentative answers to the application questions?

Secretariat views

88. We support the tentative answer whereby after obtaining significant influence, an investor measures purchases of an additional interests in an associate as an accumulation of purchases i.e. measuring a single investment in the associate which is consistent with the requirements in IAS 28[25] and IAS 36[26]. We think the alternative approach i.e. measuring the layers of the investment in the associate and applying the equity method of accounting to each layer would add unnecessary complexity to IAS 28. For instance, the alternative approach would require replacing the impairment requirements in IAS 28 with a separate impairment assessment for each layer of the investment and an investor would

25 Paragraph 42 of IAS 28 requires an investor to test for impairment the entire carrying amount of the investment by applying the requirements in IAS 36 *Impairment of Assets*
26 Impairment assessment is not made for parts of the investment

measure the portion of the carrying amount to be derecognised in a partial disposal using a specific allocation method or a cost formula such as last-in, last-out (LIFO). In addition, the alternative approach would be challenging for preparers to operationalise.

Potential effects

89. The tentative answer on how an investor measures the cost of an investment in an associate when **obtaining** significant influence will remove measurement uncertainty in practice. This approach will be consistent with IAS 28 requirement to measure any retained interest in a former associate at fair value when the investor loses significant influence[27].

90. The tentative answer whereby an investor would measure the investment in the associate as an accumulation of purchases when measuring an additional interest in an associate while **retaining** significant influence might seem inconsistent with the accounting when significant influence is first obtained (because then previously held interests are fair valued). However, other alternatives would introduce complexity and the cost would not justify the benefits in terms of usefulness of the information to users. Therefore, on balance the tentative answer offers a pragmatic solution without introducing unnecessary complexity in IAS 28.

91. The tentative answers on purchase of an additional interest that is a bargain and partial disposal where an investor sells part of its investment in an associate but retains significant influence are consistent with the tentative answer to measure investment in the associate as an accumulation of purchases after obtaining significant influence.

92. The tentative answer on changes in ownership interests is a logical solution to the application question. Whilst we generally support the tentative answer that the investor would recognise gains and losses in profit or loss, we would wish to do more work to ensure there were no unintended consequences.

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[27] Paragraph 22(b) of IAS 28.

Recognition of losses

Topic	Application question		IASB's tentative decisions
'Catch up' unrecognised losses	Does an investor, that has reduced its interest in an associate to nil, 'catch up' unrecognised losses if it purchases an additional interest in the associate?		The IASB tentatively decided that an investor would not 'catch up' unrecognised losses on purchasing an additional interest in the associate.
Recognition of losses and components of Comprehensive Income	Does an investor, that has reduced its interest in an associate to nil, recognise each component of comprehensive income separately?	Aspect 1—do requirements in paragraph 38 of IAS 28 apply to the investor's share of changes in the associate's other comprehensive income?	An investor would recognise its share of an associate's comprehensive income until its interest in the associate is reduced to nil.
		Aspect 2—what does an investor recognise if the associate reports a loss (or a profit) in profit and loss, and an income (or an expense) in other comprehensive income and the loss exceeding the income?	The IASB tentatively decided an investor recognises separately its share of each component of the associate's comprehensive income.
		Aspect 3—what does an investor recognise if its share of an associate's comprehensive income is a loss and exceeds the carrying amount of the investment?	An investor would recognise, in order: its share of the associate's profit and loss; and its share of the associate's other comprehensive income.

Background

93. IAS 28 requires that, if an investor's share of losses equals or exceeds its interest in the associate, the investor does not recognise its share of further losses[28].

94. IAS 28 requires that, after the carrying amount of investor's interest is zero, additional losses are provided, and a liability is recognised, only to the extent that the investor has incurred a legal or constructive obligation or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised[29].

95. The following example illustrates the application question and tentative answer whereby an investor applying the equity method that has reduced the carrying amount of its investment in an associate to zero and has therefore stopped recognising its share of an associate's losses would not recognise any unrecognised losses on purchasing an additional interest in the associate:

    a) Entity Y purchases 20% of Associate A for 200CU at 1/1/20X1 and obtains significant influence.

    b) Associate A reports losses for 1,500CU during 20X1.

    c) Entity Y's share of losses is 300CU (20% x 1,500CU).

        i. Entity Y would recognise 200CU, reducing its investment to zero10 .

        ii. Entity Y's share of unrecognised losses is 100CU.

    d) Entity Y purchases an additional 10% interest for 100CU at 31/12/20X1.

    e) Entity Y would then measure its additional investment at 100CU i.e. it would not recognise the unrecognised losses of 100CU against the cost of the additional interest in the associate.

28 Paragraph 38 of IAS 28.
29 Paragraph 39 of IAS 28

97. The application question on whether an investor that has reduced its interest in an investee to nil recognises each component of comprehensive income separately concerns a fact pattern in which:

    a) an investor has reduced its net investment in the associate to zero; and

    b) the associate subsequently reports a loss (or a profit) in profit and loss, and an income (or an expense) in other comprehensive income, with the loss exceeding the income.

98. For example, assume that entity E has reduced its investment in associate A to zero. In the following period, entity E's share of losses in the associate is 150CU and entity E's share of the associate's income in other comprehensive income is 100CU. Entity E does not have a legal or constructive obligation to make payments on behalf of the associate.

99. A question arises as to whether the investor recognises:

    a) nothing; or

    b) a share of loss of 100CU and a share of income in other comprehensive income of 100CU, with no change to the carrying amount of the net investment in the associate.

100. The IASB is asking ASAF members the following questions:

Do you have any comments on the IASB's tentative answers to the application question?

What are your views on potential effects (costs and benefits) of the tentative answers to the application questions?

Secretariat views

101. Given the absence of guidance in IAS 28, the tentative answer will reduce diversity in practice and hence improve comparability when such transaction arises.

102. However, we suggest that the IASB undertake outreach with users to determine whether the tentative answer provides relevant information about the transaction. The fact pattern in the application question occurs when the associate's losses have exceeded its net assets and may indicate an impairment. We therefore question whether accounting for an investment on Day 1 and impairment in Day 2 provides relevant information to users.

103. We think that the tentative answer to the question of whether an investor that has reduced its interest in an investee to nil recognises each component of comprehensive income separately would be a helpful clarification to IAS 28 i.e. by

clarifying that the requirements of IAS 28 paragraph 38 applies to both profit or loss and other comprehensive income.

Next steps

104. The IASB will continue discussing application questions at future meetings. Future discussions by the IASB will focus on:

a) deciding whether to publish an exposure draft or a discussion paper as the next step in this project

b) other application questions within the scope of the project[30]

c) deciding whether to add application questions to the scope of the project.

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

Questions for the Board– potential effects (costs and benefits) of the tentative answers
Is the Board aware of any potential effects (costs and benefits) of the tentative answers to the application questions covered in this paper i.e. on: h) changes in an investor's interest while retaining significant influence; and i) recognition of losses?

[30] If the IASB agrees with staff recommendations set out in Agenda Paper 13B of the March 2023 meeting, it would conclude discussion on application questions in the category of 'Transactions between investor and associate' voiding the application questions on the 'recognition of losses' and 'transactions between two associates' category.

Topics for Noting

Financial Instruments with Characteristics of Equity

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

Background

106. At its February 2023 meeting the IASB considered papers addressing sweep issues related to the classification and presentation of issued financial instruments applying IAS 32.

Principal tentative decisions on sweep issues	
Matter	**Tentative decision**
Application of the fixed-for-fixed condition for classifying derivatives over own equity to convertible bonds where the holder has a choice of fixed conversion ratios.	Amendment to clarify that the foundation principle is met if the entity knows how many functional currency units it will exchange *per type* of own share if the option is exercised.
The use of the term 'reclassification' in IAS 32 and whether editorial changes were required to avoid inconsistency.	Amendment to replace the words reclassify and reclassification in IAS 32 paragraph 23 with alternative wording.
Whether the proposed principles relating to the effects of laws on the contractual terms of an instrument could be simplified and clarified.	Simplification of the proposed principle to require that classification considers only enforceable contractual terms that give rise to rights and obligations that are in addition to, or more specific than, those established by applicable law.
Whether to include an explicit requirement to recognise in profit or loss any remeasurement gains or losses on financial liabilities arising from obligations to redeem own equity instruments.	Clarification that such gains or losses are recognised in profit or loss.

For liabilities in the scope of both IAS 32 paragraph 23[31] and IAS 32 paragraph 25[32], whether the same measurement approach would apply initially and subsequently and whether the probability and timing of the written put option being exercised or the contingent event occurring are taken into account.	Clarification that the same measurement approach would apply initially and subsequently and that the probability and timing of the written put option being exercised or the contingent event occurring are not taken into account.
Perceived duplication between IAS 32 and IAS 1 relating to presentation requirements.	Deletion of a presentation requirement in IAS 32 in order to avoid perceived duplication with IAS 1.

107. In addition, the IASB discussed the classification of financial instruments with a contractual obligation to deliver cash at the discretion of the entity's shareholders (whether the decision of the shareholders is treated as a decision of the entity). No tentative decision was taken on this issue.

108. The IASB also continued its consideration of stakeholder concerns that the information an entity provides about its own equity instruments is too limited.[33] The IASB staff recommended amendments to IAS 1 to require additional disclosures to ensure that amounts attributable to ordinary shareholders are more visible in the accounts. The IASB agreed that such proposals should be included in the ED when it is issued.

Next steps

109. The Secretariat will provide more detailed information on the above issues and on the IASB's tentative decisions on the 'FICE' project at a subsequent meeting.

31 Financial liabilities arising from obligations to redeem own equity instruments.
32 Financial liabilities arising from instruments with contingent settlement provisions.
33 Previously discussed by the IASB in December 2022. See agenda paper 5 to the UKEB January 2023 meeting.

UK Endorsement Board

Lack of Exchangeability

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Amendment to be issued Q3, 2023	**Link to UKEB Final Comment Letter**

Background

110. In April 2021, the IASB published the Exposure Draft (ED) *Lack of Exchangeability*. The ED proposed to add requirements to IAS 21 *The Effects of Changes in Foreign Exchange Rates* for an entity to determine whether a currency is exchangeable into another currency and the exchange rate to use when it is not.

111. The Board considered the draft comment letter in July 2021 and approved the final comment letter in September 2021.

112. In January 2023 the Secretariat provided the Board with a summary of 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 to date (Agenda Paper 5, paragraph 51). These all related to amendments to IAS 21.

Consequential amendments

113. At its February 2023 meeting the IASB considered two potential consequential amendments to other IFRS Standards:

   a) IFRS 1 *First-time Adoption of International Financial Reporting Standards;* and

   b) IFRS 13 *Fair Value Measurement.*

IFRS 1 Amendments

114. Currently, the requirements in IFRS 1 related to severe hyperinflation refer to, but do not define, exchangeability. Consequently, the IASB proposed aligning that wording in IFRS 1 with the proposed amendments to IAS 21.

115. The UKEB supported this proposal in its comment letter to the IASB (para A7).

116. The IASB decided to proceed with the proposed amendments to IFRS 1.

IFRS 13 Amendments

117. One respondent to the ED suggested providing guidance about the effect on the fair value 'levelling' disclosures required by IFRS 13 from the use of an estimated exchange rate.

118. This was not part of the original proposals and was not considered by the UKEB in its comment letter to the IASB.

119. The IASB decided **not** to proceed with any amendments to IFRS 13.

Effective Date

120. The IASB also agreed to require an entity to apply the amendments for annual reporting periods beginning on or after 1 January 2025 and to permit earlier application.

Next steps

121. The IASB decided to finalise the amendments without re-exposure and expect to issue the amendments in the third quarter of 2023.

Annual Improvements

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

Background

Hedge accounting by a first-time adopter (IFRS 1 *First-time Adoption of International Financial Reporting Standards*)

122. The IASB staff proposed amendments to paragraphs B5–B6 of IFRS 1 to

a) replace the word 'conditions' with 'qualifying criteria'; and

b) add cross-references to paragraph 6.4.1 of IFRS 9 *Financial Instruments*.

The following text, extracted from IASB Agenda Paper 12C for its February 2023 meeting, reflects the outcome of the amendments on paragraphs B5–B6 of IFRS 1.

> Paragraph B5:
>
> An entity shall not reflect in its opening IFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with IFRS 9 (for example, many hedging relationships where the hedging instrument is a stand-alone written option or a net written option; or where the hedged item is a net position in a cash flow hedge for another risk than foreign currency risk) (see paragraph 6.4.1(a) of IFRS 9). However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with IFRSs an individual item within that net position, or a net position if that meets the requirements in paragraph 6.6.1 of IFRS 9, provided that it does so no later than the date of transition to IFRSs.
>
> Paragraph B6:
>
> If, before the date of transition to IFRSs, an entity had designated a transaction as a hedge but the hedge does not meet the ~~conditions~~ qualifying criteria for hedge accounting in paragraph 6.4.1(b)–(c) of IFRS 9, the entity shall apply paragraphs 6.5.6 and 6.5.7 of IFRS 9 to discontinue hedge accounting. Transactions entered into before the date of transition to IFRSs shall not be retrospectively designated as hedges.

123. Paragraphs B5–B6 of IFRS 1 were written to be consistent with the requirements for hedge accounting in IAS 39 *Financial Instruments: Recognition and Measurement*. In particular, the use of the word 'conditions' in paragraph B6 is consistent with paragraph 88 of IAS 39. First-time adopters of Accounting Standards applying IFRS 1 and IFRS 9 do not have an option to apply the hedge accounting requirements in IAS 39 and therefore apply IFRS 9. Replacing the word 'conditions' with 'qualifying criteria' is expected to make the wording in paragraph B6 more consistent with paragraph 6.4.1 of IFRS 9 and improve understandability. In addition, the IASB staff proposed to add cross-references in paragraphs B5–B6 of IFRS 1 to avoid unintended consequences.

124. Transition requirements are not relevant in this context as IFRS 1 applies to entities that present their first IFRS financial statements.

Transaction price (IFRS 9 *Financial Instruments*)

125. The IASB staff proposed amendments to paragraph 5.1.3 of IFRS 9 to delete the reference to 'transaction price' and revise the wording around it. In addition, the IASB staff proposed amendments to Appendix A of IFRS 9 accordingly, along with the proposed amendments to paragraph 5.1.3 of IFRS 9.

126. The following text, extracted from IASB Agenda Paper 12E for its February 2023 meeting, reflects the outcome of the proposed amendments on paragraph 5.1.3 and Appendix A of IFRS 9.

> Paragraph 5.1.3:
>
> Despite the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables at ~~their transaction price (as defined in~~ the amount determined applying IFRS 15~~)~~ if the trade receivables do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15).
>
> Appendix A:
>
> Defined terms
>
> …
>
> The following terms are defined in paragraph 11 of IAS 32, Appendix A of IFRS 7~~,~~ or Appendix A of IFRS 13 ~~or Appendix A of IFRS 15~~ and are used in this Standard with the meanings specified in IAS 32, IFRS 7~~,~~ or IFRS 13~~ or IFRS 15~~:
>
> (a) credit risk;[3]
>
> (b) equity instrument;
>
> (c) fair value;
>
> (d) financial asset;
>
> (e) financial instrument;

(f) financial liability~~;~~.

~~(g) transaction price.~~

[3] This term (as defined in IFRS 7) is used in the requirements for presenting the effects of changes in credit risk on liabilities designated as at fair value through profit or loss (see paragraph 5.7.7).

127. The addition of paragraph 5.1.3 of IFRS 9 resulted from the issuance of IFRS 15 *Revenue from Contracts with Customers*. There are two ways in which IFRS 9 used the term 'transaction price': (i) as defined in IFRS 15, in paragraph 5.1.3 of IFRS 9 and (ii) as the fair value of the consideration given or received. Therefore, the removal of the reference to the definition of 'transaction price' is expected to avoid potential confusion caused by the addition of paragraph 5.1.3 of IFRS 9.

Cost method (IAS 7 *Statement of Cash Flows*)

128. The IASB staff proposed an amendment to paragraph 37 of IAS 7 to replace the term 'cost method', which is no longer defined in IFRS Accounting Standards, with the term 'at cost'.

129. The following text, extracted from IASB Agenda Paper 12F for its February 2023 meeting, reflects the outcome of the proposed amendments on paragraph 37 of IAS 7.

When accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity method or at cost ~~method~~, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.

130. The current use of the term 'cost method' is from an oversight during the issuance of *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Separate Financial Statements*) in May 2008 when no consequential amendment[34] was made to paragraph 37 of IAS 7.

Gain or Loss on Derecognition (IFRS 7 *Financial Instruments: Disclosures*)

131. The IASB staff proposed an amendment to paragraph B38 of IFRS 7 to replace the reference to paragraph 27A of IFRS 7, a paragraph that no longer exists, with a reference to paragraphs 72–73 of IFRS 13 *Fair Value Measurement.*

132. Both paragraph 27A of IFRS 7 and paragraphs 72–73 of IFRS 13 state the requirements of the fair value hierarchy. The current reference to paragraph 27A is

likely to result from an oversight during IFRS 13 issuance in May 2011 when no consequential amendment[34] was made to paragraph B38 of IFRS 7.

133. At its February 2023 meeting, the IASB agreed with the staff recommendation. In addition, the IASB also tentatively decided to add an amendment by replacing the phrase 'inputs that were not based on observable market data' with 'unobservable inputs'.

134. The following text of paragraph B38 of IFRS 7, extracted from IASB Agenda Paper 12G for its February 2023 meeting, is amended to also reflect the outcome of the proposed amendments of the IASB's tentative decision made in the meeting.

> Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall disclose whether the fair value measurements included significant ~~inputs that were not based on observable market data~~ unobservable inputs, as described in ~~paragraph 27A~~ paragraphs 72–73 of IFRS 13.

Determination of a 'de facto agent' (IFRS 10)

135. The IASB was informed about potential confusion arising from an inconsistency between paragraphs B73 and B74 of IFRS 10 *Consolidated Financial Statements* related to an investor determining whether another party is acting on its behalf.

136. Confusion may arise because paragraph B73 states the principle—that a de facto agent is a party that acts on the investor's behalf— and that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of paragraph B74 includes more conclusive language and states that "a party is a de facto agent when the investor has, or those that direct the activities of the investor have, the ability to direct that party to act on the investor's behalf".

137. The IASB staff proposed an amendment to paragraph B74 of IFRS 10 *Consolidated Financial Statements*.

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[34] Paragraph 6.31 of the *IFRS Foundation's Due Process Handbook*

138. The following text, extracted from IASB Agenda Paper 12D for its February 2023 meeting, reflects the outcome of the proposed amendment on paragraph B74 of IFRS 10.

> B74 Such a relationship need not involve a contractual arrangement. A party ~~is~~ may act as a de facto agent when the investor has, or those that direct the activities of the investor have, the ability to direct that party to act on the investor's behalf. ~~In these circumstances, t~~ The investor shall consider its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns through the de facto agent together with its own when assessing control of an investee.

Credit Risk Disclosures – Illustrative examples accompanying IFRS 7

139. The IASB staff proposed amendments to two paragraphs in illustrative examples for IFRS 7 –

a) Paragraph IG1: to add a statement that the implementation guidance accompanying IFRS 7 does not illustrate all the requirements in IFRS 7;

b) Paragraph IG20B: to streamline the paragraph by rewording the first sentence and deleting the second sentence.

The following text, extracted from IASB Agenda Paper 12H for its February 2023 meeting, reflects the outcome of the amendments on paragraphs IG1 and IG20B of IFRS 7.

> Paragraph IG1:
>
> This guidance suggests possible ways to apply some of the disclosure requirements in IFRS 7 and does not illustrate all the requirements in IFRS 7. The guidance does not create additional requirements.
>
> Paragraph IG20B:
>
> IG20B The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets, other than financial assets that are purchased or originated credit-impaired, during the period that contributed to changes in the loss allowance as required by paragraphs 35H–35I. ~~This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.~~

140. Paragraph IG20B illustrates application of requirements in paragraphs 35H–35I of IFRS 7 and states that 'this example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired'. However, paragraph IG20C of IFRS 7 does not illustrate all the disclosure requirements in paragraph 35M of IFRS 7 and does not make a statement on the omitted illustrations. Therefore, the proposed amendments are expected to remove a potential inconsistency between paragraphs IG20B and IG20C.

141. The proposed amendments are to the implementation guidance which is not a mandatory section of accounting standards.[35] Therefore, there is no need for the IASB to consider transition. The implementation guidance is not included in UK-adopted international accounting standards.

Next steps

142. The amendments in paragraphs 118-137 of this paper will be included in the next Annual Improvement to IFRS Accounting Standards Cycle. The IASB tentatively decided that specific transition requirements (where relevant) will not be developed for the proposed amendments in paragraphs 118-134 of this paper, as the amendments are not expected to introduce any change in practice.

[35] Mandatory pronouncements are IFRS Standards, IAS Standards, Interpretations and mandatory application guidance. Non-mandatory guidance includes basis for conclusions, dissenting opinions, implementation guidance and illustrative examples, together with the IFRS practice statements.

Dynamic Risk Management

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

Background

143. At its February 2023 meeting, the IASB also discussed its project on Dynamic Risk Management.

144. The Secretariat will provide the Board with information on this project later in 2023.

IFRS Interpretations Committee

145. 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.

146. The Interpretations Committee is holding its first meeting for 2023 on 14 – 15 March.

147. The following tables summarise the current matters on the Interpretations Committee agenda. All the matters included in the table have been considered by the Board in previous meetings, when it was concluded that the Board would not respond.

148. At its April meeting the Board will be asked to consider any tentative agenda decisions that have been published subsequent to the March 2023 Interpretations Committee meeting.

149. In addition, the Interpretations Committee will be discussing possible narrow scope amendments to be recommended to the IASB for IFRS 9 *Financial Instruments* and IFRS 16 *Leases* related to lessee accounting for lease payments forgiven.

Matters received but not yet presented to the Interpretations Committee

Topic	Merger between a parent and its subsidiary in separate financial statements
Standard	IAS 27
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.

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

UK Endorsement Board

Matters under consideration by the Interpretations Committee

INTIAL CONSIDERATION	
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)[36]
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

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

TENTATIVE AGENDA DECISIONS CLOSED FOR COMMENT	
Topic	Definition of a lease—Substitution rights
Standard	IFRS 16

Question*	The request asked about:
	• 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.
	• how to assess whether a contract contains a lease applying IFRS 16 when the supplier has particular substitution rights—ie the supplier:
	    • has the practical ability to substitute alternative assets throughout the period of use; but
	    • 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 assess 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.
Comment Letters	18 comment letters were received, including from PwC, Deloitte, BDO, Mazars, the Malaysian Accounting Standards Board, the Indonesian Financial Accounting Standards Boards, and ICAEW

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

Questions for the Board
Do Board members have any comments on the matters before the Interpretations Committee?

UK Endorsement Board

Appendix A. List of IASB projects

A1 This Appendix provides a list of all IASB projects[1], including links to the IASB project page and, where relevant, to the UKEB project page and any UKEB reports or comment letters. Items highlighted in grey are changed from the last report.

List of IASB projects	
Amendments to the Classification and Measurement of Financial Instruments	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft March 2023	UKEB project page
Business Combinations under Common Control	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction	UKEB project page UKEB Final Comment Letter (Published August 2021)

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

List of IASB projects	
Business Combinations—Disclosures, Goodwill and Impairment	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft	UKEB project page UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model (Published September 2022)
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Standard (not before 2024[2])	UKEB project page UKEB Final Comment Letter (Published February 2022)
Dynamic Risk Management	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft	

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

Equity Method	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction April 2023	
Extractive Activities	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction Q3 2023	
Financial Instruments with Characteristics of Equity	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft H2 2023	
International Tax Reform—Pillar Two Model Rules	
UKEB Project Status: Influencing Completed **IASB Next Milestone:** Exposure Draft Feedback April 2023	UKEB project page UKEB Final Comment Letter (Published March 2023)

Lack of Exchangeability (Amendments to IAS 21)	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Accounting Standard Amendment Q3 2023	UKEB project page UKEB Final Comment Letter (Published September 2021)
Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information Q2 2023	
Post-implementation Review of IFRS 9—Impairment	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information May 2023	
Primary Financial Statements	
UKEB Project Status: Active Monitoring	UKEB project page UKEB Final Comment Letter (Published September 2020)

IASB Next Milestone: IFRS Standard (not before 2024[3])	
Provisions—Targeted Improvements	
UKEB Project Status: Active Monitoring **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)
Supplier Finance Arrangements	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Amendment May 2023	UKEB project page UKEB Final Comment Letter (Published March 2022)

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