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. This month the Secretariat has presented all the topics as for noting only, with none identified as prioritised for discussion. However, comments or questions are welcomed on any topic.

Topics identified for noting:

- Post-implementation Review – IFRS 15 Revenue from Contracts with Customers
- International Tax Reform – Pillar Two Model Rules
- Subsidiaries without Public Accountability: Disclosures
- Equity Method
- Business Combinations – Disclosures, Goodwill and Impairment
- Climate-related Risks in the Financial Statements
- Disclosure Initiative – Targeted Standards-level Review of Disclosures
- IFRS Interpretations Committee

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Decisions for the Board
The Board is not asked to make any decisions. Board members are asked the following questions: 1. Do Board members have any questions or comments on the **updates for noting**? 2. **Interpretations Committee** - **Matters received but not yet presented to the Interpretations Committee** Do Board members consider, based on the criteria set out in the Due Process handbook, that the UKEB should undertake further research and outreach on the "Application of the 'own use exemption' in the light of current market and geopolitical questions"? 3. **Interpretations Committee – Tentative Agenda Decisions open for comment** Do Board members agree that the UKEB will NOT respond to any of the Interpretations Committee Tentative Agenda Decisions currently open for comment?
Recommendation
N/A
Appendices
Appendix 8A Post-implementation Review – IFRS 15 Revenue from Contracts with Customers Appendix 8B International Tax Reform – Pillar Two Model Rules Appendix 8C Subsidiaries without Public Accountability: Disclosures Appendix 8D Equity Method Appendix 8E Business Combinations – Disclosures, Goodwill and Impairment Appendix 8F Climate-related Risks in the Financial Statements Appendix 8G Disclosure Initiative – Targeted Standards-level Review of Disclosures Appendix 8H IFRS Interpretations Committee Appendix 8I List of IASB Projects

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

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Request for Information (RfI) expected around end of June 2023	UKEB project page

A1. At its March 2023 meeting the IASB discussed further issues to include in the Post-implementation Review (PIR) of IFRS 15 *Revenue from Contracts with Customers*:

Matters to be examined in the forthcoming Request For Information

A2. The IASB tentatively decided to ask stakeholders about their views on IFRS 15 in the Request for Information (RfI) on the following three main topics.

IFRS 15 as a whole and convergence with the US Financial Accounting Standards Board's Topic 606

A3. The IASB tentatively decided to ask stakeholders about their views on IFRS 15 as a whole:

a) Whether IFRS 15 meets its overall objective.

b) The clarity and suitability of the core principle of the standard and the five-step revenue recognition model for making revenue accounting decisions.

c) Suggestions for specific narrow-scope improvements for the IASB to consider that could improve the understandability of IFRS 15 without causing substantial cost and disruption to entities already applying the Standard.

d) Feedback from the implementation of IFRS 15 for the IASB to consider in improving the understandability and accessibility of future standards.

e) The ongoing costs and benefits of applying the requirements in IFRS 15.

f) The importance of retaining convergence between IFRS 15 and the Financial Accounting Standards Board's Topic 606 *Revenue from Contracts with Customers*.

The five step revenue recognition model and related areas

A4. The IASB tentatively decided that the RfI will ask stakeholders for fact patterns in relation to which:

a) Guidance on identifying performance obligations in a contract:

i. is applied inconsistently;

ii. leads to outcomes that do not reflect the underlying economic substance; or

iii. leads to significant ongoing costs.

b) Guidance on determining the timing of revenue recognition is unclear or may be applied inconsistently—particularly with respect to the criteria for recognising revenue over time.

c) Guidance on determining whether an entity is a principal or an agent is unclear or may be applied inconsistently.

d) Guidance on accounting for licensing is unclear or may be applied inconsistently.

A5. The IASB tentatively decided that the RfI will also ask stakeholders about:

a) Evidence of diversity in practice in determining the transaction price in a contract, specifically in relation to consideration payable to customers.

b) Disclosure requirements, including the costs of meeting those requirements and the benefits of the resulting information to users of financial statements.

c) Transition requirements—specifically:

i. whether the option to use the modified retrospective method and the practical transition reliefs offered by IFRS 15 were used by preparers of financial statements; and

ii. whether they achieved an appropriate balance between reducing the cost and burden for preparers of financial statements and providing useful information to users of financial statements.

Interaction with other IFRS Accounting Standards

A6. The IASB tentatively decided to ask stakeholders about the application of IFRS 15 alongside other IFRS Accounting Standards[1], focusing on IFRS 3 *Business Combinations*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases*.

Next steps

A7. The IASB will be asked to approve the publication of, and set a comment period for, the RfI at a future meeting. The IASB staff expect to publish the RfI by the end of June 2023.

A8. The UKEB Secretariat expects to provide a draft Project Initiation Plan (PIP) at the June 2023 Board meeting, setting out further detail on the work to be performed on this project.

1 The IASB tentatively decided against asking stakeholders about the application of IFRS 15 alongside IFRS 10 *Consolidated Financial Statements* but directed the staff to include an explanation of this decision in the RFI.

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Appendix B International Tax Reform – Pillar Two Model Rules

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

Background

B1 At its supplementary meeting on 11 April 2023, the IASB discussed the staff proposals in the light of feedback received[1] on its Exposure Draft (ED) *International Tax Reform: Pillar Two Model Rules – Amendments to IAS 12*.

B2 The IASB took tentative decisions relating to the temporary exception from deferred tax accounting in respect of Pillar Two top-up taxes, the related disclosure requirements, and the transition and effective date of the Amendments.

Scope

B3 The IASB agreed the scope of the exception, as proposed in the ED. It decided not to clarify further which taxes were in scope. The IASB considered that, as with other taxes, entities would need to assess whether Pillar Two top-up taxes were income taxes within the scope of IAS 12 before applying that Standard.

Temporary exception from deferred tax accounting

B4 The IASB decided to finalise the requirements proposed in the ED for a temporary exception from deferred tax accounting, without a sunset clause, and for a disclosure that the exception has been applied. Furthermore, the IASB agreed to indicate its plans to work towards a more permanent solution.

Targeted disclosure requirements

Periods in which Pillar Two legislation is in effect

B5 The IASB confirmed that entities would be required to disclose their current Pillar Two tax expense (income), as proposed in the ED. The IASB noted that, when applicable, entities would apply IAS 1 *Presentation of Financial Statements*

1 The recording of the meeting, the staff papers summarising the feedback received, including 94 comment letters, and the resulting staff recommendations, are all available on the IASB website.

paragraphs 125 to 133 and IFRIC 23 *Uncertainty over Income Tax Treatments*, to disclose information about measurement uncertainty.

Periods in which Pillar Two legislation is enacted or substantively enacted, but not yet in effect

B6 The IASB decided on a principle-based disclosure requirement for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect. This requirement will include a disclosure objective, i.e., "*an entity shall disclose information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes*".[2]

B7 The IASB agreed to specify that, in meeting that disclosure objective, an entity should disclose known or reasonably estimable quantitative and qualitative information about its exposure at the end of the reporting period. That information, however, need not reflect all the specific requirements of the legislation and could be presented as an indicative range.

B8 The IASB decided that entities which do not have known or reasonably estimable information about their exposure to Pillar Two taxes must disclose that fact, together with information on progress made in assessing that exposure. Entities would therefore not be required to provide IAS 12-based quantitative information.

Transition and effective date

B9 The IASB decided to finalise the ED proposals on transition and the effective date. Furthermore, the IASB decided to specify that an entity is not required to apply the targeted disclosure requirements, described above at paragraphs B6 to B8, in interim financial reports for any interim period ending within 2023.

Next steps

B10 Both the PAG and the AFIAG have confirmed that the need for the Amendments remains urgent, which supports the Board's tentative decision, taken in February 2023, to target a July 2023 decision on endorsement. The IASB has confirmed that it intends to issue the final Amendments in the second half of May 2023.

B11 The proposed UKEB endorsement timetable[3] would therefore not require amendment. The Secretariat plans to present the DECA at the June Board meeting before publishing it for a 14-day comment period. As agreed by the Board at its February 2023 meeting, the final ECA would be delivered as a late paper to the July Board meeting, in order to enable the Secretariat to address comments received during the comment period.

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2 Paper AP12b *Disclosures* paragraph 44.
3 As detailed on page 12 of the Project Initiation Plan.

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Appendix C: 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)**

C1. At the March 2023 IASB meeting, IASB staff provided a presentation[1] to:

a) discuss the feedback on the interaction between the disclosure requirements proposed in the Exposure Draft (ED) *Subsidiaries without Public Accountability: Disclosures* and the IFRS for SMEs Accounting Standard (IFRS for SMEs); and

b) clarify the interaction between the forthcoming IFRS Accounting Standard (reduced disclosure standard) and the IFRS for SMEs.

C2. The salient points of the presentation included:

a) The IASB added the project to its work plan as a result of feedback from some respondents to the 2015 Agenda consultation who suggested the IASB consider permitting subsidiaries that are SMEs to apply IFRS with reduced disclosure requirements.

b) The IASB started with disclosure requirements in the IFRS for SMEs as:

i. these disclosures are reduced from IFRS Accounting Standards; and

ii. users' information needs are satisfied because subsidiaries that will be eligible to apply the reduced disclosure Standard may also apply the IFRS for SMEs.

c) The principles applied for reducing the disclosure requirements are determined according to the users' information needs.

d) Feedback on the ED highlighted:

i. the approach—whilst many respondents agreed with the IASB's approach, some respondents said that the IASB should have

[1] The slide deck of the presentation can be accessed here.

started with IFRS Accounting Standards and explained its approach to cost-benefit assessments more clearly.

ii. the interaction between the reduced disclosure standard and the IFRS for SMEs—some of the respondents suggested the IASB clarify how the two standards interact, and that the disclosure requirements in both standards should be the same because users' information needs are the same.

e) The IASB response to the feedback on:

i. The approach—the IASB started with the IFRS for SMEs because the disclosure requirements are developed from IFRS. If the IASB had started with IFRS the outcome would have been the same because the principles for reducing the disclosure requirements are the same. In the future, as part of the approach in developing reduced disclosure requirements, the IASB will assess separately the costs and benefits for subsidiaries and SMEs that are not subsidiaries.

ii. The interaction between the reduced disclosure Standard and the IFRS for SMEs—the principles for reducing disclosure requirements are guided by users' information needs and apply equally to both standards. The proposed disclosure requirements were tailored for recognition and measurement differences between full IFRS Accounting Standards and the IFRS for SMEs.

f) The way forward — explaining in the Basis for Conclusions on the forthcoming IFRS Accounting Standard that:

i. In developing the ED, the IASB started with the disclosure requirements in the IFRS for SMEs.

ii. In the future the reduced disclosure Standard will be updated as new and amended IFRS Accounting Standards are developed; the IFRS for SMEs will continue to be updated periodically.

iii. There will be separate consultations for updating the reduced disclosure Standard and the IFRS for SMEs.

iv. Costs and benefits will be assessed separately for subsidiaries and SMEs that are not subsidiaries.

v. The reduced disclosure Standard and IFRS for SMEs may have different disclosure requirements because of (a) recognition and measurement difference and (b) assessment of costs and benefits.

C3. One IASB member commented on the IASB's tentative decision in October 2022 to align the language in the reduced disclosure standard with IFRS Accounting Standards. In his view, this is an important decision because those subsidiaries which will implement the forthcoming standard are familiar with the language of IFRS Accounting Standards. He also commented on the ongoing maintenance of the forthcoming standard which will be constantly updated as a result of amended or new IFRS Accounting Standards.

C4. All IASB members agreed that, in developing reduced disclosure requirements, the IASB will assess separately the costs and benefits for subsidiaries applying the forthcoming IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures* and the costs and benefits for SMEs applying the *IFRS for SMEs* Accounting Standard.

Secretariat views

C5. We welcome the IASB's clarification that the two standards will be independent of each other. We also find the clarity on the process of updating the forthcoming IFRS Accounting Standard and assessing costs and benefits helpful.

C6. The flow chart[2] clarifying the ongoing relationship between the reduced disclosure Standard and the IFRS for SME is useful given the uncertainty that has arisen on this matter. We think the IASB should consider including this flow chart within the forthcoming standard e.g., as part of the introduction, as this would be helpful to stakeholders.

Next steps

C7. The IASB staff plan to present agenda papers to future IASB meetings on the proposed disclosure requirements in the proposed standard and on the effects analysis.

C8. The UKEB Secretariat will continue to monitor the IASB discussions.

[2] See slide 22 of the slide deck which can be accessed here.

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Appendix D: Equity Method[1]

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

D1. At its March 2023 meeting, the IASB continued discussing two application questions:

a) How does an investor apply the equity method when purchasing an additional interest in an associate while retaining significant influence?

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

Purchase of an additional interest in an associate while retaining significant influence[2]

D2. The IASB staff paper recommended the IASB answers the application question whereby:

An investor purchasing an additional interest in an associate, while retaining significant influence, recognises any difference between the cost of the additional interest and its additional share in the net fair value of the associate's identifiable assets and liabilities as goodwill or as a bargain purchase.

D3. One IASB member supported this approach because it faithfully represents the transaction. In his view, the acquisition of additional interests in an associate while retaining significant influence does not represent a significant economic event and as a result such transaction should not lead to the recognition of any gain or loss. This approach is consistent with the underlying principles of the equity method in IAS 28.

D4. All IASB members supported the staff recommendation.

1 A condensed summary of the IASB's tentative decisions on application questions can be accessed here.
2 See paragraphs 66-72 of Agenda Paper 5 of the January 2023 meeting for background information on this application question.

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Perceived conflict between IFRS 10 and IAS 28[3]

D5. At its September 2022 meeting, the IASB started to discuss four alternative answers to the application question:

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

D6. The March 2023 IASB staff paper[4] summarises the feedback from the outreach undertaken with users. Users support enhancing the disclosure requirements to require an investor to disclose the amount of the gains or losses from these transactions.

D7. Most IASB members supported the staff recommendation to propose amendments to:

a) IAS 28 to require an investor to recognise the full gain or loss on all transactions with its associate (Alternative 1 'No elimination'); and

b) IAS 24 *Related Party Disclosures* to require an investor to disclose the gain or loss from transactions with its associate (in addition to the amount of the transactions).

D8. Alternative 1 would be a simplification in the equity method procedures because it would:

a) Significantly simplify the effort needed and costs of applying the equity method procedures, because an investor would no longer be required to:

i. gather information required for elimination entries;

ii. exercise judgement to allocate the restricted gains or losses; or

iii. track whether (and when) an associate has sold the asset to a third party.

b) Remove diversity in practice.

c) Enhance comparability and provide better-quality information to users.

D9. One IASB member said the principles in IAS 28 will not assist in resolving the application question because of the different views on whether the equity method is a measurement method or a one-line consolidation. In his view, in addressing

[3] See paragraphs 86-94 of Agenda Paper 6 of the February 2023 meeting for background information on this application question.

[4] March 2023 Paper AP13c paragraph 11-14.

this application question the focus should be on cost and benefit considerations which is consistent with the feedback received by the IASB from preparers.

D10. The staff paper[5] set out the reasons users said the disclosure of the gain or loss would be useful to them. One IASB member said requiring disclosure rather than elimination would be useful to users without requiring additional work from preparers.

D11. However, some IASB members expressed concerns on the proposed disclosure requirement. In the view of one IASB member, the cost to preparers exceeds the benefits of the information to users. One IASB member said it is important to understand what assessments users would do using that information. Another IASB member expressed reservations on whether the consolidation system would track such information. Another IASB member highlighted that IFRS 12 already requires companies to disclose detailed financial information on material associates and on an aggregated basis for non-material associates. Further, IAS 24 also requires certain disclosures to be provided. That IASB member questioned whether the disclosures already required under IFRS are sufficient and whether additional information is needed.

D12. One IASB member disagreed with supporting Alternative 1 without the proposed disclosure requirement because of the negative impact on earnings quality.

D13. A few IASB members said feedback on Alternative 1 as an ED proposal will provide the IASB with compelling evidence on the need for a significant change in the practical application of IAS 28 and will be an opportunity to seek feedback from stakeholders about the practicality of the proposed disclosure requirement.

D14. Given that the IASB does not yet know what the enhancements to the disclosures will entail, the Chair asked IASB members to provide a directional vote to the staff.

Secretariat views

D15. Alternative 1 appears appropriate on the ground of **simplicity** and because it appears consistent with the principles of IFRS 3 and IFRS 10.

D16. We would be concerned about requiring elimination entries (required under Alternative 2) when the conceptual basis for that remains unclear. (This approach seems to suggest that the equity method is solely a one-line consolidation, but the definition of 'group' excludes associates.) Further, the information needed for the elimination entries might be difficult to obtain in some cases.

D17. Alternatives 1 and 2 could both provide a faithful representation of the transaction depending on the how the equity method is viewed. For example, if the equity method is viewed as a measurement basis, transactions between the investor and

[5] See paragraph 18 of March 2023 Paper AP13c.

the associate should be treated similarly to transactions with external parties. Consequently, the full gain should be recognised by the investor.

Application questions within the scope of the project to be discussed (or in discussion)

D18. The table below provides the application questions within the scope of the project that are to be discussed (or are in discussion):

Impairment
Whether the decline in fair value is assessed in relation to the original purchase price or the carrying amount at the reporting date?
Initial recognition
Whether the investor recognises deferred tax assets and liabilities on the differences between the fair value and the tax base of its share of the investee's net assets?
Contingent consideration
How to initially and subsequently account for contingent consideration in the acquisition of an investee applying IAS 28?

Next steps

D19. At the April 2023 IASB meeting, the staff will ask the IASB whether to:

a) move the Equity Method research project to its standard-setting work plan;

b) work towards publishing an ED as the next due process step;

c) set up a consultative group for the project; and

d) update the project's objective to reflect the progress made on the project.

D20. At future meetings, the staff plan to ask the IASB to:

a) discuss remaining application questions within the scope of the project;

b) explore further whether its tentative decision, to recognise an investor's share of other changes in an associate's net assets that affect its ownership interest as a purchase of an additional interest or a partial disposal, should also be applied to other transactions such as an associate's equity-settled share-based payment;

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

d) discuss any implications of applying its tentative decisions to investments other than associate entities that are accounted for applying the equity method.

D21. Once the IASB has made tentative decisions on all application questions within the scope of the project, the staff plan also to ask the IASB to:

a) discuss possible improvements to the disclosure requirements to accompany its tentative decisions; and

b) discuss transition requirements for the proposals to revise IAS 28.

D22. The UKEB Secretariat will continue to monitor the IASB discussions.

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Appendix E: 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 **(September 2022)**

Background

E1. At the IASB's March 2023 meeting, it discussed:

a) some potential changes to IAS 36 *Impairment of Assets* to reduce the cost and complexity of the impairment test for cash-generating units (CGUs) containing goodwill; and

b) the potential removal of some disclosure requirements from IFRS 3 *Business Combinations*.

Estimating value in use (VIU)

E2. The IASB redeliberated its preliminary views as set out in the March 2020 Discussion Paper[1] to amend the requirements for estimating value in use (VIU) in the impairment test in IAS 36.

Future restructurings, improvements or enhancements

E3. In estimating VIU, IAS 36 requires an entity to estimate cash flow projections for an asset in its current condition but restricts an entity from including estimated future cash flows expected to arise from future restructuring to which the entity is not yet committed, or from improving or enhancing the asset's performance.

E4. The Discussion Paper had suggested that this requirement can cause cost and complexity because excluding such cash flows requires management to adjust its financial budgets or forecasts. For example, management can find it challenging to distinguish maintenance capital expenditure from expansionary capital expenditure in these budgets or forecast.

1 The Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment issued in March 2020 sets out the IASB's preliminary views. The UKEB Secretariat's final comment letter was submitted in January 2021and can be found here. (The UKEB was not formed until March 2021.)

E5. The IASB continued to agree with the analysis that if the asset has the current potential to generate those cash flows, conceptually they can be included in estimating VIU and are cash flows of the asset in its current condition.

E6. On IAS 36, the IASB tentatively decided to propose:

a) Removing a constraint on cash flows used to estimate VIU. An entity would no longer be prohibited from including cash flows:

i. arising from future restructuring to which the entity is not yet committed; or

ii. from improving or enhancing an asset's performance.

b) Retaining the requirement to assess assets or cash-generating units in their current condition.

c) Adding no additional constraints on the inclusion of those cash flows beyond those already in IAS 36.

Post-tax cash flows and discount rates

E7. In estimating VIU, IAS 36 requires an entity to estimate pre-tax cash flows and discount them using pre-tax discount rates. It also requires disclosure of the pre-tax discount rates used.

E8. The Discussion Paper suggested that determining pre-tax discount rates is costly and complex and that a pre-tax discount rate is hard to understand, is not observable and does not provide useful information because it is generally not used for valuation purposes. In practice, valuations of assets are generally performed on a post-tax basis.

E9. The IASB also tentatively decided to propose:

a) removing the requirement to use pre-tax cash flows and pre-tax discount rates in estimating VIU;

b) requiring an entity to use internally consistent assumptions for cash flows and discount rates regardless of whether value in use is estimated on a pre-tax or post-tax basis;

c) to retain the requirement to disclose the discount rates used;

d) removing the requirement that the discount rate disclosed be a pre-tax rate; and

e) requiring an entity to disclose whether a pre-tax or a post-tax discount rate was used in estimating value in use.

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Other suggestions to reduce cost and complexity

E10. The IASB redeliberated other suggestions to reduce the cost and complexity of the impairment test of CGUs containing goodwill in IAS 36 and tentatively decided:

a) not to add more guidance to IAS 36 about the difference between VIU and fair value less costs of disposal (FVLCD); and

b) not to mandate a single method for measuring recoverable amount.

A single method for measuring recoverable amount

E11. IAS 36 defines recoverable amount as the higher of an asset's or cash-generating unit's FVLCD and its VIU.

E12. The IASB considered requiring a single method for measuring the recoverable amount of an asset or CGU but had previously decided against this approach because it considered that the IASC's[2] reasons for basing the definition of recoverable amount on both VIU and FVLCD when developing IAS 36 remained valid, in that if an entity can generate greater cash flows by using an asset, basing its recoverable amount on market price would be misleading, because a rational entity would not be willing to sell. Similarly, if an asset's FVLCD is higher than its VIU, a rational entity will dispose of the asset and an impairment loss would be unrelated to economic reality. But if management decides to keep the asset, the extra loss properly falls in later periods because it results from management's decisions in those later periods to keep the asset.

E13. The IASB also tentatively decided:

a) not to provide additional guidance on performing the impairment test for entities in the financial services sector on the basis that IFRS Accounting Standards strive to be industry agnostic and therefore no changes should be made to IAS 36 to address matters for a specific sector; and

b) not to provide additional guidance to clarify the interaction between IAS 36 and either IFRS 13 *Fair Value Measurement* or IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

Deleting disclosure requirements

E14. In paragraph 2.88 of the Discussion Paper, the IASB acknowledged that in considering how to improve the disclosure requirements of IFRS 3, it had not reviewed all the requirements. The IASB was, however, aware of feedback from preparers that those requirements were considered excessive.

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[2] The IASB's predecessor organisation.

E15. Respondents (including the UKEB Secretariat in its Final Comment Letter[3]) to the Discussion Paper were of the view that disclosures are voluminous and costly to comply with and suggested that the IASB perform a comprehensive review of the existing requirements to identify those that do not provide useful information to users.

E16. The IASB tentatively decided to delete the following IFRS 3 requirements:

a) Paragraph B64(h)—information about acquired receivables.

b) Paragraph B67(d)(iii)—a line item in the reconciliation between opening and closing goodwill balances that relates to changes resulting from the subsequent recognition of deferred tax assets.

c) Paragraph B67(e)—the amount and an explanation of any material gain or loss recognised in the current reporting period that relates to the identifiable assets acquired or liabilities assumed in a business combination that was affected in the current or previous reporting period.

E17. The IASB also tentatively decided for the following requirements to remain unchanged in IFRS 3:

a) Paragraph B64(k)—the amount of goodwill expected to be deductible for tax purposes.

b) Paragraph B64(m)—acquisition-related costs.

c) Paragraph B66—business combinations completed after the end of the reporting period.

E18. Finally, the IASB deliberated whether to exempt entities from complying with some disclosure requirements in IFRS 3 (including the IASB's proposed new disclosure requirement about the subsequent performance of business combinations) when preparing interim financial statements (paragraph 16A(i) of IAS 34 *Interim Financial Reporting*).

Next steps

E19. The IASB will continue its redeliberations on the following remaining topics at future meetings:

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

b) the remaining aspects of the IASB's preliminary views on reducing the cost and complexity of the impairment test; and

[3] The UKEB Final Comment Letter can be found here

c) the feasibility of improving the effectiveness of the impairment test.

The UKEB Secretariat will continue to actively monitor the IASB discussions and provide feedback to the Board.

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Appendix F Climate-related Risks in the Financial Statements

UKEB Project Status: Active Monitoring **IASB Next Milestone:** Review research	

Background

F1 At its March 2023 meeting the IASB activated a maintenance project on Climate-related Risks in the Financial Statements. It was not asked to make any decisions.

F2 This project has commenced due to the fact that the ISSB has completed its deliberations on its first two Standards, Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (S1) and draft IFRS S2 *Climate-related Disclosures* (S2), so the IASB has a stable set of decisions to inform their project. The IASB aims to leverage the ISSB's work and consider questions such as whether connectivity mechanisms in the ISSB's first two Standards could be mirrored in IASB Standards.

F3 The aim of the project is to explore whether and how companies' financial statements can provide better information about climate-related risks and whether the IASB should do more in this area. This will be approached through research and outreach to identify the nature and causes of stakeholder concerns about the reporting of climate-related risks in the financial statements.

F4 Being a maintenance project, any standard-setting will be narrow in scope—for example, minor amendments to IASB Standards, limited new application guidance, new illustrative examples or further educational materials.

F5 The IASB noted that the following areas are out of scope of the project:

a) Investor information needs that go beyond the objective of financial statements.

b) Development of an IASB Standard on climate-related risks, or extensive application guidance on how to consider the effects of such risks when applying IASB Standards.

c) Broadening the objective of financial statements or changing the definitions of assets and liabilities.

Next steps

F6 The IASB will discuss the feedback from its consultative activities, the available courses of action and a tentative project plan.

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Appendix G: Disclosure Initiative – Targeted Standards-level Review of Disclosure

UKEB Project Status: Closed **IASB Next Milestone:** Closed	UKEB Final Comment Letter **(Published December 2021)**

G1. On 8 March 2023 the IASB announced it had concluded the project Disclosure Initiative – Targeted Standards-level Review of Disclosure.

G2. A summary of the final decisions made by the IASB on this project was provided to the UKEB board in November 2022 (Agenda Paper 8).

Question for the Board
1. Do Board members have any questions or comments on the updates for noting?

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Appendix H: IFRIC Agenda Decisions Update

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

Background

H1. 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.

H2. The Interpretations Committee held its first meeting for 2023 on 14 – 15 March.

H3. The following tables summarise the current matters on the Interpretations Committee agenda.

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.
Comment	The UKEB considered this matter in January 2023 and concluded that it did not appear to affect a significant number of UK companies.

Topic	**Application of the 'own use exemption' in the light of current market and geopolitical questions**
Standard	IFRS 9
Question*	Three distinct issues, each involving quite complex contracts for energy (gas or electricity). In each case the question is about the requirements of IFRS 9.2.4-9.2.6 which address whether an entity can use the own-use exemption[1], or whether the contract must be accounted for as a derivative financial instrument. The detailed scenarios and the different views on the accounting treatment can be found here. Briefly, the issues are: Issue 1 - Purchase-as-Produced contracts Company A enters into a contract with a wind park. There is a demand and supply (timing) mismatch with spot market being used as a "storage facility". The company is always in a net purchaser position, i.e., it buys more energy from the spot market than it has sold to the market based on a monthly view. The average purchase price exceeds the average sale price, so that the company incurs expenses for "storing" the energy on spot markets. This is deemed to be part of the fee paid to a service provider involved to sell unused amounts of

[1] To qualify for the own use exemption, a contract to buy or sell a non-financial item needs to be entered into and continue to be held to receive or deliver that non-financial item in accordance with the entity's expected purchase, sale or usage requirements (IFRS 9.2.4). However, if the entity has a past practice of settling similar contracts net in cash, then a contract would not satisfy the own use exemption (IFRS 9.2.6).
Source: Croner-i Navigate

	energy to, and repurchase additional demands from, the grid/spot markets. **Four different views are presented for consideration.** Issue 2 – Settlement of power purchase contracts Company B enters into a forward contract for purchase of natural gas but subsequently experiences a reduction in its demand for the natural gas. Company B settles some of its contracts with the supplier structured as a net payment for all excess amounts. **Two different views are presented for consideration.** Issue 3 – Oversized contracts: Company C enters into contracts with renewable energy suppliers for a supply of 95% of its expected energy demand (at a fixed price), with any additional demand procured on the spot market. In the case of supply under the contract exceeding demand, Company C would sell the excess amount on the spot market and repurchase it there to compensate any future shortfall if necessary (although it is not certain that any shortfall would match the sales). The contract does not permit net settlement and the company has no history of net settlements or profit taking on contracts that were classified as own-use in accordance with IFRS 9.2.4. **Two different views are presented for consideration.**
Comment	This project was only recently added to the Interpretations Committee's research pipeline. The Secretariat has not had time to undertake additional research or outreach at this point in time.

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

Question for the Board
1. Do Board members consider, based on the criteria set out in the Due Process handbook, that the UKEB should undertake further research and outreach on the "Application of the 'own use exemption' in the light of current market and geopolitical questions"?

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TENTATIVE AGENDA DECISIONS OPEN FOR COMMENT	
Topic	[Guarantee over a derivative contract]
Standard	IFRS 9
Deadline	22 May 2023
Question*	The request asked whether, in applying IFRS 9, an entity accounts for a guarantee written over a derivative contract as a financial guarantee contract or a derivative. The request described a guarantee written over a derivative contract between two third parties. Such a guarantee would reimburse the holder of the guarantee for the actual loss incurred—up to the close-out amount—in the event of default by the other party. The close-out amount is determined based on a valuation of the remaining contractual cash flows of the derivative prior to default.
Tentative conclusion*	Based on its findings, the Interpretations Committee concluded that the matter described in the request does not have widespread effects and does not have (nor is expected to have) a material effect on those affected. Consequently, the Interpretations Committee [decided] not to add a standard-setting project to the work plan.
Comment	The UKEB considered this matter in December 2023 and concluded it seemed unlikely to affect a significant number of UK companies. The tentative Agenda Decision is consistent with this conclusion.
Topic	[Homes and Home Loans Provided to Employees]
Standard	IAS 19/IFRS 9
Deadline	22 May 2023
Question*	The request asked about how an entity accounts for employee home ownership plans and employee home loans.
Tentative conclusion*	Based on its findings, the Interpretations Committee concluded that the matters described in the request do not have widespread effect and do not have (nor are expected to have) a material effect on those affected. Consequently, the Interpretations Committee [decided] not to add a standard-setting project to the work plan.
Comment	The UKEB considered this matter in December 2023 and concluded it seemed unlikely to affect a significant number of UK companies. The tentative Agenda Decision is consistent with this conclusion.

Topic	**Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)**
Standard	IFRS 17/IFRS 9
Deadline	22 May 2023
Question*	The request asked whether, when an intermediary acts as a link between an insurer and a policyholder to arrange an insurance contract between them, the premiums receivable from the intermediary are future cash flows within the boundary of an insurance contract and included in the measurement of the group of insurance contracts applying IFRS 17 or are a separate financial asset applying IFRS 9.
Tentative conclusion*	The Committee concluded that, because IFRS 17 is silent on when future cash flows within the boundary of an insurance contract are removed from the measurement of a group of insurance contracts, in the fact pattern described in the requests, an insurer could account for premiums paid by a policyholder and receivable from an intermediary applying either IFRS 17 or IFRS 9.
Comment	The UKEB considered this matter in November 2023, noting that the issue was prevalent globally. The Tentative Agenda Decision appears to be a pragmatic solution and we are not aware of any concerns from UK stakeholders relating to the tentative conclusion. The issue could be reconsidered as part of the IFRS 17 PIR.

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

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

AGENDA DECISIONS WAITING FOR IASB RATIFICATION	
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.

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. If the customer concludes that the contract contains a lease, it would apply the requirements in paragraphs 18–21 of IFRS 16 to determine the lease term.

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Appendix I. List of IASB projects

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

List of IASB projects	
Amendments to the Classification and Measurement of Financial Instruments	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft Feedback Q3 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).

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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)
Climate-related Risks in the Financial Statements	
UKEB Project Status: Active monitoring **IASB Next Milestone:** Review research H2 2023	
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Accounting Standard (not before 2024[2])	UKEB project page UKEB Final Comment Letter (Published February 2022)

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

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

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List of IASB projects	
International Tax Reform—Pillar Two Model Rules	
UKEB Project Status: Active monitoring **IASB Next Milestone:** IFRS Accounting Standard Amendments (expected May 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: Awaiting IASB RFI **IASB Next Milestone:** Request for Information Q2 2023	UKEB project page
Post-implementation Review of IFRS 9—Impairment	
UKEB Project Status: Awaiting IASB RFI **IASB Next Milestone:** Request for Information May 2023	

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List of IASB projects	
Primary Financial Statements	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** IFRS Standard (not before 2024[3])	UKEB project page UKEB Final Comment Letter (Published September 2020)
Provisions—Targeted Improvements	
UKEB Project Status: 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)

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

List of IASB projects	
Supplier Finance Arrangements	
UKEB Project Status: Awaiting publication of Amendment **IASB Next Milestone:** IFRS Accounting Standard Amendments (expected May 2023)	**UKEB project page** **UKEB Final Comment Letter** (Published March 2022)