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

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 for discussion at the July ASAF meeting:

There is a two-day ASAF meeting on 10 - 11 July 2023. In addition to the topics noted in this paper (see below), the IASB will also be discussing Business Combinations – Disclosures, Goodwill and Impairment, Climate-related Risks in the Financial Statements, and Primary Financial Statements. The Board's discussions on these topics at previous meetings will be used to inform UKEB contribution to ASAF on these topics. In addition, the UKEB will also be presenting on our research on intangibles. We understand that EFRAG have also been invited to share feedback on their project on intangibles in the same session.

Topics identified for noting:

Topics to be discussed at the July ASAF meeting:

- Provisions – Targeted Improvements
- Equity Method
- Business Combinations Under Common Control

Other Topics

- Subsidiaries without Public Accountability: Disclosures

• IFRS 9 Post-implementation Review - Impairment • Rate-regulated Activities • Financial Instruments with Characteristics of Equity • IFRS Interpretations Committee
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**?
Recommendation
N/A
Appendices
Appendix 6A Provisions – Targeted Improvements Appendix 6B Equity Method Appendix 6C Business Combinations Under Common Control Appendix 6D Subsidiaries without Public Accountability: Disclosures Appendix 6E IFRS 9 Post-implementation Review Appendix 6F Rate-regulated Activities Appendix 6G Financial Instruments with Characteristics of Equity Appendix 6H IFRS Interpretations Committee Appendix 6I List of IASB Projects

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Appendix A Provisions – Targeted Improvements

UKEB Project Status: Monitoring **IASB Next Milestone:** Consult with IASB Advisory Groups	

Background

A1 In this project, the IASB is seeking to make three key changes:

a) to amend the definition of a liability and the conditions and instructions for applying the present obligation recognition criterion.

b) to indicate more clearly the rate an entity uses to discount a long-term provision to its present value; (This was part of the IASB General Update of the public session held on 17 November 2022.)

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

A2 At its April 2023 meeting the IASB considered possible changes to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

A3 The IASB was not asked to make any decisions at this meeting. We note that the IASB Board Members who spoke during this session were supportive of the direction of the project. The following were identified as areas that may need further discussion in future:

a) legally enforceable versus economic compulsion

b) the area concerning restructuring costs

c) net zero commitments.

Reasons for proposing an amendment

A4 The challenges experienced with the application of IAS 37 include:

A confusion of two distinct principles within the present obligation criterion.

A5 There are two elements within the present obligation criterion:

a) A past event must have created a present obligation; and

b) There must be no reasonable option to settling that obligation.

A6 The challenge is that the distinction is unclear between:

a) actions that lead to an obligation – which has already occurred (a timing challenge); and

b) actions that *settle* an obligation – which will be done in the future because there is no reasonable option to settling that obligation (an enforceability challenge).

A7 This leads to the difficulty in applying IAS 37 in instances where a past event of an entity could lead to an outflow of economic resources, but the entity could prevent that outflow by its future decisions.

Dissatisfaction with IFRIC 21 Levies, which interprets the present obligation criterion.

A8 The IFRS Interpretations Committee, in response to requests for more guidance for specific patterns, concluded that an entity does not have a present obligation until it takes the action to which a charge is linked. This applies even in instances where there is no reasonable option available.

A9 The Interpretations Committee have however not addressed the following:

a) Considering there is one principle that applies to levies and another to restructuring costs, which one needs to apply to other transactions within the scope of IAS 37.

b) The application of IFRIC 21 results in some recurring periodic levies being recognised as expenses at a single point in time. Stakeholders believe that the economic substance of a recurring levy would be more faithfully represented by recognising the expense gradually over the period to which it relates.

c) The application of IFRIC 21 is not consistent with requirements in other IFRS Standards, for e.g., IFRS 2 *Share-based Payments,* that address other obligations that rely on more than one action of the entity.

Its application to climate-related regulations and commitments.

A10 IAS 37 must clarify the factors to consider in assessing an entity's realistic alternative to settling an obligation. Presently, it states that a legal obligation can be enforced by law. This, however, excludes situations where a counterparty cannot use the courts but has a legal right to impose market-based penalties that might leave an entity with no realistic alternative other than to comply.

IASB Staff suggestions

A11 The IASB staff have suggested the following:

Revision of the definition of a liability and the language of the 'present obligation' criterion

A12 The definition of IAS 37 needs to be aligned with the new *Conceptual Framework* definition. IAS 37 is the only IFRS Accounting Standard that still uses the old definition of a liability so updating it would streamline IFRS requirements. Preparers of financial statements would therefore not need to decide what definition to adopt.

Clarifying when commitments to reduce emissions to 'net zero' are present obligations

A13 The staff suggested that IAS 37 is updated using paragraph 4.45 of the Conceptual Framework as a guide. This is because stakeholders have a challenge identifying when an entity should recognise obligations arising from an entity's own public commitment to change its operational methods in the future for e.g., to reduce its greenhouse gas emissions to 'net zero'.

A14 Paragraph 4.45 states that "An entity's customary practice, published policy or specific statement gives rise to a present obligation only when, as a consequence of obtaining economic benefits, or taking an action, to which that practice, policy or statement applies, the entity will or may have to transfer an economic resource that it would not otherwise have had to transfer.

A15 This view explains that a legal requirement or public pledge to offset future greenhouse gas emissions does not in itself lead to a present obligation for an entity. An entity could have a present obligation for the costs of offsetting emissions only when it has emitted the gas it is required, or has promised, to offset. Until then, an entity only needs to provide information about its responsibilities to conform with other reporting requirements.

ASAF agenda

A16 The draft agenda for the 10-11 July ASAF meeting includes discussion of Provisions—Targeted Improvements. We expect we will be asked for views on possible amendments to the requirements and examples supporting the 'present obligation' recognition criterion in IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

A17 We have not yet seen the proposals.

Next steps

A18 More details would be brought to the board at a future date. The UKEB Secretariat continues to monitor developments in this area.

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Appendix B Equity Method

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

Background

B1 In this project, the IASB is seeking to develop answers to application questions about the equity method, as set out in IAS 28 *Investments in Associates and Joint Ventures*, using the principles derived from IAS 28 where possible.

B2 The IASB began discussing and developing answers to the application questions in April 2022. As at 31 March 2023 the IASB:

a) has concluded discussions on three significant categories of the application questions for investments in associate entities[1].

b) is developing answers to the remaining application questions within the scope of the project[2].

B3 At its April 2023 meeting, the IASB:

a) Discussed the following application question: Does an investor recognise a deferred tax asset (or liability) on the difference between its share of the fair value and the tax base of the associate's identifiable assets and liabilities?

b) Decided whether to move the Equity Method research project to its standard-setting work plan and work towards publishing an Exposure Draft (ED) as the next due process step.

Initial recognition of an investment in an associate– deferred taxes

B4 On obtaining significant influence, IAS 28 *Investments in Associates and Joint Ventures* requires an investor to measure its share of the net fair value of the investee's identifiable assets and liabilities[3]. This may require the investor to

1 A condensed summary of the IASB's tentative decisions on application questions can be accessed here.
2 See page 11 of Paper AP13 for the list of application questions.
3 IAS 28 paragraph 32.

adjust the carrying amounts of investee's assets and liabilities i.e. fair value adjustments.

B5 The application question relates to whether an investor should recognise a deferred tax asset (or liability) on the fair value adjustments as part of the investment in the associate.

B6 For example: an investor purchases a 25% interest in an entity and obtains significant influence. The investor determines that the fair value of an item of equipment is CU400. The tax base and the carrying amount in the investee's financial statements is CU300. Does the investor recognise a deferred tax liability relating to its share of the fair value adjustment of CU100?

B7 The IASB staff paper identified three views on the application question:

View	
View A	An investor **should recognise** deferred tax on the fair value adjustments in accordance with the requirements in IAS 12. The deferred tax is presented in the carrying amount of the investment in the associate.
View B	An investor **should not recognise** the deferred tax on the fair value adjustments because the fair value adjustments **do not give rise to temporary differences** as defined in paragraph 5 of IAS 12.
Alternative 3	An investor **should not recognise** the deferred tax on the fair value adjustments because it **applies the initial recognition exemption** in IAS 12.

B8 IASB staff paper concludes that view A provides a faithful representation of the transaction[4]. In the example above, not recognising a deferred tax liability on the fair value adjustment would result in the investor recognising its share of the associate's a tax expense without a corresponding gain on the disposal of the equipment if the associate sells the equipment at its fair value immediately after the investor has obtained significant influence. This is because the investor measured its share of equipment at fair value on obtaining significant influence.

B9 Further, view A is aligned with the objective in IAS 12 to recognise deferred tax, if it is probable that recovery of the carrying amount of an asset, or settlement of the carrying amount of a liability, will make future tax payments larger or smaller than they would be if such recovery or settlement were to have no tax consequence. In

4 See pages 10-12 of Paper AP13A for an illustrative example supporting the staff analysis.

the example above, the associate's disposal of the asset has a tax consequence for the investor because, although the investor does not directly pay tax, its cash inflows are affected as its share of the associate's profit has changed.

B10 Whilst all IASB board members agreed with the staff conclusion, the following suggestions were made:

a) One IASB member suggested clarification to the wording to specify that the recognition of such deferred taxes arises on the date an investor obtains significant influence over the associate.

b) The staff paper referred to differences between the fair value and the tax base. One IASB member suggested to clarify that deferred tax is recognised only for the fair value adjustment, e.g. the difference between the fair value recognised by the investor and the carrying amount in the investee.

B11 The IASB tentatively decided to propose that an investor would account for, and include in the carrying amount of its investment in an associate, a deferred tax asset (or liability) arising from recognising its share of the associate's net identifiable assets and liabilities at fair value.

Moving the research project to the standard-setting work plan

B12 The staff paper asked the IASB whether the Equity Method research project should be added to the IASB's standard-setting work plan.

B13 The objective of the Equity Method research project is to gather evidence about application questions and assess whether it is feasible to develop solutions to the application questions in scope of the project. A research project is intended to provide the IASB with evidence to help decide whether to add a project to its standard-setting work plan.

B14 Paragraph 5.4 of IASB's Due Process Handbook states that when adding a standard-setting project to its agenda, the IASB evaluates the merits of adding the project primarily on the basis of the needs of users, while also taking into account the costs of preparing the information. When deciding whether a proposed agenda item will address users' needs, the IASB considers:

a) whether there is a deficiency in the way particular types of transactions or activities are reported in financial reports;

b) the importance of the matter to those who use financial reports;

c) the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others; and

d) how pervasive or acute a particular financial reporting issue is likely to be for entities.

B15 In the staff view those criteria are met and the IASB has made tentative decisions on most of the application questions indicating that the approach the IASB has identified allows the development of solutions.

B16 Consequently, the staff recommended the IASB adds the project to its standard - setting work plan and proceed directly to an ED.

B17 Whilst all IASB board members agreed with the staff conclusion, the following observations were noted:

a) Some IASB members observed that the implications of the IASB's tentative decisions for investments other than associates[5] have not been discussed prior to considering moving the project to the standard-setting work plan.

b) Some IASB members caution against overstating the usefulness of the information for users because the focus of the project is on reducing cost for preparers.

c) One IASB member preferred the IASB work towards publishing a discussion paper if the rationale for some views include conceptual arguments that are not based on principles identified as underlying IAS 28.

B18 The IASB decided:

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

b) to continue to use the expertise of its advisory bodies instead of establishing a consultative group; and

c) to update the project's objective so that it is now:

i. To develop answers to application questions about the equity method, as set out in IAS 28 *Investments in Associates and Joint Ventures*, using the principles derived from IAS 28 where possible.

B19 The IASB also decided to work towards publishing an ED as the next due process step.

[5] IFRS Accounting Standards also require the equity method for joint ventures and permit the equity method for investments in subsidiaries in the separate financial statements of a parent entity.

Secretariat views

B20 We support the tentative answer on the application question. The tentative answer will reduce diversity in practice and provide clarity to preparers on whether deferred tax should be recognised and how it should be presented.

B21 We agree with IASB's decision to work towards publishing an ED as the next due process step. We think sufficient progress has been made to enable the IASB to proceed directly to an ED without unnecessary delay.

ASAF agenda

B22 The draft agenda for the 10-11 July ASAF meeting includes discussion of the Equity Method. We expect we will be asked for views on whether the IASB should publish an exposure draft of just the amendments to IAS 28 *Investments in Associate and Joint Ventures* or an exposure draft of a fully revised IAS 28.

B23 Although the project is not reconsidering concepts of the equity method, given the number of application questions that have arisen (to date the IASB has considered seven application questions, and we are aware there are at least three application questions to be discussed) the Secretariat are currently leaning towards advising that the IASB publish a fully revised IAS 28 exposure draft.

Next steps

B24 Further details on IASB's plan for the project will be presented to the Board in a future update paper as the project moves to standard-setting.

B25 The UKEB Secretariat will continue to monitor the IASB discussions and provide feedback to the Board.

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Appendix C: Business Combinations Under Common Control

UKEB Project Status: Monitoring **IASB Next Milestone:** Seek feedback from IASB consultative groups before continuing discussions.	

Background

C1. The draft agenda for the 10-11 July ASAF meeting includes discussion of the future direction of Business Combinations Under Common Control. A paper will be presented to the June 2023 Board meeting.

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Appendix D: Subsidiaries without Public Accountability: Disclosures

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

D1. In October 2022, the IASB decided on an approach to analysing the feedback on the proposed disclosure requirements in the forthcoming standard[1].

D2. At its April 2023 meeting, the IASB discussed:

a) the feedback on the proposed disclosure requirements in the forthcoming standard; and

b) how it would update the language in the forthcoming standard to be the same as in IFRS Accounting Standards.

D3. The IASB discussed the feedback on the proposed disclosure requirements in relation to twenty-three IFRS Accounting Standards[2].

D4. The IASB did not receive comments on four IFRS Accounting Standards and feedback on proposed disclosure requirements on eight other IFRS Accounting Standards[3] will be discussed at a future IASB meeting.

D5. The IASB reached tentative decisions on disclosure objectives and guidance on how to apply the disclosure requirements in the forthcoming standard, including the twenty-three IFRS Accounting Standards on which the IASB discussed the feedback received.

D6. The IASB will continue to redeliberate the proposals in the forthcoming standard, including on transition-related matters. Future IASB meetings will also consider the following topics:

a) the remainder of feedback on proposed disclosure requirements;

1 See paragraph 104 of Agenda Paper 8 of the November 2022 UKEB meeting.
2 See pages 5 and 6 of Paper AP31 for the list of standards.
3 See page 6 of Paper AP31 for the list of standards.

b) feedback on disclosure requirements from the Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard;

c) the status of application of amendments to disclosure requirements in IFRS Accounting Standards issued after 28 February 2021;

d) the disclosure requirements on transition in other IFRS Accounting Standards; and

e) the effects analysis.

Next steps

D7. The UKEB Secretariat will continue to monitor the IASB discussions and provide feedback to the Board.

D8. In particular, after the IASB has completed its redeliberation of the proposed disclosure requirements in the forthcoming standard, we will provide a more detailed update to the Board on the IASB's tentative decisions.

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Appendix E: IFRS 9 *Financial Instruments* Post-Implementation Review (PIR): Impairment

UKEB Project Status: Monitoring **IASB Next Milestone:** Request for Information	

Background

E1. As part of its Post-implementation Review, in April, the IASB approved the publication of a Request for Information (RFI) on the impairment requirements in IFRS 9 *Financial Instruments,* with a comment period of 120 days.

E2. The RFI would seek information in the following areas:

Expected Credit Losses (ECL) and significant increases in credit risk

a) The general approach to ECL, in particular, the extent to which the information provided under it is decision-useful;

b) Significant increases in credit risk, especially the use of judgement and any diversity in assessing them;

c) Measurement of ECL, in particular, the use of forward-looking scenarios and during periods of increased economic uncertainty, including using post-model adjustments;

d) The most common questions on applying the ECL requirements to purchased or originated credit-impaired financial assets;

The simplified approach

e) The simplified approach to trade receivables, contract assets and lease receivables, its effects and the use of forward-looking information when applying it;

Accounting for credit enhancements and financial guarantee contracts

f) Accounting for credit enhancements, including loan commitments and collateral, and financial guarantee contracts within the scope of IFRS 9;

Interaction, transition, disclosures and other information

g) How the ECL requirements interact with other requirements within and beyond IFRS 9;

h) Transition reliefs and the balance between reducing costs for preparers and providing users with useful information;

i) IFRS 7 disclosure requirements on credit risk; and

j) Any other information that relates to assessing fundamental questions about the ECL requirements and whether the benefits or costs of applying the ECL requirements are as expected.

Next Steps

E3. The IASB expects to publish the RFI by the end of May 2023. The UKEB Secretariat continues to monitor developments in this area. The PIP for the UKEB influencing project was approved at the 27 April 2023 board meeting. A Draft Comment Letter is scheduled to be presented for Board approval at the ad-hoc UKEB meeting on 2 August 2023.

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Appendix F Rate-regulated Activities

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

Background

F1 The IASB is continuing its redeliberations following feedback on its Exposure Draft *Regulatory Assets and Regulatory Liabilities*[1] (RRA ED). At its April 2023 meeting, the IASB redeliberated on the following topics:

a) Long-term performance incentives; and

b) Derecognition.

F2 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 April 2023 meeting.

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

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ED proposal	UKEB comment letter[2]	IASB tentative decision
Long-term performance incentives		
a) Amounts relating to a performance incentive should form part of or reduce the total allowed compensation for goods or services supplied in the period in which an entity's performance gives rise to the incentive. To determine what that period is, the entity shall consider the regulatory agreement's terms relating to the performance incentive, together with other facts and circumstances. b) If the performance criteria test an entity's performance over a time frame that is not yet complete, the entity would estimate the amount of the performance incentive using the 'most likely amount' method and then determine the portion of that estimate that relates to the reporting period. That portion forms part of or reduces the total allowed	We agree with the proposed guidance relating to performance incentives.	The IASB tentatively decided to retain the proposal to require an entity to estimate the amount of long-term performance incentives, and to determine the portion of that estimated amount that relates to the reporting period using a reasonable and supportable basis. **UKEB Secretariat views:** We agree with the tentative decision to retain the proposal in the ED.

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

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ED proposal	UKEB comment letter[2]	IASB tentative decision
compensation for goods or services supplied in the reporting period. An entity should use a reasonable and supportable basis in determining that portion and apply that basis consistently.		
Derecognition		
The ED did not have a section that deals with derecognition. Paragraph BC129 of the Basis for Conclusions accompanying the ED explains why the IASB considered that a separate section on derecognition was unnecessary[3]. The ED does however, address derecognition within the context of	As this topic is not in the ED, the UKEB comment letter did not include any specific feedback on this topic.	The IASB tentatively decided that the prospective Standard would: a) Require an entity to derecognise: i. a regulatory asset as it recovers part or all of the regulatory asset by adding amounts to future regulated rates charged to customers; and ii. a regulatory liability as it fulfils part or all of the regulatory liability by deducting amounts

[3] BC129 reads as follows: When an entity recovers part or all of a regulatory asset, or fulfils part or all of a regulatory liability, by adding or deducting an amount in determining future regulated rates (paragraphs BC50–BC51), the entity would derecognise that part of the regulatory asset or regulatory liability, and recognise regulatory expense or regulatory income accordingly (paragraph BC31). Furthermore, because the Board's measurement proposals would require an entity to update its estimates of future cash flows, measurement of regulatory assets and regulatory liabilities would be nil if estimated future cash flows were nil (paragraphs BC140–BC141). The Board therefore considers that the Exposure Draft contains sufficient proposals to explain when and how regulatory assets and regulatory liabilities should be derecognised. The Exposure Draft does not contain a separate section on derecognition.

ED proposal	UKEB comment letter[2]	IASB tentative decision
cancellation of a regulatory agreement and stated/read: If a cancellation right has been exercised so that a right to receive cash or obligation to pay cash has arisen, that right or obligation is a financial asset or financial liability. In such a case, the entity shall derecognise the part of the regulatory asset or regulatory liability that no longer exists and recognise and measure the financial asset or financial liability by applying other IFRS Standards, recognising any resulting difference in profit or loss.		from future regulated rates charged to customer. b) Explain that the derecognition of regulatory assets and regulatory liabilities, as described in paragraph (a), is the most common way in which regulatory assets and regulatory liabilities would be derecognised. Therefore, in applying the recognition and measurement requirements at the end of each reporting period, an entity would not be required to consider explicitly when and how its regulatory assets and regulatory liabilities should be derecognised. c) Clarify that an entity would recognise a regulatory asset or a regulatory liability if the asset or liability ceased to meet the 'more likely than not' recognition threshold. d) Include guidance on the derecognition of regulatory assets and regulatory liabilities settled by a regulator or another designated body (as opposed to through the regulated rates charged to customers). The guidance would also require an entity to recognise the difference between the derecognised regulatory asset or regulatory liability and any new asset or liability in profit or loss.

ED proposal	UKEB comment letter[2]	IASB tentative decision
		e) Specify that if a regulatory asset or a regulatory liability is added to or deducted from an entity's regulatory capital base and the entity's regulatory capital base has no direct relationship with its property, plant and equipment, the entity would derecognise: i. the regulatory asset and recognise any associated regulatory expense in profit or loss; and ii. the regulatory liability and recognise any associated regulatory income in profit or loss. **UKEB Secretariat view:** There were no comments on this topic in the UKEB Comment Letter.

F3 The IASB also tentatively decided not to include in the prospective Standard any guidance on the securitisation of regulatory assets. This matter was not part of the ED, and so there were no comments on this topic in the UKEB Comment Letter.

Next steps

F4 The IASB will continue its redeliberations on the feedback received on the ED, at future meetings. Future redeliberations will focus on the following topics:

a) Unit of account

b) Discount rate

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

d) Presentation

e) Disclosure

f) Interaction with other IFRS Accounting Standards, including amendments to other IFRS Accounting Standards; and

g) Effective date and transition

F5 The UKEB Secretariat will continue to monitor the IASB discussions.

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Appendix G: Financial Instruments with Characteristics of Equity

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

Background

G1. In April, the IASB was presented with an update on the status of its project Financial Instruments with Characteristics of Equity (FICE).

G2. During the meeting the IASB decided to include in the exposure draft proposed amendments on some disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*, such as the scope of IFRS 7, disclosure requirements of term and conditions, and relocating to IFRS 7 the disclosure requirements in paragraph 80A of IAS 1 *Presentation of Financial Statements*.

G3. The IASB also decided to include in the proposed amendments the requirement for full retrospective application (i.e., retrospective application with restatement of comparative information) of the proposed amendments, with specific transition relief provided.

Next Steps

G4. The IASB staff will ask the IASB for permission to begin the balloting process for the exposure draft. The UKEB Secretariat will present the Board a detailed update on the FICE project at a future meeting.

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Appendix H: IFRIC Agenda Decisions Update

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

Background

H1. The Interpretations Committee next meeting is scheduled for 5 – 6 June.

H2. At the time of writing no new matters have been added to the Interpretations Committee pipeline.

H3. At its April 2023 meeting the IASB ratified the most recent IFRIC Agenda Decision:

AGENDA DECISION RATIFIED BY THE IASB	
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.

H4. *This provides a summary only, please review the IFRS Website for the full details

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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).

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 Q4 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)

List of IASB projects	
Dynamic Risk Management	
UKEB Project Status: Monitoring **IASB Next Milestone:** Exposure Draft	
Equity Method	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Exposure Draft	
Extractive Activities	
UKEB Project Status: Active Monitoring **IASB Next Milestone:** Decide Project Direction July 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 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 July 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 June 2023	UKEB project page

List of IASB projects	
Post-implementation Review of IFRS 9—Impairment	
UKEB Project Status: Awaiting IASB RFI **IASB Next Milestone:** Request for Information May 2023	
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	

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UK Endorsement Board

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

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