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Meeting Summary

January 2023

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https://www.ifrs.org/news-and-events/calendar/2023/january/international-accounting-standards-board/

Overview

The IASB met in London from 24-26 January 2023. The following topics were discussed:

Maintenance and consistent application

The IASB deferred the final decisions on its project on Supplier Finance Arrangements to the February meeting. The staff recommended that entities be required to apply the amendments for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. However, some IASB members preferred an earlier effective date.

Equity Method

IFRS 10 requires that when a parent loses control of a subsidiary it recognises a gain or loss. However, if the subsidiary is sold to an associate or joint venture of the parent, IAS 28 requires that the gain be limited to the extent of the unrelated investors' interests. This is perceived as a conflict. The IASB discussed four ways of addressing the issue and decided to continue exploring two of the alternatives in a future decision-making session.

Business Combinations—Disclosures, Goodwill and Impairment

In September 2022, the IASB tentatively decided to exempt entities from some disclosure requirements but did not establish the conditions for that exemption. The IASB decided that the exemption be based on whether disclosing the information could be expected to prejudice seriously any of the entity's objectives for a business combination. Application guidance would set out the factors that would need to be considered when assessing if the exemption applies and entities would need to disclose the reason for applying the exemption.

The IASB also decided that, subject to the proposed exemption, an entity be required to disclose quantitative information about total expected synergies disaggregated by nature (e.g. total revenue, total cost synergies), when the synergistic benefits are expected to start, and how long they are expected to last.

Primary Financial Statements

The IASB decided:

- Disaggregation: not requiring disaggregation of material information in relation to information about the nature of operating expenses that are included in a function line item in the statement of profit or loss; clarify the requirements for how disaggregated amounts are labelled (described); add a requirement that any line items presented in the statement(s) of financial performance and the statement of financial position must be recognised and measured in accordance with IFRS Accounting Standards but not prohibit the disaggregation of income and expenses in the notes to the financial statements into components not recognised and measured in accordance with IFRS Accounting Standards; and extend the proposals in the ED for the label 'other' to be used only if no more informative label can be found
- Comprehensive income: withdraw the proposal to relabel the two categories of other comprehensive income as remeasurements permanently reported outside profit or loss and income and expenses to be included in profit or loss in the future
- Statement of cash flows: confirm that entities other than entities with specified main business activities classify interest received as cash flows arising from investing; and confirm that entities with

specified main business activities classify dividends received (other than dividends received investments accounted for using the equity method), interest paid and interest received in a single category of the statement of cash flows (either as cash flows from operating, investing or financing activities)

IFRS Accounting Taxonomy

In November 2022, the IASB published the Proposed IFRS Taxonomy Update—*Lease Liability in a Sale and Leaseback and Non-current Liabilities with Covenants*. The purpose of this meeting was to summarise the feedback received on the PTU and set out the next steps in the publication of the Update. As a next step, the IASB will begin the balloting process for these updates.

Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

The IASB decided to proceed with the proposal to include reduced disclosure requirements for IFRS 1. The IASB also decided that when an eligible subsidiary that elects, revokes an election or is no longer eligible to apply the Standard, it does not apply the requirements in IAS 8 on changes in accounting policies. Neither is it required to present a third statement of financial position. Finally, the IASB confirmed its proposal to consider amendments to the Standard when it publishes an exposure draft of a new or amended IFRS Accounting Standard.

Maintenance and consistent application

In this session, the IASB made the final decisions on its project on Supplier Finance Arrangements and the staff gave IASB members the opportunity to comment on the November 2022 *IFRIC Update*.

Cover paper (Agenda Paper 12)

In this session, IASB members were asked to make the final decisions on its project on Supplier Finance Arrangements and were given the opportunity to comment on the November 2022 *IFRIC Update*.

Supplier Finance Arrangements—Transition, Effective Date and Due Process

In November 2022, the IASB decided to proceed with its project on Supplier Finance Arrangements, with some changes to the proposals in the November 2021 Exposure Draft (ED). The proposals will amend IAS 7 and IFRS 7 by adding disclosure requirements for an entity's supplier finance arrangements.

The purpose of this paper was to:

- Ask the IASB whether it agrees with the staff recommendations with respect to the effective date and transition requirements for the amendments
- Set out the steps in the IFRS Foundation Due Process Handbook that the IASB has taken in developing the amendments
- Ask the IASB to confirm it is satisfied that it has complied with the due process requirements
- Ask whether any IASB member intends to dissent from the amendments

Staff recommendations on effective date and transition

The staff recommended that the IASB require entities to apply the amendments for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted.

The staff also recommended that the IASB require entities to apply the amendments retrospectively in accordance with IAS 8 and does not provide specific transition exemption for first-time adopters.

IASB discussion

Several IASB members were concerned that an effective date of 1 January 2025 would be too late and suggested to bring the effective date forward by a year. They acknowledged that it will be a tight turnaround for translation and endorsement processes but given the IASB only amends a few paragraphs, it should be doable. It was suggested that prospective application could be introduced to alleviate the early effective date as one year of data a year earlier was seen as more helpful than two years of data a year later.

Other ISSB members were less enthusiastic about an earlier effective date as they did not want to set a precedent for other amendments. The evidence for an earlier effective date was not compelling in their view, especially if early application is allowed. In their view, entities are not prepared for the amendments and an early effective date would cause confusion.

One suggestion in response to this was to have a later effective date for the presentation requirements and an earlier effective date for the disclosure requirements. This way, endorsement processes could be sped up and a significant part of the information would be available early.

The Chair signalled that he was in favour of the early effective date but acknowledged the concerns. Therefore, he suggested to bring this topic back in February to make a decision. This way, the staff have another month to respond to the concerns raised during the meeting.

IFRIC Update November 2022 (Agenda Paper 12B)

In this session, IASB members had the opportunity to comment on the November 2022 *IFRIC Update*. No comments were made.

Equity Method

In this session, the IASB discussed the perceived conflict between IFRS 10 and IAS 28 when an entity sells a subsidiary to an associate.

Cover Paper (Agenda Paper 13)

The objective of the Equity Method project is to assess whether application questions with the equity method, as set out in IAS 28, can be addressed in consolidated and individual financial statements by identifying and explaining principles in IAS 28.

The purpose of this meeting was to continue discussion on possible alternatives to solve 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 and IAS 28?'.

The question was first discussed in the September 2022 meeting and four alternatives were identified by the staff.

Perceived conflict between IFRS 10 and IAS 28—further considerations of applying the four alternatives (Agenda Paper 13A)

The objective of this paper was to:

- Continue considering the four alternatives
- Discuss further considerations including:
    - Whether 'upstream' and 'downstream' transactions should be affected in the same way when applying the alternatives
    - The disclosures in IAS 24 and whether they provide sufficient information about the transaction if Alternative 1 is selected.

The proposed alternative solutions can be summarised as follows:

Alternative 1—applying IFRS 10 to all contributions and sales

Alternative 1 would require an investor to recognise the full gain or loss on all contributions and sales of assets or businesses, regardless of whether they are housed or not in a subsidiary—under this alternative, no elimination entries requirements apply.

Alternative 2—apply IFRS 10 and then IAS 28 to all contributions and sales

Alternative 2 would require an investor to recognise a partial gain or loss on all contributions and sales of assets or businesses, regardless of whether they are housed or not in a subsidiary—under this alternative, the requirements of IFRS 10 and IAS 28 are both applied to the transaction.

Alternative 3—apply IFRS 10 depending on whether contributions and sales are an output of ordinary activities or not

Alternative 3 would require an investor to recognise:

- A partial gain or loss on transactions in the scope of IFRS 15
- The full gain or loss on transactions outside the scope of IFRS 15

Alternative 4—apply IFRS 10 for contributions and sales of businesses and IAS 28 for sales of assets

Alternative 4 would revive the 2014 amendment and would require an investor to recognise:

- The full gain when a transaction involves a business
- A partial gain when a transaction involves an asset

In the paper, the staff analysed two key questions to support determining which alternative to apply:

- Whether 'upstream' transactions (e.g. sales of assets from an associate to an investor) and 'downstream' transactions (e.g. sales or contributions from an investor to an associate) should be affected in the same way when applying the alternatives
- If yes, what are the potential implications for 'upstream' transactions?

The staff concluded that they should be treated in the same way given that exploring treating these differently would require assessing the conceptual nature of the equity method which is outside of the scope of the project.

The staff laid out the implications for upstream transactions in the paper.

The staff also analysed the requirements of IAS 24, in relation to Alternative 1, and proposed that if this was selected, an investor should be required to disclose the amount of the gain or loss arising from transactions between an investor and an associate.

The IASB was not asked to make any decisions in relation to this paper.

Perceived conflict between IFRS 10 and IAS 28—feedback summary of the outreach activities taken (Agenda Paper 13B)

This paper summarised the feedback received on the application question described above from accounting firms, the Accounting Standards Advisory Forum (ASAF) and the Global Preparer Forum (GPF).

The staff provided analysis on the following questions highlighted in the feedback:

- *Alternative 1—is not requiring elimination entries a move away from the equity method viewed as a one-line consolidation method?*

  The staff concluded that not requiring elimination entries is not a move away from the traditional view that the equity method is a one-line consolidation method

- *Alternative 2—are there new structuring opportunities associated with this alternative?*

  The staff concluded that applying Alternative 2 would not lead to new structuring opportunities. They acknowledge that these opportunities already exist but did not consider solutions to mitigate this to be viable as there is a risk of unintended consequences

- *Alternative 3—is it justifiable to introduce different requirements for sales to customers and to those that are not customers?*

  The staff concluded that, in developing IFRS 15, the IASB had differentiated between these transfers but required the IFRS 15 requirements for control and measurement to be applied to disposals under IAS 16, IAS 38 and IAS 40

- *Alternative 4—is it justifiable to introduce a distinction between the sale of an asset and of a business?*

  The staff concluded that accounting for disposals of assets and businesses should be aligned

The IASB was not asked to make any decisions on this paper.

IASB discussion

The papers were discussed together.

All IASB members supported narrowing the alternatives to only include Alternatives 1 and 2 in papers going forward. This was primarily on the basis of stakeholder feedback that these alternatives were simpler and reflective of the methods used in practice.

Several IASB members noted that they did not have concerns about the potential for structuring of transactions which was identified in the paper. This was primarily on the basis that where there are different structures that result in different accounting results, this is often due to the transaction itself being different. However, some IASB members still wanted to ensure that any differences in outcome for different transactions were for a valid reason.

A number of IASB members asked the staff to provide examples in a future meeting to demonstrate the different information obtained from using Alternative 1 versus Alternative 2. This was requested for an upstream and downstream transaction, as well as considerations of transactions not at arms length. It was noted that these could be used to help the IASB understand the value of the elimination adjustments proposed in Alternative 2 for users.

Some IASB members asked the staff to provide analysis of the impact of implementing Alternative 1 or 2 on preparers based on current levels of practice for each method. However, one IASB member highlighted the need to be careful about trying to apply the principles in IAS 28, which is the objective of the project, rather than simply codifying accepted practice.

In terms of the additional disclosures one IASB member commented that before deciding any new requirements the IASB should take a step back and ensure that these are necessary as part of the overall package given extensive disclosures are already required by IFRS 12.

Business Combinations—Disclosures, Goodwill and Impairment

In this session, the IASB decided on the design and scope of a draft exemption from disclosing certain information about a business combination and the disclosure requirements relating to the expected synergies arising from a business combination.

Cover paper (Agenda Paper 18)

In March 2020, the IASB published DP/2020/1 *Business Combinations—Disclosures, Goodwill and Impairment*. The comment period for the DP ended on 31 December 2020.

In 2021, the IASB discussed the feedback received in response to the DP and decided to prioritise, amongst other things, performing further work to make decisions on the package of disclosure requirements about business combinations and to then redeliberate its preliminary view that it should retain the impairment-only model to account for goodwill.

In December 2022, the IASB agreed to move the project from the research programme to the standard-setting work plan.

The purpose of this meeting was to ask the IASB to make tentative decisions about some aspects of its preliminary views related to disclosure requirements about business combinations, namely, the nature of an exemption from certain disclosure requirements, and disclosure requirements regarding expected synergies.

Exemption from disclosure requirments (Agenda Paper 18A)

In September 2022, the IASB tentatively decided to propose exempting an entity from disclosing certain information about business combinations in specific circumstances. At that meeting, the IASB did not vote on specific details, but directed the staff design the exemption so that it applies when disclosing an item of information could be expected to prejudice seriously any of the entity's objectives for a business combination, and to supplement the exemption with application guidance.

In this paper, the staff outlined the proposed principle-based exemption from disclosing an item of information if it could be expected to prejudice seriously any of the entity's objectives for a business combination and application guidance which would require an entity to:

- Consider certain factors when determining if the proposed exemption applies
- Consider whether the required information could be disclosed at a more aggregated level
- Disclose the reason for applying the exemption
- Reassess in each subsequent reporting period whether the circumstances that gave rise to the exemption still exist and, if they do not, disclose the information previously exempted

The IASB was asked to vote if they agree with the staff recommendations.

The staff also asked the IASB to clarify whether a vote taken in the September 2022 meeting means:

- That an entity should be required to disclose a qualitative statement as to whether actual performance in subsequent periods met targets, but the proposed exemption would apply to this disclosure requirement, or
- That an entity is not required to disclose such a statement

IASB discussion

IASB members generally agreed with the recommended proposed exemption. Some members expressed concerns regarding the requirement to consider, when taking the exemption, what a competitor might do with the disclosed information subject to the exemption.

There were also mixed views regarding the requirement to disclose the reason as to why the exemption is taken, as this might be confidential information in itself.

When asked to vote, the IASB unanimously agreed with the principle of the exemption and voted 11:3 in favour of the application guidance.

When asked to clarify, 9 members of the IASB indicated that they agreed that an entity should be required to disclose a qualitative statement as to whether actual performance in subsequent periods met targets, but that the proposed exemption would apply to this disclosure requirement.

As there were some concerns about the appropriateness of such a qualitative statement from other members, it was suggested that the Basis for Conclusions could include details of previous IASB discussion.

Expected synergies (Agenda Paper 18B)

In September 2022, the IASB tentatively decided to add a requirement to IFRS 3 for an entity to disclose quantitative information about expected synergies in the year of a business combination, as well as an exemption in specific circumstances from disclosing such information.

In this paper, the staff recommended that:

- Subject to the proposed exemption, an entity should be required to disclose quantitative information about total expected synergies disaggregated by nature (e.g. total revenue, total cost synergies)
- The level of aggregation to which synergies are required to be disclosed is linked to the application guidance accompanying the disclosure exemption (which would require entities to consider if certain information could instead be disclosed at a more aggregated level)
- It is specified that a description of expected synergies is a description of the nature of the synergies.

The staff also recommended that the IASB's preliminary view to require an entity to disclose when synergies are expected to be realised is modified to a requirement to disclose when the synergistic benefits are expected to start, and how long they are expected to last.

The IASB was asked to vote on each of these recommendations.

IASB discussion

The IASB generally agreed with the staff recommendations. Some IASB members requested clarification whether the list provided in the agenda paper, which identifies revenue, cost, and other synergies, is intended to be a list of illustrative examples, or a list of required headings.

When asked to vote, the IASB voted unanimously in favour of all recommendations.

Primary Financial Statements

In this meeting, the IASB received a summary of the feedback from targeted outreach events, discussed general aggregation and disaggregation requirements, as well as other comprehensive income and the statement of cash flows.

Cover note and summary of feedback and redeliberations (Agenda Paper 21)

In September 2022, the IASB completed redeliberations on key aspects of the proposals in the Exposure Draft ED/2019/7 *General Presentation and Disclosures.* In this meeting, the IASB will discuss the feedback from targeted outreach conducted between September and December 2022 and continue discussing the proposals from the ED.

Targeted outreach feedback and next steps (Agenda Paper 21A)

Background

This paper analysed the feedback received from the targeted outreach events and set out the plan for responding to the feedback.

Staff recommendation

The staff summarised the feedback received in the target outreach and recommend the IASB consider in its redeliberation plan the classification of income and expenses from associates and joint ventures accounted for using the equity method and consider whether further application guidance is required for classifying income and expenses from off-balance sheet items. In addition, the staff recommended that the IASB consider whether interest expenses on lease liabilities should be included in operating profit when subleasing is a main business activity and whether further application guidance is required for the rebuttable presumption in the definition of management performance measures (MPMs). The staff recommended that the IASB consider the topics such as subtotals and categories, MPMs, disaggregation and other topics included in the redeliberation plans and address these topics in the drafting processes. The staff recommended that the IASB should not consider the topics included in Appendix C in the redeliberations plan.

IASB discussion

IASB members agreed that this was a useful paper in understanding the feedback from the outreach and whether the proposals are acceptable in practice. Some IASB members observed that many stakeholders would like to see this project completed as soon as possible and therefore asked the staff to prepare educational material to inform the market of the IASB's thinking process once redeliberations have been completed. One IASB member agreed there should not be an undue cost relief on the classification of foreign exchange differences as the current requirement follows the principle of classifying in accordance with underlying transaction with the default category being operating activities. In addition, the current requirement incentivises entities to manage their foreign exchange risk. Other IASB members said it is unclear whether each category would require a separate line showing the foreign exchange differences. Many IASB members agreed with the feedback that clarification is required on whether a performance measure disclosed in line with IFRS 8 or a measure related to a specific business unit that is not a reporting segment would meet the definition of an MPM. Many IASB members agreed with the IASB's tentative decision to require disclosure of the amounts of depreciation, amortisation and employee benefits included in each functional line item in the statement of profit or loss due to cost considerations.

Some IASB members noted the feedback on income and expenses from associates and joint ventures accounted for using the equity method being classified in the investing category in all circumstances on the basis the main business activity is to manage associates and joint ventures accounted for using the equity method. These IASB members asked if the staff could reconsider if there is an alternative solution to the proposal.

Some IASB members raised the concern with the notion that entities have 'control' over their public communications because in some jurisdictions, 'control' implies internal controls and they would not want to require certification of those controls. Another IASB member asked the staff to clarify that entities should clearly identify their channels of public communication as this is the only way stakeholders can identify what has been communicated. One IASB member stated that communication channels of an entity are always changing and whether it would be possible to consider the definition of public communication based on the intention of management. However, some IASB members rejected this proposal given it would be difficult to establish the intention of management.

Some IASB members asked whether some aspects of the ED should be reexposed. However, another IASB member highlighted the purpose of reexposing is not that the IASB has changed its decisions but rather whether a new round of consultation can yield additional results and therefore cautioned the decision to reexpose. One IASB member asked the staff to clarify the reasons for not considering the feedback on volatile items or aligning the requirements of segment reporting with this project. The staff clarified that the feedback on volatile items was not a new topic and it was not sufficient to warrant redeliberation. In addition, the scope of this project specifically excluded addressing issues with segmental reporting.

IASB decision

All IASB members agreed with the staff recommendation to consider in its redeliberation plan the classification of income and expenses from associates and joint ventures accounted for using the equity method and consider whether further application guidance is required for classifying income and expenses from off-balance sheet items. All IASB members agreed with the staff recommendation to consider whether interest expenses on lease liabilities should be included in operating profit when subleasing is a main business activity and whether further application guidance is required for the rebuttable presumption in the definition of MPMs. All IASB members agreed with the staff recommendation to consider the topics such as subtotals and categories, MPMs, disaggregation and other topics included in the redeliberation plans and address these topics in the drafting processes. All IASB members agreed with the staff recommendation not to consider the topics included in Appendix C in the redeliberation plan.

General disaggregation requirements—relationship with specific presentation and disclosure requirements (Agenda Paper 21B)

Background

This paper discussed the relationship between the general requirements on disaggregation the IASB has tentatively decided to include in the new IFRS Accounting Standard on General Presentation and Disclosures and specific presentation and disclosure requirements in the new Standard and other IFRS Accounting Standards.

The staff asked whether the IASB have any comments on the analysis of the relationship between the general requirements on disaggregation and specific requirements for the presentation and disclosure. The paper did not ask the IASB to make any decisions.

IASB discussion

One IASB member raised the concern with the approach to develop a limited list of items that would be necessary for almost all entities because entities should still consider the nature of income and expenses presented in that line item. Some IASB members would not want to develop a limited list of items to disclose as this will result in a checklist approach. One IASB member asked the staff to clarify whether the IASB will provide detailed specific disclosure requirements on the categories in the statement of financial performance in future projects. The staff confirmed this is the intention. One IASB member asked the staff to provide some examples of what is an 'understandable overview' of income and expenses or assets, liabilities and equity.

IASB decision

The IASB did not make any decisions on this paper.

General requirement to disaggregate material information—implications of the IASB's tentative decisions on specific disclosure requirements (Agenda Paper 21C)

Background

The IASB made some tentative decisions to withdraw specific disclosures proposed in the ED. This paper discussed the implications of those tentative decisions for the general requirement to disaggregate material information.

Staff recommendation

The staff recommended that the IASB gives an exemption from the general requirement to disaggregate material information in relation to information about the nature of operating expenses that are included in a function line item in the statement of profit or loss. All specific disclosure requirements in IFRS Accounting Standards relating to the nature of operating expenses would not be affected by the exemption and would continue to apply.

IASB discussion

IASB members were supportive of withdrawing the specific requirement for the disclosure of unusual income and expenses because many IASB members believe that the general requirement to disaggregate material information would be sufficient to allow entities to disclose unusual income or expenses.

Many IASB members agreed not to add a general cost relief to the general requirement to disaggregate material information. Those IASB members think that the costs of exploring alternatives would outweigh the benefits. One IASB member asked whether introducing a general exemption would prevent preparers from presenting disclosure they already include.

One IASB member raised a concern with the current wording of the proposal to give a specific exemption from the general requirement to disaggregate material information. In the IASB member's view, it is ambiguous as to whether the exemption is only for disaggregated amounts. The IASB member highlighted that this would contradict the general disaggregation principles. The staff clarified that there will be a future paper on disaggregation of material information. The IASB member suggested that the staff clarify that entities will need to apply the requirements of the individual standards to disclose expenses in aggregation by nature and information but will also need to disclose the detailed components of that aggregated line item. Many IASB members supported the staff recommendation not to include a cost threshold in the specific exemption from the general requirement to disaggregate material information in relation to information about the nature of operating expenses that are included in a function line item in the statement of profit or loss on the basis that the internal systems of entities differ and will therefore be difficult to establish an appropriate cost threshold.

IASB decision

All IASB members agreed that the tentative decision to withdraw specific requirements for the disclosure of unusual income and expenses does not result in the need for any change in the application of the general requirement to disaggregate material information.

All IASB members agreed with the staff recommendation not to add a general cost relief to the general requirement to disaggregate material information.

11 of 12 IASB members agreed with the staff recommendation to give a specific exemption from the general requirement to disaggregate material information in relation to information about the nature of operating expenses that are included in a function line item in the statement of profit or loss.

11 of 12 IASB members agreed with the staff recommendation not to include a cost threshold in the specific exemption and all specific disclosure requirements in IFRS Accounting Standards relating to the nature of operating expenses would not be affected by the exemption and would continue to apply.

General disaggregation requirements—further issues (Agenda Paper 21D)

Background

This paper discussed possible further requirements and application guidance relating to the general disaggregation requirements to be included in the new IFRS Accounting Standard on General Presentation and Disclosures.

Staff recommendation

The staff recommended that the IASB clarify that an entity is required to describe disaggregated amounts in a clear and understandable manner that would not mislead users and be transparent about the meaning of the terms used and the methods applied to the disaggregation.

The staff recommended that the IASB add a requirement that any line items presented in the statement(s) of financial performance and the statement of financial position should be recognised and measured in accordance with IFRS Accounting Standards and not prohibit the disaggregation of income and expenses in the notes to the financial statements into components not recognised and measured in accordance with IFRS Accounting Standards.

Furthermore, the staff recommended that the IASB, in relation to the use of the label 'other', extend the proposals in the ED for the label 'other' to be used only if no more informative label can be found. In addition, if no more informative label can be found for an aggregation of diverse *material* items, to require the label 'other' to be as precise as possible about the type of item the 'other' amount is, for example 'other operating expenses', or 'other finance expenses'. However, if no more informative label can be found for an aggregation of diverse *immaterial* items, the IASB should require that an entity considers whether the aggregated amount is sufficiently large that users of financial statements might question what it includes. If so, further information about that amount is material and accordingly must be provided. Examples of what might be material information about the amount are an explanation that no material items are included in the amount or an explanation that the amount consists of several unrelated immaterial items with an indication of the nature and amount of the largest item.

IASB discussion

Some IASB members did not think it was necessary to specify in the requirements that the disaggregated amounts should be described in such a manner that would not mislead users. These IASB members suggested this can be clarified in the Basis for Conclusions (BC). The staff clarified that the intention of including 'not mislead users' was because MPM requirements include the need for 'faithful representation' which would be the opposite to 'not mislead users' and have therefore included equivalent wording for consistency. Some IASB members were not supportive of providing additional guidance on how to improve the description of disaggregated amounts but acknowledged it was a request from the feedback.

IASB members expressed support that line items presented in the statement(s) of financial performance and the statement of financial position should be recognised and measured in accordance with IFRS Accounting Standards. They acknowledged that this was a higher hurdle than for line items presented in the notes to the financial statements. Many IASB members noted this would not prohibit preparers from including MPMs on the face of the statement(s) of financial performance and the statement of financial position because most of the MPMs are measured in accordance with IFRS Accounting Standards. Some IASB members asked that the staff explain in the BC that disaggregation of line items in the notes should be a faithful representation of the disaggregated amounts. However, other IASB members did not agree with the fact that MPM information in the notes can include amounts that are not in compliance with IFRS Accounting Standards. The staff confirmed an entity is not prohibited from including a breakdown of an MPM in the notes even if not all the disaggregated amounts follow IFRS Accounting Standards, provided this does not obscure the IFRS line items. However, the entity would need to describe their accounting policy and how the non-IFRS compliant figure reconciles to the IFRS measure. The staff noted the reason for permitting this is because they were unable to draw the line between providing disaggregation that is not helpful and disaggregation that is helpful but not specified in the IFRS Accounting Standards. Some IASB members suggested that the staff explicitly prohibit the disaggregation of income and expenses into components not recognised and measured in accordance with

IFRS Accounting Standards presented in the statement(s) of financial performance and the statement of financial position. However, other IASB members were less supportive of an explicit prohibition.

Many IASB members raised concerns that the requirement to provide an explanation that no material items are included in the aggregated immaterial amount may result in boilerplate disclosure. These IASB members asked the staff to refer to terminology used in the ED on what is 'material', 'immaterial' and 'material information'. One IASB member noted that the current proposal requires an entity to consider whether the users of the financial statements might question what that amount includes. This goes beyond the requirements of the ED. Some IASB members questioned whether the requirement would permit preparers from presenting diverse material items in a line item labelled 'other'. The staff confirmed this may be possible but the entity would need to provide a disaggregation of those aggregated balance in the notes. Other IASB members did not believe aggregating immaterial amounts together is an issue because there will always be amounts which do not fit into prescribed lines items.

IASB decision

11 of the 12 IASB members agreed with the staff recommendation to clarify that an entity is required to describe disaggregated amounts in a clear and understandable manner that would not mislead users and be transparent about the meaning of the terms used and the methods applied to the disaggregation.

All IASB members agreed with the staff recommendation to add a requirement that any line items presented in the statement(s) of financial performance and the statement of financial position should be recognised and measured in accordance with IFRS Accounting Standards.

11 of the 12 IASB members agreed with the staff recommendation not to prohibit the disaggregation of income and expenses in the notes to the financial statements into components not recognised and measured in accordance with IFRS Accounting Standards.

All IASB members agreed with the staff recommendation in relation to the use of the label 'other', extend the proposals in the ED for the label 'other' to be used only if no more informative label can be found and if no more informative label can be found for an aggregation of diverse *material* items, to require the label 'other' to be as precise as possible about the type of item the 'other' amount is, for example 'other operating expenses', or 'other finance expenses'.

9 of the 12 IASB members agreed with the staff recommendation that if no more informative label can be found for an aggregation of diverse *immaterial* items, the IASB should require that an entity considers whether the aggregated amount is sufficiently large that users of financial statements might question what it includes. If so, further information about that amount is material and accordingly must be provided. Examples of what might be material information about the amount are an explanation that no material items are included in the amount or an explanation that the amount consists of several unrelated immaterial items with an indication of the nature and amount of the largest item.

Other comprehensive income (Agenda Paper 21E)

Background

This paper addressed feedback on the proposal in the ED to relabel the two categories of other comprehensive income (OCI).

Staff recommendation

The staff recommended that the IASB withdraw the proposal to relabel the two categories of OCI as remeasurements permanently reported outside profit or loss and income and expenses to be included in profit or loss in the future when specific conditions are met.

IASB discussion

Many IASB members agreed with the proposal based on feedback from stakeholders that it is unnecessary to change the labelling of the two categories of OCI. Some IASB members asked the staff to emphasise that this decision does not change the existing requirements and does not require entities to relabel but is simply reverting to the existing requirements on OCI. The staff confirmed that the ED cannot refer to wording from IAS 1 due to decisions made on this project on required line items. One IASB member raised the concern that based on the proposed requirements in the ED, large positive and large negative balances may be shown in other comprehensive income. The staff clarified that material balances would need to be further disaggregated in the notes to the financial statements.

IASB decision

All the IASB members agreed with the staff recommendation to withdraw the proposal to relabel the two categories of OCI as remeasurements permanently reported outside profit or loss and income and expenses to be included in profit or loss in the future when specific conditions are met.

Statement of cash flows—interest received and classification for entities with specified main business activities (Agenda Paper 21F)

Background

This paper set out staff analysis and recommendations relating to some of the amendments to IAS 7 proposed in the ED. This paper considered the classification of interest received in the statement of cash flows for entities other than those with specified main business activities and interest received, interest paid and dividends received for entities with specified main business activities.

Staff recommendation

The staff recommended that the IASB confirm the proposal in the ED to require that entities other than entities with specified main business activities classify interest received as cash flows arising from investing activities in the statement of cash flows.

In addition, the staff recommended that the IASB confirm the proposals in the ED to require entities with specified main business activities to classify the following cash flows in a single category of the statement of cash flows (that is, either as cash flows from operating, investing or financing activities):

- Dividends received (other than dividends received from associates and joint ventures accounted for using the equity method)
- Interest paid
- Interest received

IASB discussion

Some IASB members observed that stakeholders were supportive of allowing the option to classify interest received and dividend received as cash flows arising from investing activities in the statement of cash flows. However, these IASB members acknowledged that there are mixed views as to how this can be achieved. Some IASB members noted that one of the concerns raised in the feedback is that the use of category in the statement(s) of financial performance and the statement of cash flows have different meanings and believe the current proposal does not allow for alignment between the statement of financial position, the statement(s) of financial performance and the statement of cash flows. One IASB member stated the objective of this project was about removing optionality rather than achieving alignment between the statements.

One IASB member proposed including interest and dividend received in the operating category because this would be aligned to digital reporting and US GAAP. However, many IASB members disagreed with this on the basis that it is not futureproof and would not be suitable for conglomerates. These IASB members believe entities such as conglomerates should be permitted to disaggregate interest and dividend received into the various categories and presenting it accordingly. Whilst other IASB members believe interest and dividend received should be presented in a single category on the face of the financial statements with appropriate disaggregation in the notes to the financial statements.

Many IASB members rejected the proposal to withdraw the accounting policy choice with regards to the classification in the statement of cash flows because the scope and timing of a project on the statement of cash flows is uncertain.

IASB decision

7 of the 12 IASB members agreed to confirm the proposal in the ED to require that entities other than entities with specified main business activities classify interest received as cash flows arising from investing activities in the statement of cash flows.

7 of the 12 IASB members agreed to confirm the proposals in the ED to require entities with specified main business activities to classify the following cash flows in a single category of the statement of cash flows (that is, either as cash flows from operating, investing or financing activities):

- Dividends received (other than dividends received from associates and joint ventures accounted for using the equity method)
- Interest paid
- Interest received

IFRS Accounting Taxonomy

In this session, the staff presented an update on the Proposed IFRS Taxonomy Update—Amendments to IFRS 16 and IAS 1.

Feedback on Proposed IFRS Taxonomy Update—Amendments to IFRS 16 and IAS 1 (Agenda Paper 25)

In November 2022, the IASB published the Proposed IFRS Taxonomy Update—*Lease Liability in a Sale and Leaseback and Non-current Liabilities with Covenants*. The 30-day comment letter period closed on 28 December 2022.

The Proposed IFRS Taxonomy Update (PTU) included proposals for changes to the IFRS Accounting Taxonomy to reflect disclosure requirements arising from

- *Lease Liability in a Sale and Leaseback*, which amended IFRS 16 and was issued in September 2022
- *Non-current Liabilities with Covenants*, which amended IAS 1 and was issued in October 2022

On the latter, one respondent commented that modelling separate detailed text block elements for information about the covenants, and facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants was unnecessary because the narrative information required by those subparagraphs would not be separately understandable and is likely to be integrated, making it difficult to tag using two elements. The staff agree with this comment and plan to model a single detailed text block to reflect the narrative disclosure requirements.

Two respondents suggested that it may be useful to group the elements relating to the disclosure of non-current liabilities with covenants in a taxonomy presentation group with the elements for other financial instrument disclosures as it is likely the information arising from the amendment would be included in note disclosures on financial liabilities. The staff agree with these comments and plan to include the elements relating to the disclosures arising from the amendment in two presentation groupings:

- ‘[810000] Notes – Corporate information and statement of IFRS compliance’
- ‘[822390] Notes - Financial instruments’

The PTU was reviewed by the members of the IFRS Taxonomy Consultative Group (ITCG) before its publication.

The purpose of this meeting was to:

- Summarise the feedback received on the PTU and the staff analysis thereof
- Summarise the next steps in the publication of the IFRS Taxonomy Update
- Ask the IASB if they have any questions or comments on the feedback received or next steps

IASB discussion

One IASB member said that he disagreed with the staff’s plan to model a single detailed text block to reflect the narrative disclosure requirements of IAS 1. In his view this would lead to a loss of information. This was supported by another IASB member who said that disaggregation is important for some jurisdictions. However, one IASB member replied that the information provided would be the same, however it would improve the format in terms of the taxonomy. The staff said that the introduction of categorical elements will be considered as part of the future development of the taxonomy, and this may help to resolve the issue.

One IASB member did not understand why the disclosures from amendments should be presented in grouping 810000 as the information is unrelated to the statement of IFRS compliance. The staff responded that any IAS 1 information that is unrelated to the primary financial statements is included in 810000, so this would be consistent what has previously been done. The staff conceded that the description of the presentation group may be misleading.

There was another comment that the element label ‘non-current liabilities with covenants’ is misleading as the tagging would only apply to non-current liabilities with covenants that are being tested. The staff replied that preparers should not rely on the element label but should look at the underlying disclosure requirement.

IASB decision

The Chair suggested to go with one text block now, as recommended by the staff, but to review that decision after categorical elements have been introduced. None of the IASB members disagreed with this view.

Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

In this session, the IASB continued redeliberating the proposals in its Exposure Draft *Subsidiaries without Public Accountability: Disclosures* to develop a new IFRS Accounting Standard.

Cover Paper (Agenda Paper 31)

Background

At its June 2022 meeting, the IASB agreed on a project plan for redeliberating the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* (ED) towards developing an IFRS Accounting Standard (Standard).

At the January 2023 meeting, the IASB continued its redeliberations of the feedback on aspects of the proposed draft Standard set out in the ED.

Transition matters—interaction between IFRS 1 and the Standard (Agenda Paper 31A)

Background

This agenda paper discussed the feedback on the interaction between IFRS 1 and the draft Standard.

Staff analysis

<u>Including reduced disclosure requirements for IFRS 1</u>

The staff are of the view that the IASB should include reduced disclosure requirements for IFRS 1 because:

- Consistent with its approach to developing the proposed disclosure requirements in the draft Standard, the proposed reduced disclosure requirements for IFRS 1 are based on Section 35 *Transition to the IFRS for SMEs* of the *IFRS for SMEs* Accounting Standard. The approach ensures the disclosures are sufficient to meet the information needs of users of eligible subsidiaries financial statements
- The eligible subsidiaries should not be burdened by the cost (even if one-off) to provide all the disclosures of IFRS 1 when providing reduced disclosures would be sufficient to meet their users' information needs
- The reduced disclosures proposed in the draft Standard considered the information needs of users of eligible subsidiaries' financial statements. As such, the subsidiary does not avoid providing the disclosures, but is required to provide those disclosures that are sufficient to meet the needs of its users. Furthermore, the transition requirements to IFRS Accounting Standards set out in IFRS 1 are unchanged, except for its disclosure requirements. The transition requirements related to recognition, measurement and presentation remain applicable

<u>Interaction between IFRS 1 and the draft Standard</u>

The staff are of the view that there is no compelling feedback suggesting that the IASB should remove or modify paragraphs 12-14 of the draft Standard, which are:

- An entity that applies the Standard when preparing its first IFRS financial statements shall apply the disclosure requirements of the Standard, not those of IFRS 1
- Electing or revoking an election to apply the Standard does not, on its own, result in an entity meeting the definition of a first-time adopter of IFRS Accounting Standards as defined in IFRS 1
- An entity revoking the election to apply the Standard does not apply IFRS 1 in the current period if in its previous period it provided an explicit and unreserved statement of compliance with IFRS Accounting Standards

Application of the Standard does not preclude a subsidiary stating compliance with IFRS Accounting Standards, therefore electing or revoking an election to apply the Standard does not, on its own, result in an entity meeting the definition of a first-time adopter of IFRS Accounting Standards in IFRS 1.

A few respondents said that it would be easier for a first-time adopter of IFRS Accounting Standards to use the same IFRS Accounting Standard, IFRS 1. However, the staff think otherwise because:

- Locating the reduced disclosure requirements for IFRS 1 in the Standard is consistent with the approach used for all other reduced disclosure requirements
- Locating the clarifications on the interaction of the Standard with IFRS 1 in the Standard is helpful because those clarifications do not only apply to eligible subsidiaries applying IFRS Accounting Standards for the first time. They also apply to eligible subsidiaries that applied IFRS Accounting Standards in the prior period

Staff recommendation

The staff recommended that the IASB proceed with the proposal to:

- Include reduced disclosure requirements for IFRS 1 in the Standard
- Explain the interaction between IFRS 1 and the Standard, as set out in paragraphs 12-14 of the draft Standard

IASB discussion

All IASB members supported the staff recommendation regarding including reduced disclosure requirements for IFRS 1 in the Standard and the explanation of the interaction between IFRS 1 and the Standard. This is consistent with the approach that used for other Standards.

IASB decision

All IASB members agreed with the staff recommendation.

Transition matters—changes in accounting policies (Agenda Paper 31B)

Background

This agenda paper discussed the feedback on whether electing or revoking an election to apply the draft Standard requires an eligible subsidiary to apply the requirements on changes in accounting policies in IAS 8 and present a third statement of financial position as at the beginning of the earliest period presented as required by IAS 1.

Staff analysis

In the December 2020 IASB meeting, the staff observed that the disclosures in a subsidiary's financial statements when it elects or revokes an election to apply the draft Standard would not differ from the disclosures required by IAS 8 for changes in accounting policies. The IASB's tentative decisions during its redeliberations of the proposals in the draft Standard do not change either the staff's December 2020 observation or the IASB's statement.

In considering the feedback on the ED, the staff noted that respondents did not disagree with the IASB's view but sought clarity in the Standard itself

Similarly, the IASB noted that a 'third statement of financial position' is unnecessary because it would not change the recognition or measurement of items or amounts presented in the primary financial statements.

The staff support the view of respondents that it would assist the application of the Standard if clarity was provided in the Standard itself. The staff have not identified a problem that would arise if clarity was provided in the Standard itself.

Staff recommendation

The staff recommended that the IASB clarifies in the Standard that an eligible subsidiary that elects or revokes an election or is no longer eligible to apply the Standard:

- Does not apply the requirements in IAS 8 on changes in accounting policies
- Is not required to present a third statement of financial position as at the beginning of the earliest period presented

IASB discussion

All IASB members agreed with the staff recommendation. One IASB member pointed out that IAS 8 allows entities to provide an explanation when it is impracticable to determine and disclose the cumulative effect of accounting policy changes. If an eligible subsidiary needs to revoke its election and to apply full IFRS and assume there is an accounting policy change while it is impracticable to provide comparable information, the entity should apply IAS 8 to explain the impact. Staff agreed that they would make it clear in the Standard that the limitation on retrospective application of an accounting policy in IAS 8 still apply.

All IASB members agreed that if an eligible subsidiary becomes not eligible and need to apply full IFRS, it is not a change in accounting policy. If an eligible subsidiary stops being a subsidiary and becomes a stand-alone entity, it may apply the *IFRS for SME*s Standard or another GAAP. The entity will therefore not apply IAS 8 anyway.

IASB decision

12 out of 12 agreed with the staff recommendation.

Maintenance of the Standard (Agenda Paper 31C)

Background

This agenda paper discussed the timing for updating the Standard for new disclosure requirements or amendments to disclosure requirements arising from new IFRS Accounting Standards or amendments to IFRS Accounting Standards.

Staff analysis

Maintenance of the Standard

The IASB's proposal in the ED to consider proposing amendments to the draft Standard when it publishes an exposure draft of a new or amended IFRS Accounting Standard is supported by most respondents who commented on this topic. The alternative would be to wait until after the amendments have been finalised and for there to be a separate consultation on amendments to the Standard.

Interaction with the *IFRS for SMEs* Accounting Standard

The proposed approach for ongoing maintenance of the Standard would mean that the Standard is updated regularly (as often as amendments are made to disclosure requirements in IFRS Accounting Standards) while the *IFRS for SMEs* Accounting Standard is updated periodically, not more frequently than approximately once every three years.

The staff understand the concern that entities applying the *IFRS for SMEs* Accounting Standard may need to track ongoing amendments to the Standard. However, all proposed amendments to the *IFRS for SMEs* Accounting Standard would be exposed for public comment as part of an omnibus exposure draft issued during each periodic review. The IASB could receive feedback on that exposure draft that it should reconsider the proposed disclosures for the *IFRS for SMEs* Accounting Standard, and also reconsider the disclosure requirements in the Standard. Therefore, the staff do not think that entities applying the *IFRS for SMEs* Accounting Standard need to track proposed amendments to the Standard. The staff also think that this approach provides the best flexibility to address the needs of all stakeholders rather than restricting the maintenance of either standard.

Staff recommendation

The staff recommended that the IASB confirm its proposal to consider amendments to the Standard when it publishes an exposure draft of a new or amended IFRS Accounting Standard as this facilitates consideration of the amendments to the Standard at the same time as the related amendments to IFRS Accounting Standards are being discussed.

IASB discussion

Most of IASB members agreed with the staff recommendation. Some members pointed out that every time when an IFRS Accounting Standard has been updated, the IASB will need to think about two sets of disclosures for the updated Standard, i.e. one for entities adopting full IFRS, and another for eligible subsidiaries using the new Standard. If there is time pressure to deliver updates to Standards, the IASB should be flexible to allow updates to either the new Standard or full IFRS first. Development of the reduced disclosure regime would not have to wait on developments in the full disclosure regime, and vice versa. It was suggested the language is updated to make this clear.

IASB members also debated the difference and linkage between this Standard and the *IFRS for SMEs* Standard.

Some IASB members pointed out that this Standard is a separate project to the *IFRS for SMEs* Standard. There should not be any linkage between the two Standards. The *IFRS for SMEs* Standard is subjected to periodic review which should be protected. When the IASB considers updating the *IFRS for SMEs* Standard, it may consider the reduced disclosures for the subsidiaries in the new Standard. However, the IASB may need to consider that the group requirements for the subsidiaries are different from those for stand-alone entities.

IASB members also discussed which stakeholders should provide feedback on this draft Standard. Some IASB members believe that the staff should liaise with the SME Implementation Group (SMEIG) on the development of the new Standard. Other members pointed out that the SMEIG may not have the right experience to provide feedback on issues relevant to subsidiaries within big groups. Some IASB members also suggested feedback should be sought from national standard-setters and auditors who understand and use both Standards.

Some IASB members pointed out that when the recognition and measurement requirements in the *IFRS for SMEs* Standard and the new Standard are the same, then the reduced disclosures should be expected to be the same as well. While other members pointed out that when this project started, the *IFRS for SMEs* Standard was used as a starting point. However, the IASB subsequently realised that there are many differences between the two Standards. The IASB decided that they should consider the two Standards as reference points, rather than inter-dependent Standards.

IASB decision

12 out of 12 agreed with the staff recommendation.