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Meeting Summary

May 2023

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https://www.iasplus.com/en/meeting-notes/iasb/2023/may/
The meeting agenda and all of the staff papers are available on the IASB website:
https://www.ifrs.org/news-and-events/calendar/2023/may/international-accounting-standards-board/

Overview

The IASB met in London from 22-24 May 2023. The following topics were discussed:

Business Combinations—Disclosures, Goodwill and Impairment: The IASB decided not to proceed with its preliminary view to remove the requirement to perform a quantitative impairment test each year and instead retain the requirement for an entity to perform an annual impairment test. The IASB also decided to maintain its preliminary view that it is infeasible to design a different impairment test that is significantly more effective at a reasonable cost.

IASB work plan update: The staff provided an update on the IASB's work plan since its last update in March 2023.

Post-implementation review (PIR) of IFRS 15: The IASB approved the publication of a Request for Information (RFI) for the PIR of IFRS 15 and agreed with a comment period of 120 days. The publication of the RFI is expected for the end of June 2023.

Maintenance and consistent application: The IASB decided to include 'Lessee derecognition of lease liabilities (IFRS 9)' and 'Disclosure of deferred difference between fair value and transaction price (IFRS 7 IG)' to their previously approved annual improvements package. The IASB also decided that early application of the package should be permitted and the comment period for the exposure draft should be 90 days. Furthermore, the IASB gave the staff permission to begin the balloting process for the exposure draft.

Primary Financial Statements: The IASB made decisions about investments in associates and joint ventures accounted for using the equity method, and on issues related to management performance measures and IFRS 8.

Subsidiaries without Public Accountability: The IASB decided to retain the disclosure requirements proposed in the draft Standard, with some targeted changes. The IASB also decided that the paragraph in the draft Standard that addresses materiality of disclosure requirements should be retained. Further, the IASB decided to proceed with its proposal in the ED that disclosure requirements about the transition to a new or amended IFRS Accounting Standard set out in that new or amended Standard apply to eligible subsidiaries. Lastly, the IASB decided that until it issues an amendment to the prospective Standard, eligible subsidiaries would be required to comply with disclosure requirements in amendments to IFRS Accounting Standards that have been issued after the publication of the ED.

Management Commentary: The staff held an educational session on the comparison between the *Management Commentary* Exposure Draft and the Integrated Reporting Framework. No decisions were made.

Dynamic Risk Management (DRM): The IASB discussed potential illustrative examples of the application of the current DRM model to support stakeholders in their analysis of the model requirements. No decisions were made.

Financial Instruments with Characteristics of Equity (FICE): The IASB decided to propose consequential amendments resulting from the forthcoming FICE ED to the forthcoming *Subsidiaries without Public Accountability* Standard. The IASB also agreed on a comment period of 120 days for the ED and gave the staff permission to begin the balloting process for the ED. One IASB member indicated an intention to dissent from the proposals in the ED.

Rate-regulated Activities: The IASB decided that the prospective Standard would retain the proposal to require recognition of all regulatory assets and all regulatory liabilities existing at the end of the reporting period. The IASB also decided to retain the proposal to treat any regulatory assets or regulatory liabilities arising from regulated rates denominated in a foreign currency as monetary items when applying IAS 21.

Work plan

In this session, the IASB received an update on the IASB's work plan since its last update in March 2023.

Update (Agenda Paper 8)

This paper provided an update on the IASB's work plan since its last update in March 2023.

The purpose of this paper was to provide a holistic view of the IASB's technical projects to support decisions about whether to add or remove projects, as may be discussed in individual project papers and assessment of overall progress on the work plan, including project prioritisation and timing.

This paper did not ask the IASB to make any decisions.

New Projects

In April 2023, the IASB added a project to its work plan to propose amendments to Section 29 *Income Tax* of the *IFRS for SMEs* Accounting Standard. The IASB plans to publish an exposure draft in June 2023.

As part of the next Annual Improvements to IFRS Accounting Standards cycle, the following maintenance projects have been added to the work plan

- Annual Improvements to IFRS Accounting Standards—Cost Method (Amendments to IAS 7)
- Annual Improvements to IFRS Accounting Standards—Credit Risk Disclosures (Amendments to Illustrative Examples accompanying IFRS 7)
- Annual Improvements to IFRS Accounting Standards—Determination of a 'De Facto Agent' (Amendments to IFRS 10)
- Annual Improvements to IFRS Accounting Standards—Gain or Loss on Derecognition (Amendments to IFRS 7)
- Annual Improvements to IFRS Accounting Standards—Hedge Accounting by a First-time Adopter (Amendments to IFRS 1)
- Annual Improvements to IFRS Accounting Standards—Transaction Price (Amendments to IFRS 9)

Once the amendments to IAS 12 for OECD Pillar Two Tax Reform are issued in May 2023, the IASB will add a project to the pipeline to determine whether to remove the temporary exception introduced by the amendments—or to make it permanent—after there is sufficient clarity about how jurisdictions implemented the tax reform and the related effects on entities.

In Q4 2023, the IASB will consider updated information about whether to start its post-implementation reviews on IFRS 16 and the hedge accounting requirements in IFRS 9

Current projects

In April 2023, the IASB decided to move the Equity Method project from the research to the standard-setting work plan. The IASB also decided to work towards publishing an exposure draft as the next due process step.

Expected project completions in the next six months

The staff expects that the IASB will issue the amendments for the following maintenance projects towards the end of May 2023:

- International Tax Reform—Pillar Two Model Rules
- Supplier Finance Arrangements

The staff expects that the IASB will issue the amendments for the Lack of Exchangeability project in August 2023. The staff expects that the IASB will issue amendments to the IFRS for SMEs Accounting Standard for International Tax Reform—Pillar Two Model Rules in September 2023, subject to feedback on the exposure draft expected to be published in June.

Forthcoming consultation documents

The staff expects to publish the following consultation documents in 2023:

- Request for Information—Post-implementation review of the impairment requirements in IFRS 9—June 2023
- Exposure Draft—*IFRS for SMEs* Accounting Standard—Pillar 2—June 2023
- Request for Information—PIR of IFRS 15—July 2023
- Exposure Draft—Annual Improvements—October 2023
- Exposure Draft—Financial Instruments with Characteristics of Equity—December 2023

IASB discussion

One IASB member asked whether the projects on the reserve list could be included in future work plan updates. The staff agreed that this is a good idea.

No decisions have been made.

Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*

In this session, the staff sought approval for the publication of the Request for Information for the post-implementation review of IFRS 15 and the related comment period.

Request for Information (Agenda Paper 6)

The IASB is undertaking the post-implementation review (PIR) of IFRS 15. In March 2023, the IASB discussed findings from Phase 1 of the PIR and which matters to examine further by including them in the Request for Information (RFI). The RFI sets out the matters for which the IASB is seeking feedback by means of a public consultation.

At this meeting, the IASB was asked to approve the publication and to set a comment period of 120-day for the RFI. If approved, the staff expect that the RFI will be published towards the end of June 2023.

IASB decision

On the approval of the publication, there was no discussion between the IASB members. All IASB members voted in favour of the staff recommendation to approve the publication of the RFI.

On the comment period, 13 out of 14 IASB members did not object to a comment period of 120 days, although 3 out of 14 IASB members would have preferred to set a comment period of 150 days.

Maintenance and consistent application

In this session, the IASB discussed further potential annual improvements as well as their effective date and early application.

Cover paper (Agenda Paper 12)

The objective of this session was to discuss the following maintenance and consistent application topics:

- Lessee derecognition of lease liabilities (IFRS 9)—Potential annual improvement
- Disclosure of deferred difference between fair value and transaction price (IFRS 7 IG)—Potential annual improvement
- Annual Improvements to IFRS Accounting Standards—Early application and due process

Lessee derecognition of lease liabilities (IFRS 9)—Potential annual improvement (Agenda Paper 12A)

The IASB staff have been informed about a potential lack of clarity about a lessee's accounting for derecognition of a lease liability. The lack of clarity arises because paragraph 2.1(b)(ii) of IFRS 9 includes a cross-reference to paragraph 3.3.1, but not paragraph 3.3.3, of IFRS 9, which can affect the corresponding adjustment a lessee makes when its lease liability has been extinguished and it removes that liability from its statement of financial position. The IFRS Interpretations Committee (IFRS IC) discussed this matter at its meeting in March 2023.

The objective of this paper was to provide the IASB with background on the matter and staff analysis, including consideration of the IFRS IC's discussion and to ask the IASB whether it agrees with the staff's recommendation to include a proposed amendment to paragraph 2.1(b)(ii) of IFRS 9 in its next Annual Improvements to IFRS Accounting Standards Cycle.

Staff recommendation

The staff recommended that the IASB:

- Propose an amendment to paragraph 2.1(b)(ii) of IFRS 9 to add a cross-reference to paragraph 3.3.3 of IFRS 9
- Require prospective application of this proposed amendment
- Include this proposed amendment in its next annual improvements cycle

IASB discussion

IASB members supported the staff recommendation. Any questions that go further than this annual improvement could be looked at in the post-implementation review (PIR) of IFRS 16. It was acknowledged that any questions on this issue affect IFRS 9 as well. Therefore, it could also be part of the pipeline project on amortised cost.

IASB decision

All IASB members voted in favour of the staff recommendation.

Disclosure of deferred difference between fair value and transaction price (IFRS 7 IG)—Potential annual improvement (Agenda Paper 12B)

The IASB staff have been informed about an inconsistency between paragraph 28 of IFRS 7 and paragraph IG14 of the Guidance on Implementing IFRS 7. The inconsistency arose when, upon the issuance of IFRS 13 in May 2011, the IASB made a consequential amendment to paragraph 28 of IFRS 7 but made no corresponding amendments to paragraph IG14 of IFRS 7. The IFRS Interpretations Committee (IFRS IC) discussed this matter at its meeting in March 2023

The objective of this paper was to provide the IASB with background on the matter and staff analysis, including consideration of the IFRS IC's discussion and to ask the IASB whether it agrees with the staff's recommendation to include a proposed amendment to paragraph IG14 of IFRS 7 in the next Annual Improvements to IFRS Accounting Standards Cycle.

Staff recommendation

The staff recommended that the IASB propose an amendment to paragraph IG14 of IFRS 7 to improve its consistency with paragraph 28 of IFRS 7 and include this proposed amendment in its next annual improvements cycle.

IASB decision

There was no discussion on this paper. All IASB members supported the staff recommendation.

Annual Improvements to IFRS Accounting Standards—Early application and due process (Agenda Paper 12C)

At its February 2023 meeting, the IASB tentatively decided to include proposed amendments on the following topics in the next Annual Improvements to IFRS Accounting Standards Cycle:

- Hedge accounting by a first-time adopter (IFRS 1)
- Gain or loss on derecognition (IFRS 7)
- Credit risk disclosures (IFRS 7 IE)
- Transaction price (IFRS 9)
- Determination of a 'de facto' agent (IFRS 10)
- Cost method (IAS 7)

At this meeting the IASB was asked whether to include two additional proposed amendments in the next annual improvements cycle:

- Lessee derecognition of lease liabilities (IFRS 9)
- Disclosure of deferred difference between fair value and transaction price (IFRS 7 IG)

Questions for the IASB

The staff asked the IASB:

- Whether it agrees with the staff recommendation:
    - To permit early application of the proposed amendments
    - To allow a comment period of no less than 90 days for the Exposure Draft (ED)
- To confirm it is satisfied that it has complied with the applicable due process requirements
- Whether the staff should begin the balloting process for the ED
- Whether any IASB member intends to dissent from the publication of the ED

IASB discussion

One IASB member asked why the staff asked for a comment period of 'no less than 90 days' rather than '90 days'. The staff replied that this was to give some flexibility, in case the end of the comment period falls on a Sunday, for example. However, the staff agreed to change the question to exactly 90 days to avoid confusion.

IASB decision

All IASB members agreed with early application, the comment period of 90 days and that the staff can begin the balloting process. The question for dissent was not asked but no IASB member intervened.

Primary Financial Statements

In this session, the IASB continued discussing the proposals in the Exposure Draft *General Presentation and Disclosures*.

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 session, the IASB discussed the feedback from targeted outreach conducted between September and December 2022 and continued discussing the proposals in the ED.

Associates and joint ventures accounted for using the equity method (Agenda Paper 21A)

Background

This paper discussed the proposal related to associates and joint ventures accounted for using the equity method in the ED. This paper included a summary of the IASB's discussions, proposals in the ED and tentative decisions to date on the classification of income and expenses from investments in associates and joint ventures accounted for using the equity method. This paper also included a summary of the feedback received in targeted outreach on the IASB's tentative decisions and the fair value measurement and transition requirements as well as the proposals in the ED related to cash flows from investments in associates and joint ventures.

Staff recommendation

The staff recommended that the IASB confirm the tentative decision to require all entities to classify income and expenses from associates and joint ventures accounted for using the equity method in the investing category. Furthermore, the staff recommended that the IASB provide a transition relief which permits an entity to apply the election in paragraph 18 of IAS 28 to measure an investment in an associate or joint venture at fair value through profit or loss in accordance with IFRS 9 when such an investment is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, when it first applies the new Standard. Lastly, the staff recommended that the IASB withdraw the proposed new paragraph 38A of IAS 7 in the ED. As a result, all entities would be required to classify dividends received from interests in associates and joint ventures accounted for using the equity method in a single category applying the same guidance as applicable to the entity for all other dividends received.

IASB discussion

The staff clarified a typo on paragraph 86 of the agenda paper which should refer to investments in associates and joint ventures accounted for using fair value through profit or loss rather than equity method. Many IASB members expressed great sympathy towards concerns raised by the insurance industry of the mismatches between investment income and insurance finance expense if income and expenses from associates and joint ventures accounted for using the equity method were excluded from operating profit. However, many IASB members do not believe there should be an exception for insurers because one of the primary objectives of the Primary Financial Statements project is to improve consistency and comparability of the primary financial statements across all industries. In addition, based on research conducted, investors analyse income and expenses from associates and joint ventures accounted for using the equity method separately from other types of investment because these figures are post financing and post tax, have no impact on revenue and are not included in the consolidated results. Therefore, it would be important to have income and expenses from associates and joint ventures accounted for using the equity method disclosed in a single location. Furthermore, many IASB members said that the concerns raised by insurers can be resolved through the use of management performance measures and transition provisions permitting an entity to apply the election in paragraph 18 of IAS 28 to measure an investment in an associate or joint venture at fair value through profit or loss when it first applies the new Standard. One IASB member disagreed with the staff recommendation to confirm the tentative decision to require all entities to classify income and expenses from associates and joint ventures accounted for using the equity method in the investing category based on the outreach performed.

Many IASB members agreed that all entities should classify dividends received from interests in associates and joint ventures accounted for using the equity method in a single category because based on the feedback received, the users of the financial statements would want dividends received to be disclosed in a single location. However, one IASB member disagreed with the proposal because of the misalignment between the classification of income and expenses from associates and joint ventures accounted for using the equity method in the statement of profit or loss (which is required to be presented in the investing category) and the classification of dividends received from associates and joint ventures accounted for using the equity method in the statement of cash flows (which is an accounting policy choice).

IASB decision

13 of the 14 IASB members agreed with the staff recommendation to confirm the tentative decision to require all entities to classify income and expenses from associates and joint ventures accounted for using the equity method in the investing category.

All of the IASB members agreed with the staff recommendation to provide a transition relief which permits an entity to apply the election in paragraph 18 of IAS 28 to measure an investment in an associate or joint venture at fair value through profit or loss in accordance with IFRS 9 when such an investment is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, when it first applies the new Standard.

13 of the 14 IASB members agreed with the staff recommendation to withdraw the new paragraph 38A of IAS 7 proposed in the ED. As a result, all entities would be required to classify dividends received from interests in associates and joint ventures accounted for using the equity method in a single category applying the same guidance as applicable to the entity for all other dividends received.

Issues related to Management Performance Measures (MPMs) and IFRS 8 *Operating Segments* (Agenda Paper 21B)

Background

This paper set out staff analysis and recommendations for issues related to MPMs in the ED and consequential amendments to IFRS 8. This paper discussed whether individual segment measures would be MPMs, whether to confirm the proposal in paragraph B83 of the ED and whether to provide further clarification on the interaction between reconciliations required by IFRS 8 and the ED proposal for MPMs.

Staff recommendation

The staff recommended that the IASB clarify in the application guidance that MPMs reflect management's view of the performance of the entity as a whole. In addition, the staff recommended that the IASB confirm the proposal in paragraph B83 of the ED that, when one or more of an entity's MPMs are the same as part of the operating segment information disclosed by the entity in applying IFRS 8, the entity may disclose information about those MPMs in the note that it uses to disclose information about its operating segments provided the entity either includes in that note all of the information required to be disclosed for MPMs or provides a separate note that includes all of the information required for MPMs.

IASB discussion

IASB members agreed it would be useful to clarify that MPMs reflect management's view of the performance of the entity as a whole rather than the performance of a segment.

Some IASB members agreed that when one or more of an entity's MPMs are the same as part of the operating segment information disclosed by the entity applying IFRS 8, the entity may disclose the required information about those MPMs in the notes where it discloses information about its operating segments. This is because both MPMs and segment information reflect the view of management. In addition, proponents of this view said that no issues were raised by stakeholders when this proposal was included in the ED. However, some IASB members disagreed with this proposal because of differing requirements for MPMs and segmental reporting and presenting this information in the same place may be confusing to the users of the financial statements. The staff clarified that if MPMs were included in the operating segments note, the preparer would have to choose a note label that faithfully represents the information. Furthermore, the staff confirmed that there will be future guidance around digital reporting and tagging of information if the IASB agrees with the recommendation.

IASB decision

All IASB members agreed with the staff recommendation to clarify in the application guidance that MPMs reflect management's view of the performance of the entity as a whole.

11 of the 14 IASB members agreed confirm the proposal in paragraph B83 of the ED that, when one or more of an entity's MPMs are the same as part of the operating segment information disclosed by the entity in applying IFRS 8, the entity may disclose information about those MPMs in the note that it uses to disclose information about its operating segments provided the entity either includes in that note all of the information required to be disclosed for MPMs or provides a separate note that includes all of the information required for MPMs.

Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

In this session, the IASB discussed the feedback on the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

Cover Paper (Agenda Paper 31)

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 May 2023 meeting, the IASB continued its redeliberations of the feedback on aspects of the proposed disclosure requirements in the draft Standard.

Feedback on proposed disclosure requirements (Agenda Paper 31A)

This agenda paper set out the approach to developing the proposed disclosure requirements and analysing the feedback on the proposed disclosure requirements.

Feedback on proposed disclosure requirements

Many respondents commented on individual proposed disclosure requirements in the draft Standard. Comments received included deleting, adding, and clarifying the proposed disclosure requirements in the draft Standard. For each IFRS Accounting Standard, the analysis is summarised in a table in the agenda paper.

Staff recommendation

The staff recommended that the IASB retain the proposed disclosure requirements in the draft Standard for IFRS Accounting Standards analysed in the paper, subject to recommendations in the table in the agenda paper to the individual proposed disclosure requirements.

IASB decisions

The IASB decided to revise the proposed disclosure requirements in the ED:

- IFRS 3—by adding subparagraph B64(j)(i) of IFRS 3
- IFRS 7—by restricting the application of paragraphs 62, 66 and 67 of the ED to eligible subsidiaries that provide financing to customers as a main business activity
- IFRS 12—by:
  - Adding paragraphs 14, 15, 19D(b), 19E, 19F, 30 and 31 of IFRS 12
  - Amending paragraph 68 of the ED to add 'joint operations' from paragraph B4 of IFRS 12
- IFRS 15—by:
  - Withdrawing paragraph 93 of the ED
  - Adding paragraph 119(a) of IFRS 15
- IFRS 16—by:
  - Withdrawing paragraphs 100(d) and 105 of the ED
  - Adding subparagraphs (e), (g) and (i) of paragraph 53 of IFRS 16
- IAS 1—by:
  - Adding paragraph 137 of IAS 1
  - Withdrawing paragraphs 120–122 of the ED and retaining paragraphs 112–114 of IAS 1 as applicable
- IAS 19—by:
  - Adding paragraph 141(b) of IAS 19, in particular the requirement to disclose separately the effects of interest income
  - Replacing paragraph 152(c)(iii) of the ED with paragraph 141(c)(i) of IAS 19
  - Adding paragraph 147(b) of IAS 19
- IAS 27—by amending paragraphs 177–180 of the ED to reference the applicable IFRS 12 disclosure requirements

Paragraph 16 of the draft Standard (Agenda Paper 31B)

This agenda paper discusses whether to provide guidance on or update paragraph 16 of the draft Standard set out in the ED.

Paragraph 16 of the draft Standard states:

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

Staff recommendation

The staff recommended that the IASB does not:

- Add guidance on or revise paragraph 16 of the draft Standard
- Develop an overall disclosure objective in the new Standard

IASB discussion

All IASB members agreed with the staff recommendation.

IASB members agreed that amending IAS 1:16 or developing an overall disclosure objective would be time consuming and might cause unintended consequences.

IASB decision

The IASB decided:

- To retain paragraph 16 of the ED and not add guidance
- An overall disclosure objective for the Standard was not necessary

Disclosure requirements about transition in other IFRS Accounting Standards (Agenda Paper 31C)

This agenda paper discussed whether to retain the proposal set out in the ED that disclosure requirements specified in a new or amended IFRS Accounting Standard about the entity's transition to that new or amended Standard would remain applicable to an eligible subsidiary that applies the draft Standard.

Staff analysis

New and amended IFRS Accounting Standard normally include transition requirements that apply on initial application of that new or amended IFRS Accounting Standard. Occasionally replace, the disclosure requirements in IAS 8.

The IASB proposed that the disclosure requirements about transition in other IFRS Accounting Standards apply to eligible subsidiaries applying the draft Standard because those disclosure requirements are specific to that transition and are relevant only on initial application of that new or amended IFRS Accounting Standard. The disclosure requirements about transition in other IFRS Accounting Standards enable users of financial statements to better understand the impact of initial application of a new or amended IFRS Accounting Standard.

Staff recommendation

The staff recommended that the IASB proceed with its proposal to require any disclosure requirements specified in a new or amended IFRS Accounting Standard about the entity's transition to that new or amended IFRS Accounting Standard to remain applicable to an eligible subsidiary that applies the new Standard.

IASB decision

All IASB members agreed with the staff recommendation.

New disclosure requirements in IFRS Accounting Standards (Agenda Paper 31D)

This agenda paper discussed whether disclosure requirements in IFRS Accounting Standards that have been issued since development of the draft Standard set out in the ED apply to eligible subsidiaries applying the new Standard.

Staff analysis

An eligible subsidiary that elects to apply the new Standard applies the requirements in IFRS Accounting Standards, but instead of the disclosure requirements set out under individual IFRS Accounting Standards it applies the disclosure requirements in the new Standard. In the staff view, those requirements should include requirements from new and amended IFRS Accounting Standards that have been issued since the ED was published, including any disclosure requirements in those new and amended IFRS Accounting Standards. The staff think that users of eligible subsidiaries' financial statements should be able to access all information from those improved disclosure requirements. Whilst the disclosure requirements remain applicable, they will be subject to a materiality assessment.

This is a temporary situation that will only exist until the IASB issues a ‘catch up’ amendment to the new Standard. This is because in the future, the IASB plans to propose amendments to the new Standard as part of each exposure draft of a new or amended IFRS Accounting Standard as this facilitates consideration of the amendments to the new Standard at the same time as the related amendments to IFRS Accounting Standards are being discussed.

Staff recommendation

The staff recommended that the disclosure requirements in amendments to IFRS Accounting Standards that have been issued or will be issued since the ED was published apply to eligible subsidiaries until the IASB issues an amendment to the new Standard.

IASB discussion

IASB members agreed that the decision statement should be included in the Standard.

IASB decision

All IASB members agreed with the staff recommendation.

Management Commentary

In this session, the IASB received an educational session on the comparison between the *Management Commentary* Exposure Draft and the Integrated Reporting Framework.

Comparison between *Management Commentary* Exposure Draft and the Integrated Reporting Framework (Agenda Paper 15A)

In this session, the IASB received an education session on the staff’s analysis of similarities and differences between the *Management Commentary* Exposure Draft (MC ED) and the Integrated Reporting Framework (IR Framework).

IASB discussion

The staff introduced the agenda paper, which was in the form of a presentation.

IASB members were pleased to see that there is a significant overlap between the MC ED and the IR Framework and that there are not too many differences. However, some IASB members suggested to add a section on governance to the *Management Commentary* Practice Statement (MC PS) as this has been reported as a shortcoming by respondents to the MC ED. It is also one of the main differences compared to the IR Framework.

One IASB member said that he often hears from practitioners that there are major differences between the MC PS and the IR Framework and how this could be explained given the staff’s presentation. The staff responded that many compare the original MC PS, not considering the changes proposed in the MC ED. The MC ED goes far in proposing to eliminate many of the differences that practitioners see. But even on comparison with the MC ED, there are differences which can be perceived as larger than they actually are. For example, the IR Framework refers to the entity’s ability to create value while the MC ED refers to the ability to create value and generate cash flows. In the staff’s view, that is not a major difference. The MC ED is also perceived as less flexible than the IR Framework, which is due to the different nature of the two documents. There are also jurisdictional differences that can make the gap between the two documents seem larger than it is.

Another IASB member asked whether staff are still observing that management commentary is used as a marketing instrument produced by the communication departments of companies. The staff replied that this is declining. Many corporate governance codes require board involvement in producing management commentary. However, it is still often used as a tool to engage with the market.

No decisions were made.

Dynamic Risk Management

In this session, the IASB discussed the illustration of the designation and application of the Dynamic Risk Management (DRM) model.

Cover note (Agenda Paper 4)

In this session, the IASB discussed illustrative examples to the Dynamic Risk Management (DRM) model. The paper presented further examples of the application of the current DRM model to support stakeholders in their analysis of the model requirements. The staff developed the examples based on the feedback gathered during the ongoing informal outreach on the DRM model.

DRM Model—Illustrative Examples (Agenda Paper 4A)

This paper provided an illustration of the designation and application of the DRM model through a series of scenarios, each scenario adding a level of complexity to the previous one.
The staff aimed to demonstrate:

- The information that will be provided in the statement of profit or loss and statement of financial position
- How the various scenarios affect the designation of the risk mitigation intention and the construction of the benchmark derivative(s)
- How the DRM model provides a faithful representation of the risk management activities an entity has undertaken to achieve its risk management strategy

However, the paper excluded the capacity assessment as discussed by the IASB in its February 2023 meeting as this is still subject to further development.

The application of the DRM Model is illustrated using three simple scenarios and three complex scenarios. In the simple scenarios, the risk position is comprised of a single financial asset and a single financial liability with aligned notional. In the complex scenarios, the risk position is comprised of multiple financial assets and financial liabilities, and the entity has decided to partially mitigate its risk or mitigate its risks in an adjacent repricing period (i.e. notional not aligned).

The paper did not ask for decisions from the IASB.

IASB discussion

IASB members were supportive of the staff paper and emphasised the quality of the illustrative examples. Some IASB members highlighted that the DRM model is still a work in progress. For instance, the model is at the current stage restricted to interest rate risk, and the examples being discussed are focused on the banking industry. One IASB member mentioned that a few refinements would be needed at some stage, for instance whether the terminology should be revisited in light of the terminology used by users and also the terminology already in place in current standards, and whether the DRM requirements should be mandatory or voluntary.

Financial Instruments with Characteristics of Equity

At this meeting, the IASB made tentative decisions related to proposed consequential amendments to the forthcoming IFRS Accounting Standard *Subsidiaries without Public Accountability* on disclosure requirements for eligible subsidiaries.

Cover note (Agenda Paper 5)

At this meeting, the staff presented two papers to the IASB. The first paper related to the forthcoming IFRS Accounting Standard *Subsidiaries without Public Accountability* (the Subsidiaries Standard) where the staff asked the IASB for tentative decisions on proposed consequential amendments to the Subsidiaries Standard. The second paper related to due process and permission to begin the balloting process.

Subsidiaries without public accountability: disclosures (Agenda Paper 5A)

This IASB expects to publish the FICE Exposure Draft (the FICE ED) in the last quarter of 2023, before the issue of the new standard *Subsidiaries without Public Accountability*. The Subsidiaries Standard will permit eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. The ED for that Standard (the Subsidiaries ED) includes IFRS Accounting Standards issued up until February 2021 and it was decided that the IASB will consider amendments to the disclosure requirements on an ongoing basis after that.

This staff considered each of the disclosures tentatively decided in the FICE ED and reviewed them against the principles for disclosures in the Subsidiaries ED. The principles for reducing disclosure requirements applied by the IASB consider the information needs of users of non-publicly accountable entities and that these users find the following information useful: short-term cash flows, obligations, commitments and contingencies (whether or not recognised as liabilities); liquidity and solvency; measurement uncertainty, accounting policy choices (i.e. information about accounting policies chosen by the entity); and disaggregation of amounts.

The staff recommended that the FICE ED includes consequential amendments to the Subsidiaries Standard to add disclosure requirements consistent with those proposed in the FICE ED in the following areas:

- Terms and conditions debt-like and equity-like features—as these impact short term cash flows
- Passage-of-time changes—as these impact short term cash flows
- Instruments containing obligations to redeem own equity instruments—as these impact disaggregation of amounts and accounting policy choices
- Financial liabilities with contractual obligations to pay amounts based on the entity's performance or net assets—as these impact disaggregation of amounts
- Significant judgements—as these impact accounting policy choices

The staff recommended that the FICE ED does not include consequential amendments to the Subsidiaries Standard to add disclosure requirements consistent with those proposed in the FICE ED in the following areas:

- Potential dilution—these are more relevant to investments decisions in public capital markets than to transactions and events encountered by eligible subsidiaries applying the Subsidiaries Standard
- Nature and priority of claims against an entity—This information impacts liquidity and solvency and may impact short or long term cash flows, however this additional information does not justify the additional cost of preparing and presenting this information
- Terms and conditions about priority on liquidation—This information is not a priority for eligible subsidiaries and does not meet the list of principles

- Disclosure objectives—this is not a disclosure requirement and therefore will apply to eligible subsidiaries applying the Subsidiaries Standard
- Other disclosures—initial allocation to debt and equity components; reclassifications on change in circumstances—these does not meet the list of principles

The staff asked the IASB if they agree with the staff's recommendation for consequential amendments to the disclosure requirements for eligible subsidiaries.

IASB discussion

IASB members were largely in agreement with the proposals. They liked the use of the principles and said that the arguments in the paper are well balanced.

There was strong support to include *nature and priority of claims against an entity* in the Subsidiaries Standard. This affects two of the principles: short term cash flows, and liquidity and solvency as noted in the staff paper. The staff excluded this area as they believed the additional cost of preparing the information would outweigh the benefit, however IASB members said that this information would largely already be prepared at a consolidated level and would therefore not lead to significant additional cost.

For terms and conditions debt-like and equity-like features, the staff proposed only to include disclosures about 'debt-like' features in financial instruments that are classified as equity instruments and 'equity-like' features in financial instruments that are classified as financial liabilities. However, the IASB said that the requirement included within paragraph 12c of the paper should also be included (i.e. '*debt-like' and 'equity-like' features that determine the classification of such financial instruments as financial liabilities, equity instruments or compound financial instruments*).

IASB members did not agree that the specific requirement, included in para 18(b)v of the paper (i.e. '*the cumulative amount transferred within equity and the component of equity to which it was transferred, if any cumulative amount in retained earnings was transferred'*), within instruments containing obligations to redeem own equity instruments was required as the impact is only on equity and does not affect short term cash flows.

Some IASB members also proposed that terms and conditions about priority on liquidation and potential dilution should also be included within the Subsidiaries Standard. The view was that for those subsidiaries with no complex instruments these disclosures would be straightforward and for those with complex instruments these disclosures would be useful to users.

IASB decision

All IASB members voted in favour of the staff's recommendation with the following amendments:

- Include Nature and priority of claims against an entity
- Include the disclosure in paragraph 12c
- Remove the disclosure in paragraph 18bv

9 out of 14 IASB members voted in favour to also include *Term and conditions about priority on liquidation* in the Subsidiaries Standard

1 out of 14 voted in favour to also include *Potential dilution* in the Subsidiaries Standard

Due process and permission to begin the balloting process (Agenda Paper 5B)

The purpose of this paper was to:

- Propose a comment period of 120 days for the forthcoming ED of the proposed amendments to IAS 32, IFRS 7 and IAS 1

- Explain the steps in the IFRS Foundation Due Process that the IASB has taken in developing the proposed amendments seek the IASB's permission for the staff to begin the process for balloting the forthcoming ED
- Ask if any IASB member plans to dissent from the proposals in the forthcoming ED

The staff asked the IASB if they agree with the recommendation to have a comment period of 120 days, if any IASB members intend to dissent from the proposals in the forthcoming ED and if the IASB is satisfied that it has complied with the applicable due process steps so that the staff can begin the process for balloting the forthcoming ED.

IASB discussion

The staff confirmed that they plan to release the ED in the second half of November.

IASB decision:

All IASB members voted in favour of the staff recommendation to set a 120 day comment period.

One Board member plans to dissent from the proposals.

All of the IASB members gave permission for the staff to begin the process for balloting the forthcoming ED.

Business Combinations—Disclosures, Goodwill and Impairment

In this session, the IASB discussed the requirement for an entity to perform an annual impairment test, alternatives to the annual impairment test, and the IASB's preliminary view that it is infeasible to design a different impairment test that is significantly more effective at a reasonable cost.

Cover paper (Agenda Paper 18)

In March 2020, the IASB published Discussion Paper 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 a tentative decision regarding its preliminary view to remove the requirement to perform a quantitative impairment test each year and to discuss improving the effectiveness of the impairment.

Reducing cost and complexity—removing the annual quantitative impairment test (Agenda Paper 18A)

In this paper, the staff set out their analysis and recommendations to the IASB.

In the DP, the IASB set out its preliminary view that to remove the requirement to perform a quantitative impairment test of cash-generating units (CGUs) containing goodwill annually, indefinite life intangible assets, and intangible assets not yet available for use (annual impairment test), and instead only perform the test if there are indicators of impairment.

Many respondents disagreed with this preliminary view, believing this would reduce the effectiveness and robustness of the impairment test and deliver limited cost savings.

Therefore, the staff recommended that the IASB should not proceed with its preliminary view and should retain the requirement for an entity to perform an annual impairment test.

The staff also recommended that the IASB do not pursue the alternatives to the annual impairment test suggested by respondents to the DP.

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

IASB discussion

IASB members were generally supportive of both staff recommendations.

With regard to the first recommendation, it was noted that the preliminary view not to require an impairment test annually was a narrow decision and possibly predicated on the reintroduction of amortisation.

As a tentative decision not to reintroduce amortisation has since been made, and the feedback from respondents indicated that there would be damage to the robustness of the impairment test and limited cost reduction from upholding the preliminary view, IASB members agreed with the staff recommendation to retain the requirement for an entity to perform an annual impairment test.

With regard to the second recommendation, IASB members agreed not to pursue any of the alternatives suggested, though it was noted that the relief available in IAS 36:99, to use the most recent detailed calculation of recoverable amount of a CGU to perform an impairment test of that CGU (provided certain conditions are met), is applied less than they expected.

IASB decision

The IASB were asked to vote on both recommendations simultaneously. When asked to vote, the IASB voted unanimously in favour of both recommendations.

Effectiveness of impairment test—feasibility of designing a different impairment test (Agenda Paper 18B)

In this paper, the staff asked the IASB to make a decision about the feasibility of designing an alternative impairment test that is significantly more effective than the current test in IAS 36.

As part of the DP, the IASB identified over-optimism and shielding as possible reasons for delays in recognising impairment losses on goodwill. To address shielding, the IASB identified that an impairment test could be designed to allocate a portion of any reduction in the recoverable amount of a CGU to the acquired goodwill, rather than allocating it first to any unrecognised headroom (the headroom approach).

However, the IASB's preliminary view was that it is infeasible to design a different impairment test that is significantly more effective at a reasonable cost.

Most respondents agreed with this preliminary view, but some disagreed and suggested either pursuing some form of headroom approach or other forms of impairment test. The staff set out these approaches but identified drawbacks with them.

Therefore, the staff recommended that the IASB maintain its preliminary view that it is infeasible to design a different impairment test that is significantly more effective at a reasonable cost.

The IASB were asked to vote on this recommendation.

IASB decision

The IASB generally supported the staff recommendation and, when asked to vote, voted unanimously in favour with the staff recommendation.

Effectiveness of impairment test—criteria and application (Agenda Paper 18C)

In this paper, the staff explained the criteria developed and applied in considering which suggestions to improve the effectiveness of the impairment test received from respondents should be pursued.

The suggestions selected to be pursued further are detailed in Agenda Paper 18D.

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

IASB discussion

The IASB discussed Agenda Paper 18C and 18D at the same time; this discussion is summarised in the next section.

Other topics (Agenda Paper 18D)

In this paper, the staff summarised the feedback obtained from the IASB's consultative groups on the suggestions considered after applying the criteria outlined in Agenda Paper 18C.

The staff categorised the suggestions into two categories: those that could reduce shielding, and those that could reduce management over-optimism.

Suggestions that could reduce shielding

The staff summarised the following suggestions that could reduce shielding and outline the feedback from the consultative groups on these suggestions:

- Provide additional guidance on allocating goodwill to CGUs
- Require an entity to perform an impairment test when it reorganises its reporting structure in such a way that changes the composition of CGUs to which goodwill is allocated

Suggestions that could reduce management over-optimisms

The staff summarised the following suggestions that could reduce management over-optimism and outline the feedback from the consultative groups on these suggestions:

- Require an entity to disclose a comparison of cash flow forecasts used in past impairment tests with actual cash flows
- Clarify that cash flow projections based on the most recent financial budgets or forecasts need to be based on reasonable and supportable assumptions
- Improve the list of indicators of impairment
- Require disclosure of the reportable segment in which CGUs containing goodwill are included

The IASB were asked if they have any comments or questions on the suggestions and feedback presented.

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

IASB discussion

The IASB discussed Agenda Paper 18C and 18D at the same time.

IASB members recommended that there should be limited focus on the suggestions identified by respondents that would result in minor improvements, as the time and resources of the IASB and its staff are limited.

In particular, several IASB members suggested that there would be limited benefit achieved by improving the list of indicators of impairment, clarifying that cash flow forecasts should be based on reasonable and supportable assumptions, and requiring an impairment test if an entity reorganises its reporting structure in such a way that changes the composition of CGUs to which goodwill is allocated.

A few IASB members also identified that some suggestions could result in requiring disclosure of commercially sensitive information, and therefore should not be pursued.

One IASB member observed that there is limited guidance and requirements with regard to the impairment testing of goodwill allocated to a group of CGUs in comparison to the impairment testing of goodwill allocated to one CGU, and that this could therefore be explored as a potential improvement.

Rate-regulated Activities

At this meeting, the IASB discussed the proposals relating to initial recognition of regulatory assets and liabilities.

Cover note (Agenda Paper 9)

At this meeting, the staff updated the IASB on the status of the project and continued redeliberating the proposals in the Exposure Draft (ED) *Regulatory Assets and Regulatory Liabilities*. For that, the staff prepared a paper on the proposals relating to initial recognition of regulatory assets and liabilities.

The paper included a project update highlighting the areas still in need of redeliberation and in particular the proposals on the minimum interest rate and transition. Additional analysis is also planned on the interaction of the Standard with IFRS 17, responses to the direct relationship concept and the expected effects of the final Standard.

IASB discussion

Some IASB members acknowledged that it would be good to gain efficiencies where possible to speed up the timeline for the project, which would allow preparers to utilise the standard. However, it was also noted that the issues in the paper will take time to resolve and this should be done diligently. They highlighted that the interaction with IFRS 17 may not be a focus given that this does not appear to be a widespread issue.

The staff clarified that there will be a separate Exposure Draft for amending the *Subsidiaries without Public Accountability* Standard (and the reduced disclosures required for rate-regulated activities) which will not form part of this project.

Timing of initial recognition (Agenda Paper 9A)

This paper set out the staff analysis and recommendations on the proposals relating to initial recognition of regulatory assets and liabilities in the ED.

The staff analysis considered two topics:

- Timing of initial recognition—The ED proposed that regulatory assets and liabilities would be recognised if they exist at the end of the reporting period. Respondents asked for clarification on whether initial recognition should also occur during the reporting period as this has implications for the application of IAS 21. The paper considers three options for timing of initial recognition including requiring applying the recognition criteria during the reporting period, requiring applying the recognition criteria at the period end or a choice. The staff concluded that applying the recognition criteria at the period end was the recommended approach

- Application of IAS 21—The ED proposed that regulatory assets and liabilities should be treated as monetary items when applying IAS 21. This was on the basis that requiring this treatment simplifies the application of the subsequent measurement requirements in IAS 21 and the staff have recommended that the rationale be added to the final Accounting Standard

Staff recommendation

The staff recommended that the final Accounting Standard:

- Retain the proposal to require recognition of all regulatory assets and all regulatory liabilities existing at the end of the reporting period
- Clarify that initial recognition of a regulatory asset or a regulatory liability occurs at the end of a reporting period
- Retain the proposal to treat any regulatory assets or regulatory liabilities arising from regulated rates denominated in a foreign currency as monetary items when applying IAS 21

IASB discussion

No IASB member expressed concerns on the proposal to retain the requirement to recognise all regulatory assets and all regulatory liabilities existing at the end of the reporting period.

In relation to the proposal to clarify that initial recognition of a regulatory asset or a regulatory liability occurs at the end of a reporting period, a majority of IASB members raised concerns. In particular, there were concerns that some entities may track regulatory assets and liabilities throughout the period and may wish to recognise these during the period, in line with requirements of other standards.

Additionally, several IASB members highlighted that given the difference between recognising assets and liabilities during the period or at the end of the period only affects disclosures, there was no benefit to being prescriptive on how this should be done.

Some IASB members suggested a solution where recognition is required when the event giving rise to a regulatory asset or liability occurs, in line with other standards, but with a practical exception that this could be done at the end of the period if the information was not available. However, the majority of IASB members agreed that this was not necessary, and clarification could result in an overly restrictive Standard.

In relation to the final proposal to treat any regulatory assets or regulatory liabilities arising from regulated rates denominated in a foreign currency as monetary items when applying IAS 21, all of the IASB members who spoke expressed support. One IASB member highlighted that this practical approach of stating whether an item should be treated as monetary or non-monetary had been previously applied in IFRS 17.

IASB decision

All IASB members voted in favour of the first proposal.

Only four IASB members voted in favour of the proposal to provide clarification on when initial recognition occurs.

All IASB members voted in favour of the final proposal.