Deloitte.

IAS Plus

IASB

Pre-meeting Summary

September 2023

This is a compilation of the summary available on IAS Plus at:
https://www.iasplus.com/en/events/iasb-meetings/2023/september
The meeting agenda and all of the staff papers are available on the IASB website:
https://www.ifrs.org/news-and-events/calendar/2023/september/september/

Overview

The IASB will meet in London on 19-21 September 2023. The following topics are on the agenda:

Work plan: The IASB will receive an update on its work plan. It will not be asked to make any decisions.

Rate-regulated Activities: The IASB will redeliberate the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities*, and will be asked to make decisions on credit and other risks and the direct (no direct) relationship concept.

Equity Method: The IASB will be asked to make decisions on the implications of applying its tentative decisions (for investments in associates) to investments in subsidiaries in separate financial statements, and joint ventures. They will also vote on whether to propose amendments to improve the disclosure requirements for investments in associates and whether to expand the project's scope.

Climate-related Risks in Financial Statements: The IASB will be asked to decide on the objective of the project and on the proposed potential actions to help address concerns about reporting the effects of climate-related risks in the financial statements.

Amendments to the Classification and Measurement of Financial Instruments: The IASB will discuss the feedback received in response to the Exposure Draft.

Business Combinations—Disclosures, Goodwill and Impairment: The IASB will receive a summary of tentative decisions made to date and will be asked to make decisions about the remaining technical aspects of this project. The IASB will also be asked to give permission to ballot an Exposure Draft.

Extractive Activities: The IASB will make decisions about whether to develop requirements or guidance to improve the information an entity discloses about its exploration and evaluation expenditure and activities to provide more useful information to users, and whether to remove the temporary nature of the exemption in IFRS 6.

Business Combinations under Common Control: the IASB will discuss the project direction including whether to change this to a disclosure-only project or stop the project.

Second Comprehensive Review of the *IFRS for SMEs* Standard: The IASB will discuss overarching topics, which will assist the IASB in its redeliberations of the proposals in Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard*. The IASB will also discuss specific proposals in the ED with regard to revenue and impairment of financial assets.

Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures: The IASB will discuss its approach to maintenance of the forthcoming IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures.*

Work plan

In this session, the IASB will receive an update on its work plan.

Update (Agenda Paper 8)

This paper provides an update on the IASB's work plan since its last update in May 2023. The purpose of this paper is 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 enable assessment of overall progress on the work plan, including project prioritisation and timing.

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

Completed Projects

In May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)* and *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*. In August 2023, the IASB issued *Lack of Exchangeability (Amendments to IAS 21)*.

New projects

<u>Active projects</u>

In July 2023, the IASB added a maintenance project to its work plan to research whether feasible narrow-scope amendments to IFRS 9 could be made for power purchase agreements. This project arose from a recommendation from the IFRS Interpretations Committee (IFRS IC) in June.

<u>Pipeline projects</u>

Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity has been added to the pipeline based on a recommendation from the IFRS IC in June.

Update to the Subsidiaries without Public Accountability: Disclosures Standard was added as discussed at the IASB meeting in July 2023.

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.

Expected project completions in about the next six months

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
- IFRS Accounting Standard X—*Presentation and Disclosure in Financial Statements* in H1 2024
- IFRS Accounting Standard X—*Subsidiaries without Public Accountability: Disclosures* in H1 2024

Consultation documents in about the next six months

The staff expects that the IASB will publish:

- Exposure Draft—*Financial Instruments with Characteristics of Equity* in Q4 2023 or Q1 2024
- Exposure Draft—*Business Combinations—Disclosure, Goodwill and Impairment* in H1 2024

Rate-regulated Activities

In this session, the IASB will redeliberate the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities*, in particular on credit and other risks and the direct (no direct) relationship concept.

Cover note (Agenda Paper 9)

At this meeting, the IASB will redeliberate the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (ED). The staff prepared three papers on two topics:

- Credit and other risks:
    - Agenda Paper 9A on credit and other risks affecting the estimates of future cash flows arising from regulatory assets and regulatory liabilities
- Responses to a survey on the direct (no direct) relationship concept:
    - Agenda Paper 9B on the analysis of the responses and recommendations on the next steps
    - Agenda Paper 9C on the survey and the background information document, which is for information only

Measurement—Credit and other risks (Agenda Paper 9A)

This paper sets out the staff analysis and recommendations on the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (ED) on credit and other risks affecting the estimates of future cash flows arising from a regulatory asset or a regulatory liability.

Staff recommendation

The staff recommends that:

- The final Accounting Standard retains the proposal in paragraphs 37 and 38 of the ED to require that in estimating future cash flows arising from a regulatory asset or regulatory liability, an entity:
    - Reflects the uncertainty about the amount or timing of the future cash flows
    - Assesses whether the entity bears the uncertainty in the future cash flows or whether customers bear the uncertainty
- When an entity bears credit risk, the final Accounting Standard specifies that the entity:
    - Estimates the uncollectible amounts considering the net cash flows that will arise from the recovery of regulatory assets and the fulfilment of regulatory liabilities
    - Allocates the estimate of uncollectible amounts to regulatory assets only
- The final Accounting Standard retains the proposal in paragraph 43 of the ED to require that an entity's estimates of future cash flows arising from a regulatory liability should not reflect the entity's own non-performance risk

The direct (no direct) relationship concept—Report on findings from the survey (Agenda Paper 9B)

This paper sets out:

- The staff's analysis of the responses to a survey on the direct (no direct) relationship concept
- The staff's recommendations on next steps

Staff recommendation

The staff recommends that the final Accounting Standard:

- Includes the direct (no direct) relationship concept to help an entity to identify differences in timing arising from the regulatory compensation the entity receives on its regulatory capital base
- Specifies that if an entity is able to trace differences between the regulatory capital base and the property, plant and equipment at an asset level, this is a strong indicator that there is a direct relationship

- Specifies that in the case of service concession arrangements, an entity determines whether there is a direct (no direct) relationship between the regulatory capital base and the intangible asset that arises from the service concession arrangement
- Includes examples to illustrate how an entity determines the direct (no direct) relationship using specific fact patterns

The direct (no direct) relationship concept—Survey and background information document (Agenda Paper 9C)

This paper includes the survey used to gather input on the direct (no direct) relationship concept and the background information document accompanying the survey.

The survey and the background information document are for information only.

Equity Method

The purpose of this session is to discuss the implications of applying the IASB's tentative decisions (for investments in associates) to investments in subsidiaries in separate financial statements, and joint ventures; whether to propose amendments to improve the disclosure requirements for investments in associates; and whether to expand the project's scope.

Towards an Exposure Draft—Cover Paper (Agenda Paper 13)

The objective of the Equity Method project is to develop answers to application questions about the equity method, as set out in IAS 28, using the principles derived from IAS 28 where possible.

The purpose of this meeting is to ask the IASB to discuss:

- The implications of applying its tentative decisions (for investments in associates) to investments in subsidiaries in separate financial statements and joint ventures
- Whether to propose amendments to improve the disclosure requirements for investments in associates
- Whether to expand the project's scope

Towards an Exposure Draft—Implications of applying the IASB's tentative decisions to investments in subsidiaries in separate financial statements (Agenda Paper 13A)

At its July 2023 meeting, the IASB concluded its discussions on application questions in the scope of the Equity Method project for investments in associates. The IASB's approach was to develop answers to the application questions for investments in associates and, later, consider any implications to other investments accounted for applying the equity method.

The purpose of this paper is to:

- Discuss application of the equity method to investments in subsidiaries in separate financial statements
- Summarise informal feedback from outreach with national standard-setters and regional bodies (NSSs) in jurisdictions where parent entities prepare separate financial statements and account for investments in subsidiaries using the equity method as applicable in IAS 28
- Consider the staff's preliminary analysis on possible ways forward

In this paper, the staff has discussed the type of reporting entities covered by the paper, the concept of control in IAS 27 and the informal feedback from outreach with NSSs.

The staff has also identified two possible alternatives as the way forward:

- Alternative 1—Equity method as applicable in IAS 28 (i.e. equity method as it would be amended by the IASB's tentative decisions)
- Alternative 2—Equity method as applicable in IAS 28, with a requirement to restrict gains or losses from transactions between the parent and its subsidiaries

The IASB will be asked if they have comments or questions on the preliminary analysis and for their views on the alternatives set out in the paper.

Towards an Exposure Draft— Implications of applying the IASB's tentative decisions to investments in joint ventures (Agenda Paper 13B)

At its July 2023 meeting, the IASB concluded its discussions on application questions in the scope of the Equity Method project for investments in associates. The IASB's approach was to develop answers to the application questions for investments in associates and, later, consider any implications to other investments accounted for applying the equity method.

The purpose of this paper is to:

- Discuss application of the equity method to investments in joint ventures
- Consider the staff's preliminary analysis on whether the IASB's tentative decisions hold for investments in joint ventures

In this paper, the staff provided its preliminary analysis on whether IASB's tentative decisions related to 'purchasing an additional interest' and 'transactions with equity-accounted investments' continue to hold for investments in joint ventures. In the staff's view, the IASB's rationale for both tentative decisions continue to hold for investments in joint ventures.

The IASB will be asked if they have comments or questions on the preliminary analysis in the paper.

Towards an Exposure Draft—Possible improvements to disclosure requirements for investments in associates (Agenda Paper 13C)

The purpose of this paper is to ask the IASB to decide whether to propose amendments to improve the disclosure requirements for investments in associates arising from its tentative decisions on the Equity Method project to date.

At its September 2022 meeting, the IASB discussed how an investor recognises and measures changes in an associate's net assets that change the investor's ownership interest when the investor retains significant influence (dilution gains or losses). Applying the IASB's tentative decision, an investor would recognise a gain or loss in its profit or loss, as in a partial disposal whilst retaining significant influence.

At its June 2023 meeting, the IASB tentatively decided how an investor would recognise and measure contingent consideration on obtaining significant influence in an associate. The IASB's tentative decision was derived from the recognition and measurement requirements for contingent consideration in IFRS 3.

At its March 2023 meeting, the IASB tentatively decided to propose that an investor should recognise the full gain or loss on all transactions with an associate. The IASB said it would consider improvements to the disclosure of these transactions. IAS 24:18 requires disclosing the amount of these transactions and the amount of any outstanding balances.

Staff recommendation

The staff recommends that the IASB propose amendments to IFRS 12:

- To require an investor to disclose gains or losses arising from an increase or decrease in the associate's net assets that changes the investor's ownership interest if the investor continues applying the equity method and does not exchange consideration with its associate
- To require an investor to disclose, for contingent consideration arrangements:
    - *On obtaining significant influence in an associate*—the amount recognised at the acquisition date; a description of the arrangement and the basis for determining the amount of the payment; and an estimate of the range of outcomes (undiscounted)
    - *For each reporting period after the acquisition date until the investor collects or settles the contingent consideration or it is cancelled or expires*—any changes in the recognised amounts, including any differences arising upon settlement; any changes in the range of outcomes (undiscounted) and the reasons for those changes; and the valuation techniques and key model inputs used to measure the contingent consideration
- To require an investor to disclose gains or losses resulting from transactions with its associates
- To introduce a disclosure objective to disclose information that enables users to evaluate the changes in the amounts in an investor's financial statements arising from investments in associates
- To require an investor to disclose a reconciliation between the opening and closing carrying amount of the investments in associates, to meet the objective

Towards an Exposure Draft—Project scope (Agenda Paper 13D)

The purpose of this paper is to ask the IASB whether to extend the scope of the Equity Method project (project scope) for three application questions.

At its meeting in March 2021, the IASB agreed on a process for selecting the application questions to be included in the project scope. When applying the process, there were three application questions with recurrent themes that were excluded from the project scope:

- Ownership interests that currently give access to returns, IAS 28:13
- Reciprocal interests
- Non–coterminous reporting date and dissimilar accounting policies

The staff said they would bring these application questions to a future meeting so that the IASB could decide whether to add them to the project scope.

Staff recommendation

The staff recommends the IASB:

- Retains the project's scope
- To ask in the invitation to comment on the exposure draft whether the IASB should seek views in its next agenda consultation on adding to its work plan a project on assessing the rights that currently give an investor access to returns when applying IAS 28

Climate-related Risks in the Financial Statements

In this session, the IASB will discuss the maintenance project on Climate-related Risks in the Financial Statements

Cover paper (Agenda Paper 14)

The objective of this session is to discuss the maintenance project on Climate-related Risks in the Financial Statements. The IASB will be asked to decide on the objective of the project and on the proposed potential actions to help address concerns about reporting the effects of climate-related risks in the financial statements.

Project objective (Agenda Paper 14A)

The original project includes only climate-related risks in the financial statements. Considering the feedback received by stakeholders, the reporting of climate-related risks in the financial statements might be best achieved if the IASB applies potential actions to all risks rather than to one specific risk, including, where possible, examples specific to climate-related risk.

Staff recommendation

The staff recommends generalising the objective of this project to explore whether and how financial statements can better communicate information about climate-related and other uncertainties.

Results of work on the nature and causes of concern (Agenda Paper 14B)

The increasing disclosures about sustainability-related risks and opportunities, including climate-related risks and opportunities, outside the financial statements might have contributed to stakeholder concerns by highlighting potential inconsistencies between the financial statements and information reported elsewhere.

The staff think that some concerns raised by stakeholders can potentially be addressed through articles and educational material, agenda decisions or standard-setting. The IASB will not be asked to make any decisions.

Potential actions (Agenda Paper 14C)

This paper discusses a package of potential actions the IASB could take to help address concerns about reporting the effects of climate-related risks in the financial statements.

Staff recommendation

The staff recommends that the IASB:

- Explore clarifying or enhancing requirements in IFRS Accounting Standards or adding illustrative examples in relation to:
    - Disclosures about estimates
    - Connections within the financial statements as well as across the financial statements and other general purpose financial reports
    - The concept of materiality
    - The 'catch-all' disclosure requirement in IAS 1:31
- Refer to the IFRS Interpretations Committee questions about:
    - The recognition of a liability applying IAS 37 for climate-related commitments
    - The measurement of value in use when an asset is subject to highly variable future cash flows over an extended time horizon for purposes of impairment testing applying IAS 36

Amendments to the Classification and Measurement of Financial Instruments

In this session, the IASB will discuss the feedback on Exposure Draft *Amendments to the Classification and Measurement of Financial Instruments*.

Summary of feedback from comment letters (Agenda Paper 16)

In March 2023, the IASB published the Exposure Draft *Amendments to the Classification and Measurement of Financial Instruments* (ED). This paper provides a summary of feedback on the ED from comment letters and outreach events.

The ED proposed the following amendments to IFRS 9:

- Derecognition of a financial liability settled through electronic transfer—to clarify that an entity is required to apply settlement date accounting when derecognising a financial asset or a financial liability and to permit an entity to deem a financial liability that is settled using an electronic payment system to be discharged before the settlement date if specified criteria are met
- Classification of financial assets—to clarify the application guidance for assessing the contractual cash flow characteristics of financial assets, including:
    - Financial assets with contractual terms that could change the timing or amount of contractual cash flows, for example, those with ESG linked features
    - Financial assets with non-recourse features
    - Financial assets that are contractually linked instruments

The ED proposed amendments and additions to IFRS 7 with regard to the following topics:

- Investments in equity instruments designated at fair value through other comprehensive income (OCI)
- Financial instruments with contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that is specific to the debtor

Summary of feedback

<u>Overview</u>

Over 107 comment letters were received in response to the ED. Some respondents asked the IASB to prioritise finalising the proposals relating to the classification of financial assets with ESG-linked features over other matters and that these amendments should have a different effective date from the other amendments so that entities are able to apply them independently.

<u>Derecognition of a financial liability</u>

Most respondents agreed with the proposed clarification that settlement date accounting is applied when recognising or derecognising financial assets and financial liabilities, although many respondents recommended further clarifying the requirements to avoid unintended consequences. For example, it is unclear how the proposed requirements would apply to derivatives, such as forward contracts, which are recognised on their commitment date.

Most respondents welcomed the proposal to permit derecognition of a financial liability that is settled in cash using an electronic payment system before the settlement date when specified criteria are met, although some raised concerns about the practical application of the proposed criteria. They noted that the criteria are too high a hurdle to overcome in practice resulting in the proposals having little practical benefit. In addition, some respondents asked for similar requirements regarding financial assets.

<u>Classification of financial assets</u>

Many respondents expressed the view that the proposed clarifications of the requirements for assessing the contractual cash flow characteristics of financial assets would be useful in determining the classification of financial assets with ESG-linked features. However, some respondents expressed concerns that the proposals do not provide a sufficiently clear basis for assessing whether particular ESG features are consistent with a basic lending arrangement and that this may lead to unintended consequences for the classification of other financial assets. For example, 'increased cost clauses' in which the lender reserves the right to adjust the interest rate due to changes in tax laws or regulations which increase the cost of lending would be 'a change in contractual cash flows due to a contingent event that is specific to the creditor or another party would be inconsistent with a basic lending arrangement.'

Some respondents said that the proposals do not adequately explain why contingent events that are specific to the debtor are consistent with the concept of basic lending risks and costs. In addition, the example provided in the ED does not provide a clear basis for why those ESG-linked features are considered to be basic lending risks or costs.

For the proposals around 'the occurrence (or non-occurrence) of the contingent event must be specific to the debtor', many respondents observed that this would preclude any instruments from amortised cost measurement if the ESG-linked targets are set at a consolidated level or for a group entity other than the legal debtor. Some respondents also noted that it is unclear whether so-called Scope 3 greenhouse gas emissions, for which an entity is only indirectly responsible, can be considered 'specific to the debtor'.

Most respondents supported the proposed clarifications to the assessment of contractual cash flows in the case of financial assets with non-recourse features and contractually linked instruments, although many respondents commented on some aspects of the proposals. These included concerns over the description of the financial assets with non-recourse features included in the ED.

Disclosure requirements

Many respondents supported the proposed amendments to the disclosure requirements for equity instruments to which the OCI presentation option is applied, although some respondents reiterated their disappointment that the IASB did not reconsider the reclassification of fair value gains or losses accumulated in OCI to profit or loss when an equity instrument is disposed of.

Many respondents, specifically banks and banking organisations, voiced strong objections against the proposed scope of the disclosure requirements relating to contractual terms that could change the timing or amount of contractual cash flows based on a contingent event specific to the borrower, saying that it will place a significant cost on preparers which will outweigh any perceived benefits to investors. These respondents made suggestions for limiting the scope of the proposed disclosure requirements.

Business Combinations—Disclosures, Goodwill and Impairment

In this session, the IASB will be provided with a summary of tentative decisions made to date and will be asked to make decisions about the remaining technical aspects of this project. The IASB will also be asked to give permission to ballot an exposure draft.

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 decisions about remaining technical aspects of the project and to ask the IASB for permission to ballot an exposure draft (ED).

Interaction with the IASB's project Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures (Agenda Paper 18A)

In this paper, the staff set out their analysis and recommendations regarding whether subsidiaries without public accountability should be required to disclose the information that would be required by the tentative decisions made by the IASB during this project.

Based on their analysis, the staff recommends that eligible subsidiaries should be required to disclose:

- The strategic rationale for undertaking a business combination
- Whether the discount rate used to calculate value in use is pre- or post-tax

The staff also recommends that eligible subsidiaries should not be required to disclose any of the other information that would be required by the tentative decisions made by the IASB during this project.

Transition and first-time adopters (Agenda Paper 18B)

In this paper, the staff will set out its recommendations regarding transition requirements for the proposed amendments to IFRS 3 and IAS 36.

The staff recommends that the IASB:

- Requires an entity to apply the proposed amendments to IFRS 3 to business combinations for which the acquisition date is on or after the effective date of the amendments, with earlier application permitted
- Requires an entity to apply the proposed amendments to IAS 36 to impairment tests on or after the effective date of the proposed amendments, with earlier application permitted
- Does not provide a specific exemption regarding the proposed amendments for first-time adopters
- Requires an eligible subsidiary to apply the proposed amendments to the *Subsidiaries without Public Accountability: Disclosures* Standard prospectively from the effective date of the amendments, with earlier application permitted.

Due process and permission to begin the balloting process (Agenda Paper 18C)

In this paper, the staff outline the background of the project and its proposals, and consider whether the project objective has been met.

The staff also outline the due process that has been followed by the IASB in developing the proposals and propose a comment period of 120 days for the ED of proposed amendments to IFRS 3 and IAS 36.

Finally, the IASB will be asked if they agree with the staff recommendation to allow a 120-day comment period for the ED, if any IASB members intend to dissent from the proposals, and if the IASB is satisfied that it has complied with due process and therefore gives permission to begin the process for balloting the ED.

Extractive Activities

In this session, the IASB will make decisions about whether to develop requirements or guidance to improve the information an entity discloses about its exploration and evaluation expenditure and activities to provide more useful information to users, and whether to remove the temporary nature of the exemption in IFRS 6.

Cover paper (Agenda Paper 19)

At the September 2021 meeting, the IASB decided that the scope and objectives of its research project Extractive Activities should be to explore two aspects of IFRS 6:

- Whether to develop requirements or guidance to improve the information an entity discloses about its E&E expenditure and activities to provide more useful information to primary users of financial statements
- Removing the temporary nature of the exemption in IFRS 6 from the application of IAS 8:11-12

In the September 2021 meeting the IASB also decided:

- Not to explore changing the recognition and measurement requirements for E&E expenditure
- Not address matters that are outside the scope of IFRS 6 as part of a project on extractive activities
- Not develop requirements for the disclosure and use of reserve and resource information in financial statements as part of a project on extractive activities

In this meeting the staff are asking the IASB to make decisions about:

- Whether to develop requirements or guidance to improve the information an entity discloses about its exploration and evaluation (E&E) expenditure and activities to provide more useful information to users
- Whether to remove the temporary nature of the exemption in IFRS 6

Analysis of disclosure suggestions (Agenda Paper 19A)

This paper sets out the staff's analysis and recommendations on whether the IASB should develop requirements or guidance to improve the information an entity discloses about its exploration and evaluation (E&E) expenditure and activities.

In September 2022, the IASB decided to explore three aspects of information about E&E expenditure and activities with stakeholders:

- Whether and how entities could disclose better information about the different accounting policies entities apply to E&E expenditure specifically in relation to:
    - Unit of account
    - Nature and type of E&E expenditure
    - When capitalisation starts and stops
- Whether information about cumulative E&E expenditure could be disclosed to help compare entities that apply different accounting policies for E&E expenditure
- Whether information about the risks and uncertainties associated with E&E expenditure and activities could be disclosed

In developing these disclosure suggestions, the staff reviewed:

- Disclosure-related feedback from research conducted between 2018–2021 with stakeholders
- Relevant academic literature
- Relevant jurisdictional requirements and other proposals for providing information about E&E expenditure and activities
- A sample of entities' annual filings to understand what information entities disclose about E&E expenditure and activities

The staff conducted outreach to discuss the disclosure suggestions. The feedback from these outreach activities was discussed with the IASB at its July 2023 meeting.

The analysis of the disclosure suggestions is summarised in the paper.

Staff recommendation

As a result of the staff's analysis set out in the paper, the staff recommends that the IASB should not pursue:

- Developing requirements or guidance to disclose information to help understand how entities account for E&E expenditure
- Developing requirements or guidance to disclose information to help compare entities with different accounting policies for E&E expenditure
- Developing requirements or guidance to disclose information to help understand the risks and uncertainties of entities' E&E activities
- Other suggestions to improve information about E&E expenditure and activities

Removing the temporary status of IFRS 6 (Agenda Paper 19B)

This paper this paper sets out the staff's analysis and recommendation of whether the IASB should remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs IAS 8:11-12. The staff also present their analysis and recommendation of whether the IASB should delete IFRS 6:13-14 on which the IASB had requested the staff to research as part of the work on whether to remove the temporary status of IFRS 6.

The staff recommends that the IASB:

- Conclude that the work done in publishing the Discussion Paper *Extractive Activities* in April 2010 and in this Extractive Activities research project constitute the comprehensive review of the accounting for extractive activities envisaged by the IASB when issuing IFRS 6
- Remove the temporary nature of the exemption in IFRS 6 from the application of IAS 8:11-12
- Retain IFRS 6:13-14 which provide specific requirements for when an entity changes their accounting policy for E&E expenditure
- Amend IFRS 6 to remove the temporary nature of the exemption in IFRS 6 from the application of IAS 8:11-12 as part of the next annual improvements cycle

Business Combinations under Common Control

In this session, the IASB will discuss the project direction and the measurement method to apply to a business combination under common control.

Cover paper (Agenda Paper 23)

The IASB published Discussion Paper DP/2020/2 *Business Combinations under Common Control* (BCUCC) in November 2020, with a comment letter deadline of 1 September 2021. In previous meetings, the IASB discussed the project direction for the project on BCUCC. The IASB was not asked to make any decisions regarding project direction.

The purpose of this session is for the IASB to discuss the feedback from various stakeholders to inform the project direction.

Whether to change project direction (Agenda Paper 23A)

This paper summarises and analyses feedback on whether the IASB should choose Option 1 (i.e. develop recognition, measurement and disclosure requirements), or change the project direction and choose Option 2 (i.e. develop disclosure-only requirements) or Option 3 (i.e. develop no recognition, measurement or disclosure requirements).

The paper does not contain any questions for the IASB, but IASB members can raise comments or questions on the feedback and the staff analysis.

Whether to choose a disclosure-only project (Agenda Paper 23B)

Agenda Paper 23A summarises and analyses feedback on whether the IASB should choose Option 1 or change the project direction. This paper summarises and analyses feedback on what the IASB should do if it changes the project direction.

The paper does not contain any questions for the IASB, but IASB members can raise comments or questions on the feedback and the staff analysis.

Due Process Handbook assessment (Agenda Paper 23C)

This paper provides an updated assessment of the Due Process Handbook requirements for a standard-setting project (taking into account stakeholders' feedback and our analysis of that feedback) and explains the staff views on whether to change the project direction and if so, whether to choose Option 2 or Option 3.

This paper does not ask the IASB for decisions.

Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard

In this session, the IASB will discuss overarching topics, which will assist the IASB in its redeliberations of the proposals in Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard*, and two specific proposals in the ED.

Cover paper (Agenda Paper 30)

In September 2022, the IASB published Exposure Draft *Third edition of the IFRS for SMEs Accounting Standard* (the ED). The ED was open for comment for 180 days, which ended on 7 March 2023.

At its June 2023 meeting, the IASB discussed the feedback on the ED and provided suggestions on questions for the SME Implementation Group (SMEIG) to consider. The IASB also redeliberated the proposed clarification to the definition of public accountability in the ED.

The SMEIG met on 13 July 2023 to discuss the feedback on the ED and provide advice to the IASB.

At the September IASB meeting, the IASB will:

- Discuss the following overarching topics, which will assist the IASB in its redeliberations of the proposals in the ED:
    - The project plan
    - Research on characteristics of SMEs
    - Approach to updating the *IFRS for SMEs* educational modules and also when guidance to include guidance in the *IFRS for SMEs* Accounting Standard (the Standard)
- Discuss two topics in the ED:
    - Findings from fieldwork on the proposed revised Section 23 *Revenue from Contracts with Customers*
    - Approaches to address the feedback on the proposals for impairment of financial assets

Project plan (Agenda Paper 30A)

This paper summarises the staff's proposed project direction and plan for redeliberation of the proposals in the ED for the IASB to discuss.

The staff recommends that the IASB finalise the draft Standard as set out in the ED by:

- Continuing to use the alignment approach
- Confirming that the scope of the review is to consider alignment for requirements that are effective at the publication date of the Request for Information

Characteristics of SMEs (Agenda Paper 30B)

The purpose of this paper is to discuss the characteristics of entities that apply the *IFRS for SMEs* Accounting Standard and the information needs of the users of their financial statements. This paper is intended to help IASB members by providing a context for the redeliberations of the proposals in the ED. This paper is for discussion only and the IASB is not asked to make any decisions on this paper at this meeting.

Approach to providing educational material on the Standard (Agenda Paper 30C)

The purpose of this paper is to ask the IASB to:

- Discuss the objective of providing educational material on the Standard; and
- With this objective in mind:
    - Decide on the approach to updating the *IFRS for SMEs* educational modules on the IFRS Foundation website, or providing alternative educational material
    - Discuss how to strike an appropriate balance of providing guidance and examples in the Standard versus providing guidance and examples in separate educational material

The staff recommends that the IASB:

- Commits to either updating the *IFRS for SMEs* educational modules or providing similar comprehensive educational material
- Uses the following factors when including guidance in the Standard or separate educational material:
    - In general, guidance should be included in the Standard (and form part of the mandatory requirements) if it meets both of the following factors:
        - It is relevant to many SMEs
        - It is necessary to operationalise principles in Standard
    - In general, guidance should be included in separate educational material if it is:
        - Non-mandatory
        - About specific fact patterns
        - Not relevant to many SMEs

Proposed revised Section 23 *Revenue from Contracts with Customers*—Fieldwork methodology (Agenda Paper 30D)

This paper describes the methodology used for the fieldwork on the requirements for revenue proposed in the ED. The paper is provided to assist the IASB in considering the findings from the fieldwork in Agenda Paper 30E of this meeting. This paper is provided for information only and the IASB is not asked to make any decisions.

Proposed revised Section 23 *Revenue from Contracts with Customers*—Findings from fieldwork (Agenda Paper 30E)

This paper discusses the findings from the fieldwork on the requirements for revenue proposed by the IASB in the ED. The fieldwork focused on the judgements that an SME would be required to make when applying Section 23 *Revenue from Contracts with Customers* of the ED. The methodology used for the fieldwork is described in Agenda Paper 30D of this meeting. This paper is provided for information only and the IASB is not asked to make any decisions.

Impairment of financial assets (Agenda Paper 30F)

The purpose of this paper is to ask the IASB to:

- Consider feedback on the proposals for impairment of financial assets in the ED
- Provide direction on alternative approaches to address that feedback

The staff specificly ask the following questions:

- Does the IASB think that the expected credit losses (ECL) model meets the relevance principle for SMEs?
- If the IASB is not satisfied that the ECL model meets the relevance principle, does the IASB agree to retain an incurred loss model for financial assets measured at cost or amortised cost and consider whether to introduce additional disclosure requirements?
- If the IASB is satisfied that the ECL model meets the relevance principle, which of the alternatives mentioned in this agenda paper would the IASB like the staff to develop further?

Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

The purpose of this session is to discuss the IASB's approach to maintenance of the forthcoming IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures*

Approach to maintenance (Agenda Paper 31)

The purpose of this paper is to summarise the IASB's approach to maintenance of the forthcoming IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures* (Subsidiaries Standard). The paper does not ask the IASB to make any decisions. It should be read in conjunction with Agenda Paper 18A of the Business Combinations–Disclosures, Goodwill and Impairment project which considers disclosures to be included in the forthcoming amendments to IFRS 3 and IAS 36 and will propose amendments to the Subsidiaries Standard.

Staff summary of how the agreed approach to maintenance is operationalised

Potential amendments to the disclosure requirements in the Subsidiaries Standard will be considered when they arise as a result of changes to disclosure requirements in a proposed new or amended IFRS Accounting Standard. They will be considered individually based on the principles for reducing disclosures, and holistically to ensure that the effect of making the amendments would be proportionate and would preserve the goal of maintaining the usefulness of financial statements of eligible subsidiaries with reduced disclosure requirements.

The staff ask the IASB members whether they have any questions or comments about the summary.