The topics discussed at the IASB’s July 2020 meetings were on the following:

| 1. | IBOR Reform and its Effects on Financial Reporting—Phase 2 |
| 2. | Disclosure Initiative—Accounting Policies |
| 3. | Maintenance and consistent application |
| 4. | Management Commentary |
1. IBOR Reform and its Effects on Financial Reporting—Phase 2

The Board met to continue a discussion, begun at its June 2020 meeting, of the feedback on its Exposure Draft *Interest Rate Benchmark Reform—Phase 2* (Exposure Draft). The Exposure Draft proposed amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* in respect of issues that affect financial reporting during the reform of an interest rate benchmark.

**a) Feedback analysis—Accounting for qualifying hedges**

The Board tentatively decided to:

a. permit, rather than require, an entity to reset cumulative fair values to zero for the purpose of performing the retrospective effectiveness assessment, as proposed in paragraph 102S of the Exposure Draft; and
b. confirm the remaining proposals in the Exposure Draft related to the accounting for qualifying hedging relationships.

**b) Due process steps and permission for balloting**

The Board agreed that the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 should not be re-exposed.

**Next step**

The Board plans to issue final amendments in August 2020.

2. Disclosure Initiative—Accounting Policies

The Board met to discuss:

**a) Transition and effective date of the amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements***

The Board tentatively decided to:

i. require an entity to disclose in the period of first application of the amendments material accounting policy information for that period. The Board noted that paragraph 38 of IAS 1 specifies that comparative information would be required only if it is relevant to understanding the current period’s financial statements.

ii. require an entity to apply the amendments to IAS 1 to annual reporting periods beginning on or after 1 January 2023 and permit early application.
iii. change the effective date of the amendments to IAS 8 resulting from the Accounting Policies and Accounting Estimates project to annual reporting periods beginning on or after 1 January 2023 and permit early application.

**b) Due steps and permission to begin the balloting process**

The Board was satisfied that it has complied with the applicable due process requirements.

**Next step**

The Board plans to issue the amendments to IAS 1 and IFRS Practice Statement 2 in the fourth quarter of 2020.

**3. Maintenance and consistent application**

The Board met to discuss the transition to and early application of the proposed amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The Board also discussed due process, including permission to begin the balloting process.

The proposed amendment to IAS 21 would (a) define exchangeability and thus a lack of exchangeability; and (b) specify how an entity determines the spot exchange rate when a currency lacks exchangeability.

**a) Transition**

**A. Entities already applying IFRS Standards**

The Board tentatively decided to propose that, if applicable, an entity would apply the amendment prospectively from the beginning of the annual reporting period in which it first applies the amendment (date of initial application) and not restate comparative information. An entity that:

a. reports foreign currency transactions in its functional currency would:
   i. translate foreign currency monetary items, and non-monetary items measured at fair value in a foreign currency, at fair value in a foreign currency, at the date of initial application using the estimated spot exchange rate at that date; and
   ii. recognise any effect of initially applying the amendment in opening retained earnings.

b. uses a presentation currency other than its functional currency (or translates a foreign operation) would:
i. translate all assets and liabilities at the date of initial application using the estimated spot exchange rate at that date;

ii. translate equity items at the date of initial application using the estimated spot exchange rate at that date if the entity’s functional currency is hyperinflationary; and

iii. recognise any effect of initially applying the amendment as an adjustment to the cumulative amount of translation differences in equity.

B. First-time adopters

The Board tentatively decided to:

a. provide no specific exemption for a first-time adopter from the proposed amendment to IAS 21; and

b. align the wording in paragraph D27(b) of IFRS 1 First-time Adoption of International Financial Reporting Standards with the definition and description of a lack of exchangeability in the proposed amendment.

b) Early application

The Board tentatively decided to permit an entity to apply the proposed amendment earlier than the effective date.

c) Due process

The Board tentatively decided to allow a comment period of no less than 120 days for the exposure draft of its proposed amendment to IAS 21.

Next step

The Board plans to publish its exposure draft in due course.

4. Management Commentary

The Board met to discuss the performance, position and progress in management commentary.

a) Progress

The Board tentatively decided that the disclosure objectives for the entity’s business model, strategy, resources and relationships, risks and external environment should require management to provide information about progress in managing key matters identified in those areas of content.
b) Performance and position

The Board tentatively decided to specify in the disclosure objective for performance and position that:

a. management commentary should provide information to help investors and creditors understand the entity’s performance and position;
b. investors and creditors use information about the entity’s performance and position to assess:
   i. the key drivers of the entity’s performance and position;
   ii. the extent to which the entity’s performance and position reported in its financial statements are indicative of the entity’s ability to create value and generate cash flows in the future; and
   iii. how the entity’s performance and position reported in its financial statements compare with previous expectations; and
c. information about the entity’s performance and position should focus on the key facets of performance and position and cover:
   i. what the key facets of performance and position are and how management monitors those key facets;
   ii. what affected the entity’s performance for the reporting period or could affect performance in the future, including over the long term;
   iii. what affected the entity’s position at the end of the reporting period or could affect the position in the future, including over the long term; and
   iv. how the entity’s performance and position reported in its financial statements compare with previous expectations.

In addition, the Board emphasised that the disclosure objective for performance and position, or guidance supporting it, should explain that the starting point for discussing an entity’s performance and position should be the amounts included in the entity’s financial statements.

The Board also tentatively decided to specify that the key facets of performance and position are those that reflect the entity’s ability to create value and generate cash flows and that the entity’s management monitors.

Next steps

The Board noted that the project timeline has been revised and that the planned publication date of the forthcoming exposure draft of the revised Practice Statement is February 2021.

At a future meeting, the Board expects to:

a. discuss the status of the Practice Statement and authorisation of management commentary;
b. consider whether the supporting guidance discussed sufficiently and appropriately covers topics of particular interest to the Board’s stakeholders—for example, environmental, social and governance matters, and intangible resources and relationships; and

c. decide whether to begin the balloting process for the exposure draft.

For further information: http://www.ifrs.org

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