The topics discussed at the IASB’s February 2022 meetings were on the following:

A. Research and standard-setting

1. Financial Instruments with Characteristics of Equity
2. Rate-regulated Activities
3. Primary Financial Statements
4. Second Comprehensive Review of the IFRS for SMEs Standard

B. Maintenance and consistent application

1. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16): Transition, effective date and due process
A. Research and standard-setting

1. Financial Instruments with Characteristics of Equity

The IASB met to continue its discussions on applying IAS 32 Financial Instruments: Presentation to the classification of financial instruments as financial liabilities or equity.

The IASB discussed the classification of a financial instrument with a contractual obligation to deliver cash (or to settle it in such a way that it would be a financial liability) at the discretion of the issuer’s shareholders.

The IASB tentatively decided to explore a factors-based approach to help an entity apply its judgement when classifying these types of financial instruments as financial liabilities or as equity. Such an approach would provide examples of potential factors for an entity to consider when assessing whether a decision of shareholders is treated as a decision of the entity. This assessment is needed to determine whether an entity has an unconditional right to avoid delivering cash (or settling a financial instrument in such a way that it would be a financial liability).

Next step

The IASB will discuss other topics set out in the project plan at its future meetings.

2. Rate-regulated Activities

The IASB met to discuss plans for redeliberating specific topics relating to the scope of the proposals in the Exposure Draft Regulatory Assets and Regulatory Liabilities. The IASB was not asked to make any decisions.

After discussing the redeliberation plan for topics relating to the scope of the proposals, the IASB started redeliberating specific topics relating to:

A. Scope—Determining whether a regulatory agreement is within the scope of the proposals

The IASB tentatively decided:

a. to reconfirm the proposals in the Exposure Draft on:
   i. requiring an entity to apply the Standard to all its regulatory assets and regulatory liabilities.
   ii. requiring the Standard to apply to all regulatory agreements and not only to those that have a particular legal form.
   iii. the conditions necessary for a regulatory asset or a regulatory liability to exist.

b. not explicitly to specify in the Standard which regulatory schemes would be within or outside its scope.

c. to clarify in the Standard that:
i. a regulatory agreement may include enforceable rights and
   enforceable obligations to adjust the regulated rate beyond the
   current regulatory period.
ii. regulatory agreements that create either regulatory assets or
    regulatory liabilities, but not both, are within its scope.
iii. a regulatory agreement that causes differences in timing when a
    specified regulatory threshold is met creates regulatory assets
    or regulatory liabilities.
iv. a regulatory agreement is not required to determine a regulated
    rate using an entity’s specific costs for the regulatory agreement
    to create regulatory assets or regulatory liabilities.

**B. Scope—Definition of a regulator**

The IASB tentatively decided that the Standard will:

a. include the existence of a regulator as part of the conditions necessary for
   a regulatory asset or a regulatory liability to exist.
b. define a regulator as ‘a body that is empowered by law or regulation to
   determine the regulated rate or a range of regulated rates.
c. include guidance to clarify that:
   i. self-regulation is outside the scope of the Standard.
   ii. a situation in which an entity or its related party determines the
       rates, but does so in accordance with a framework that is overseen
       by a body empowered by law or regulation, is not self-regulation for
       the purposes of the Standard.

**Next step**

The IASB will continue to redeliberate the project proposals at future meetings.

**3. Primary Financial Statements**

The IASB met to redeliberate some of the proposals in the Exposure Draft *General
Presentation and Disclosures* relating to principles for presentation and to the
required line items in primary financial statements.

The IASB tentatively decided:

a. to revise the general principle for the presentation of line items in the
   primary financial statements set out in paragraph 42 of the Exposure Draft
   by removing the term ‘relevant’ and instead including a reference to an
   understandable overview of an entity’s income and expenses or assets,
   liabilities and equity.
b. to require all presentation requirements to apply only when the resulting
   presentation does not detract from the primary financial statement
   providing an understandable overview.
c. to add application guidance that indicates that in the operating category it
   is unlikely that the presentation of items set out in paragraph 65 of the
Exposure Draft would reduce how useful the statement is in providing an understandable overview of the entity’s income and expenses.

d. to remove the term ‘minimum’ from paragraph 42 of the Exposure Draft.
e. not to revisit the requirements for specified line items brought forward from IAS 1 Presentation of Financial Statements.
f. not to add a specific requirement to present impairments of non-financial assets.
g. to proceed with the proposed requirement to present goodwill separately from intangible assets.
h. to proceed with the proposed requirement for required line items to be presented in each affected category in the statement of profit or loss.
i. not to specify any required line items to be presented in the financing category in the statement of profit or loss.

The IASB made drafting suggestions on how to improve the understandability of the requirements described in (a) and (b).

Next step

The IASB will continue to redeliberate the project proposals at future meetings.

4. Second Comprehensive Review of the IFRS for SMEs Standard

The IASB met to discuss whether and, if so, how to propose amendments to the IFRS for SMEs Standard.

a) Towards an exposure draft—IFRS 9 Financial Instruments (Impairment of Financial Assets)

The IASB tentatively decided:

a. to retain unchanged the incurred loss model in Section 11 Basic Financial Instruments of the IFRS for SMEs Standard for trade receivables and contract assets within the scope of Section 23 Revenue of the IFRS for SMEs Standard;
b. to propose amendments to Section 11 to require an SME to use an expected credit loss model for all other financial assets measured at amortised cost; and
c. to retain unchanged the requirements in Section 11 for impairment of equity instruments measured at cost.

b) Towards an exposure draft—Simplifications to IFRS 15 Revenue from Contracts with Customers

The IASB tentatively decided to propose amendments to the IFRS for SMEs Standard to align Section 23 of the IFRS for SMEs Standard with IFRS 15 Revenue from Contracts with Customers, with simplifications for:
a. contract modifications—an SME would be required to account for a contract modification either on a prospective basis, following a single approach, or on a cumulative catch-up basis.

b. series of distinct goods or services—an SME would be permitted to account for the promise to transfer a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer as separate performance obligations, if the amount of consideration varies in a way that corresponds with the value of the distinct goods or services transferred to the customer.

c. performance obligation terminology—the IFRS for SMEs Standard would require an SME to identify each ‘promise to transfer a distinct good or service, or bundle of goods or services’.

d. constraining estimates of variable consideration—an SME would be required to recognise variable consideration only to the extent that it is highly probable that the variable amount will be recovered.

e. significant financing components—an SME would be required to recognise the effects of any financing implicit in deferred payment by applying the requirements in Section 11 of the IFRS for SMEs Standard. An SME may not apply these requirements if the SME expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer, and when the customer pays for that good or service, will be one year or less.

f. allocating discounts and variable consideration—an SME would be required to allocate discounts and variable consideration to the performance obligations in the contract on a relative stand-alone selling price basis, unless an alternative method more faithfully depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each separate performance obligation.

g. selecting a method for measuring progress towards complete satisfaction of a performance obligation—the IFRS for SMEs Standard would include a list of methods frequently used by entities to measure progress and describe circumstances where those methods may be appropriate.

h. incremental costs of obtaining a contract—an SME would be required to recognise as an asset the incremental costs of obtaining a contract with a customer if the SME expects to recover those costs, only when these costs can be identified and assessed as recoverable without undue cost or effort; otherwise the SME would recognise these costs as expenses.

The IASB tentatively decided to propose amendments to the IFRS for SMEs Standard to include the factors in paragraphs 29(a)–(c) of IFRS 15 to help an SME determine whether a promised good or service is separately identifiable. The IASB also tentatively decided to ask for further views on this proposal in the invitation to comment.
c) **Towards an exposure draft—Cryptocurrency**

The IASB tentatively decided to retain unchanged the *IFRS for SMEs* Standard for cryptocurrency as part of this comprehensive review and revisit the topic in the next comprehensive review of the *IFRS for SMEs* Standard.

d) **Towards an exposure draft—Other topics (Recognition and measurement of development costs)**

The IASB tentatively decided to seek views, in the Exposure Draft proposing amendments to the *IFRS for SMEs* Standard, on introducing an accounting policy option permitting an SME to recognise intangible assets arising from development costs meeting the criteria in paragraphs 57(a)–(f) of IAS 38 *Intangible Assets*.

e) **Towards an exposure draft—IFRS 3 Business Combinations (Definition of a Business and Reacquired rights)**

The IASB tentatively decided:

a. to propose aligning the definition of a business in the *IFRS for SMEs* Standard with the amended definition of a business issued in 2018, without introducing any rebuttable presumption; and

b. to retain unchanged Section 19 *Business Combinations and Goodwill* of the *IFRS for SMEs* Standard without reflecting the requirements in IFRS 3 *Business Combinations* that provided additional guidance on reacquired rights.

f) **Towards an exposure draft—Other issues (due to the alignment with IFRS 3, IFRS 10 and IFRS 11)**

The IASB tentatively decided:

a. to propose amendments to Section 9 *Consolidated and Separate Financial Statements* of the *IFRS for SMEs* Standard to align it with the requirements:
   i. for step-disposals that result in loss of control, as set out in paragraph 25(b) of IFRS 10 *Consolidated Financial Statements*—an SME would measure any retained interest at fair value when control is lost; and
   ii. for changes in a parent’s ownership interests in a subsidiary without losing control, as set out in paragraph 23 of IFRS 10—such changes are equity transactions.

b. to propose amendments to Section 15 *Investments in Joint Ventures* of the *IFRS for SMEs* Standard to align it with the requirements of paragraph 23 of IFRS 11 *Joint Arrangements*, so that a party that does not have joint control of a jointly controlled operation or a jointly controlled asset would account for its interest according to the classification of that jointly controlled operation or the jointly controlled asset.
The IASB also tentatively decided to ask for further views on this proposal in the invitation to comment.

Next step

The IASB will continue to develop the project proposals at a future meeting.

B. Maintenance and consistent application

1. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16): Transition, effective date and due process

The IASB discussed its amendments to IFRS 16 Leases to add subsequent measurement requirements for the lease liability arising from a sale and leaseback transaction.

Transition

The IASB tentatively decided to:

a. require entities to apply the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
b. provide no specific transition exemption for first-time adopters.

Effective date

The IASB tentatively decided to require entities to apply the amendments for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

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

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