

Financial Reporting Council

MONTHLY UPDATES (April 2022) – What's new from the International Accounting Standards Board (IASB)

The topics discussed at the IASB's April 2022 meetings were on the following:

A. Research and standard-setting

1. [Post-implementation Review of IFRS 9—Classification and Measurement](#)
2. [Equity Method](#)
3. [Second Comprehensive Review of the IFRS for SMEs Accounting Standard](#)

B. Strategy and governance

1. [Third Agenda Consultation](#)

A. Research and standard-setting

1. Post-implementation Review of IFRS 9—Classification and Measurement

The IASB met to analyse feedback on the requirements for assessing a financial asset's contractual cash flow characteristics.

a) *Main feedback topics*

The IASB discussed the two main topics raised in the feedback—contractually linked instruments and financial assets with ESG-linked features.

At the May 2022 meeting, the IASB will continue its discussion and decide whether to take action in response to the feedback on these two topics.

b) *Other feedback topics*

The IASB also considered six application questions raised in the feedback:

- Question A—whether a financial asset has non-recourse features (ie features that limit an entity's claim to specified assets of the debtor), and under what circumstances an entity is required to assess the cash flows from the specified assets;
- Question B—whether an entity needs to consider cash flows arising from bail-in legislation when the relevant legal requirements are reproduced or referred to in a contract;
- Question C—whether interest rates that are contractually adjusted for inflation introduce leverage;
- Question D—whether interest rates that include a government-imposed leverage factor are regulated interest rates as described in IFRS 9;
- Question E—whether a prepayment feature includes reasonable compensation for early termination of a contract; and
- Question F—whether particular types of interest rates include a modified time value of money element.

The IASB decided to:

- consider Question A with its analysis of contractually linked instruments;
- consider Question B after its *Financial Instruments with Characteristics of Equity* project has developed further;
- perform outreach with members of ASAF and the IFRS Interpretations Committee to gather further information about Question C and Question D; and
- take no further action on Question E and Question F.

Next step

At its next meeting, the IASB will conclude its discussions on contractual cash flow characteristics.

At future meetings, the IASB will analyse feedback on the other topics being considered in this post-implementation review.

2. Equity Method

The IASB met to continue its discussion on the Equity Method research project with regards to the purchases of an additional ownership interest in an associate without a change in significant influence.

The IASB tentatively decided to consult with stakeholders on measuring the cost of an investment, when an investor obtains significant influence, as the fair value of the consideration transferred, including the fair value of any previously held interest in the investee.

The IASB also:

- a. considered three approaches to applying the equity method when an investor purchases an additional ownership interest in an associate without a change in significant influence; and
- b. asked the staff to proceed with an approach whereby an investor that has obtained significant influence would measure the investment in the associate as an accumulation of purchases.

Next step

The IASB will discuss how the approach applies to other application questions.

3. Second Comprehensive Review of the IFRS for SMEs Accounting Standard

The IASB met to discuss whether and, if so, how to propose amendments to the IFRS for SMEs Accounting Standard as a part of the second comprehensive review.

The IASB tentatively decided to propose amendments to 16 sections of the current Standard based on the application of the principles it had agreed in March 2022 for updating disclosure requirements in the IFRS for SMEs Accounting Standard.

Next step

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

B. Strategy and governance

1. Third Agenda Consultation

The IASB met to discuss the following:

a) *Projects to add to the IASB's work plan for 2022 to 2026*

At its March 2022 meeting, the IASB shortlisted seven projects for discussion at a future meeting. At its April 2022 meeting, the IASB considered further those shortlisted projects and decided:

- a. to add to its work plan a maintenance and consistent application project on climate-related risks;
- b. to add to the research pipeline projects on:
 - i. intangible assets; and
 - ii. the statement of cash flows and related matters;
- c. to create a reserve list of projects that could be added to the work plan only if additional capacity becomes available;
- d. to add to the reserve list projects on:
 - i. operating segments; and
 - ii. pollutant-pricing mechanisms; and
- e. not to add to its work plan projects on:
 - i. cryptocurrencies and related transactions; or
 - ii. going concern disclosures.

b) *Overview of due process comments*

The IASB discussed due process comments made by respondents to the Request for Information. The respondents' comments and the staff's observations will be communicated to the Due Process Oversight Committee of the IFRS Foundation Trustees.

Next step

The IASB will publish a feedback statement summarising feedback on the Request for Information and the IASB's activities and work plan for 2022 to 2026.

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

***Financial Reporting Council
May 2022***