The topics discussed at the IASB’s May 2023 meetings were on the following:

A. Research and standard-setting

1. Financial Instruments with Characteristics of Equity
2. Post-implementation Review of IFRS 15 Revenue from Contracts with Customers
3. Rate-regulated Activities
4. Business Combinations—Disclosures, Goodwill and Impairment
5. Primary Financial Statements
6. Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

B. Maintenance and consistent application

1. Lessee Derecognition of Lease Liabilities (IFRS 9)—Potential annual improvement
2. Disclosure of Deferred Difference between Fair Value and Transaction Price (IFRS 7 IG)—Potential annual improvement
3. Annual Improvements to IFRS Accounting Standards—Early application and due process
4. Amendments to the IFRS for SMEs Standard—International Tax Reform—Pillar Two Model Rules
A. Research and standard setting

1. Financial Instruments with Characteristics of Equity

The IASB met to discuss:

- proposed consequential amendments to the prospective IFRS Accounting Standard Subsidiaries without Public Accountability (that Accounting Standard is to be issued as part of the IASB’s project which aims to reduce disclosure requirements for eligible subsidiaries); and
- the due process steps—including permission to begin the balloting process—for the Exposure Draft Financial Instruments with Characteristics of Equity (FICE exposure draft).

Subsidiaries without public accountability—disclosures

The IASB tentatively decided to propose consequential amendments to be made to the IFRS Accounting Standard Subsidiaries without Public Accountability after it has been issued. The amendments would add to the Standard the following disclosure requirements that are to be proposed in the FICE exposure draft:

a. for all financial liabilities and equity instruments within the scope of IAS 32 Financial Instruments: Presentation, an entity would disclose and categorise claims against its assets in a way that reflects differences in their nature and priority, and at a minimum, distinguishes between:
   i. secured and unsecured financial instruments; and
   ii. contractually subordinated and unsubordinated financial instruments;

b. for financial instruments with characteristics of both financial liabilities and equity instruments (except for stand-alone derivatives), an entity would disclose information about:
   i. debt-like features in financial instruments that are classified as equity instruments;
   ii. equity-like features in financial instruments that are classified as financial liabilities;
   iii. debt-like and equity-like features that determine the classification of such financial instruments as financial liabilities, equity instruments or compound financial instruments;
   iv. terms and conditions that indicate priority on liquidation;
   v. terms and conditions that could lead to changes in priority on liquidation;
   vi. more than one level of contractual subordination, if applicable (for example, if some subordinated liabilities are contractually subordinated to other subordinated liabilities);
   vii. any significant uncertainty regarding the application of relevant laws or regulations that could affect how priority will be determined on liquidation; and
   viii. intra-group arrangements such as guarantees that may affect their priority on liquidation (for example, which entities are providing and receiving guarantees);

c. an entity would disclose information about terms and conditions that become, or stop being, effective with the passage of time before the end of the contractual term of the financial instrument;

d. for instruments containing obligations to redeem own equity instruments, an entity would disclose:
i. the amount removed from equity and included in financial liabilities when the obligation was initially recognised and the component of equity from which it was removed;
ii. the amount of remeasurement gain or loss recognised in profit or loss during the reporting period;
iii. the amount of gain or loss, if any, that was recognised on settlement if the obligation is settled during the reporting period; and
iv. the amount removed from financial liabilities and included in equity if the written put option has expired unexercised;
e. an entity would separately disclose the total gains or losses in each reporting period that arise from remeasuring financial liabilities containing contractual obligations to pay amounts based on the entity’s performance or changes in the entity’s net assets (that are measured at fair value through profit or loss); and
f. an entity would disclose the significant judgements it made in determining the classification of a financial instrument, or its component parts, as a financial liability or as equity.

Due process and permission to begin the balloting process

The IASB decided to set a comment period of 120 days for the FICE exposure draft.

Next step

The staff will prepare the exposure draft for balloting.

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

The IASB met to discuss its forthcoming Request for Information Post-implementation Review of IFRS 15 Revenue from Contracts with Customers.

The IASB:

a. approved the publication of the Request for Information for public comment.
b. set a 120-day comment period.

Next step

The IASB expects to publish the Request for Information at the end of June 2023.

3. Rate-regulated Activities

The IASB met:

- to receive an update on the status of the project, including the expected timing for completing redeliberations and issuing the prospective Standard; and
- to redeliberate the proposals in its Exposure Draft Regulatory Assets and Regulatory Liabilities relating to the timing of initial recognition of regulatory assets and regulatory liabilities.

Timing of initial recognition

The IASB tentatively decided that the prospective Standard would retain:
a. the proposal to require recognition of all regulatory assets and all regulatory liabilities existing at the end of the reporting period; and
b. 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 *The Effects of Changes in Foreign Exchange Rates*.

**Next step**

The IASB will continue to redeliberate the project proposals.

4. **Business Combinations—Disclosures, Goodwill and Impairment**

The IASB met to discuss proposed changes to IAS 36 *Impairment of Assets* in relation to the impairment test of cash-generating units containing goodwill (impairment test).

**Removing the annual quantitative impairment test**

The IASB tentatively decided:

a. to retain the requirement to perform a quantitative impairment test annually; and
b. not to pursue any of the alternatives to it that were suggested by respondents to the IASB’s Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*.

**Feasibility of designing a different impairment test**

The IASB tentatively decided that it is not feasible to design a different impairment test that would, at a reasonable cost, be significantly more effective than the impairment test currently required by IAS 36.

**Next steps**

The IASB will make tentative decisions on matters including whether:

a. to pursue respondents’ suggestions to improve the effectiveness of the impairment test; and
b. to clarify other aspects of the IASB’s proposed package of disclosure requirements for business combinations.

The IASB will then consider whether its proposed package of decisions meets the project objective and whether it will publish an exposure draft setting out its proposals.

5. **Primary Financial Statements**

The IASB met to redeliberate the proposals in the Exposure Draft *General Presentation and Disclosures* on:

- associates and joint ventures accounted for using the equity method; and
- issues relating to management performance measures and IFRS 8 *Operating Segments*. 
**Associates and joint ventures accounted for using the equity method**

The IASB reconfirmed its tentative decision to require all entities to classify, in the investing category in the statement of profit or loss, income and expenses from associates and joint ventures accounted for using the equity method.

The IASB tentatively decided to provide transition requirements that will permit an entity to elect to measure investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* when the investment is held by, or is held through, an entity that is a venture capital organisation, a mutual fund, unit trust and similar entities including investment-linked insurance funds (see paragraph 18 of IAS 28 *Investments in Associates and Joint Ventures*).

The IASB tentatively decided to withdraw the new paragraph 38A of IAS 7 *Statement of Cash Flows* proposed in the Exposure Draft. As a result, an entity would be required to classify in a single category dividend received from associates and joint ventures accounted for using the equity method, applying the requirements applicable to the entity for other dividends received.

**Issues related to Management Performance Measures and IFRS 8 Operating Segments**

The IASB tentatively decided:

a. to clarify that management performance measures are measures that reflect management’s view of the performance of the entity as a whole.

b. to confirm the proposal in paragraph B83 of the Exposure Draft, which states that, if one or more of an entity’s management performance measures 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 management performance measures in the same note as the operating segment information, provided the entity either:
   i. includes in that note all the information required to be disclosed for management performance measures; or
   ii. includes in a separate note all the information required for management performance measures.

**Next step**

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

6. **Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures**

The IASB met to continue redeliberating the proposals in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*.

**Feedback on proposed disclosure requirements**

The IASB tentatively decided to revise the proposed disclosure requirements in the Exposure Draft under the subheadings:
a. IFRS 3 Business Combinations—by adding subparagraph B64(j)(i) of IFRS 3;
b. IFRS 7 Financial Instruments: Disclosures—by restricting the application of paragraphs 62, 66 and 67 of the Exposure Draft to eligible subsidiaries that provide financing to customers as a main business activity;
c. IFRS 12 Disclosure of Interests in Other Entities—by:
   i. adding paragraphs 14, 15, 19D(b), 19E, 19F, 30 and 31 of IFRS 12; and
   ii. amending paragraph 68 of the Exposure Draft to add ‘joint operations’ from paragraph B4 of IFRS 12;
d. IFRS 15 Revenue from Contracts with Customers—by:
   i. withdrawing paragraph 93 of the Exposure Draft; and
   ii. adding paragraph 119(a) of IFRS 15;
e. IFRS 16 Leases—by:
   i. withdrawing paragraphs 100(d) and 105 of the Exposure Draft; and
   ii. adding subparagraphs (e), (g) and (i) of paragraph 53 of IFRS 16;
f. IAS 1 Presentation of Financial Statements—by:
   i. adding paragraph 137 of IAS 1; and
   ii. withdrawing paragraphs 120–122 of the Exposure Draft and retaining paragraphs 112–114 of IAS 1 as applicable;
g. IAS 19 Employee Benefits—by:
   i. adding paragraph 141(b) of IAS 19, in particular the requirement to disclose separately the effects of interest income;
   ii. replacing paragraph 152(c)(iii) of the Exposure Draft with paragraph 141(c)(i) of IAS 19; and
   iii. adding paragraph 147(b) of IAS 19; and
h. IAS 27 Separate Financial Statements—by amending paragraphs 177–180 of the Exposure Draft to reference the applicable IFRS 12 disclosure requirements.

Paragraph 16 of the draft Standard
The IASB tentatively decided:
   a. to retain paragraph 16 of the Exposure Draft and not add guidance; and
   b. an overall disclosure objective for the Standard was not necessary.

Disclosure requirements about transition in other IFRS Accounting Standards
The IASB tentatively decided to proceed with its proposal in the Exposure Draft 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.

New disclosure requirements in IFRS Accounting Standards
The IASB tentatively decided that until the IASB 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 Exposure Draft.

Next step
In a future meeting, the IASB will consider whether to start the balloting process for the prospective Standard.
B. **Maintenance and consistent application**

The IASB met to discuss the next cycle of annual improvements to IFRS Accounting Standards.

1. **Lessee Derecognition of Lease Liabilities (IFRS 9)—Potential annual improvement**

The IASB discussed a potential lack of clarity in IFRS 9 *Financial Instruments* about how a lessee is required to account for an extinguished lease liability. This lack of clarity has arisen because paragraph 2.1(b)(ii) of IFRS 9 includes a cross-reference to paragraph 3.3.1, but not to paragraph 3.3.3 of IFRS 9.

The IASB tentatively decided:

a. to 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;

b. to require an entity to apply this proposed amendment prospectively; and

c. to include this proposed amendment in its next annual improvements cycle.

2. **Disclosure of Deferred Difference between Fair Value and Transaction Price (IFRS 7 IG)—Potential annual improvement**

The IASB discussed an inconsistency between paragraph 28 of IFRS 7 *Financial Instruments: Disclosures* and paragraph IG14 of its accompanying implementation guidance. In 2011 the IASB amended paragraph 28 of IFRS 7 but did not similarly amend paragraph IG14 accompanying IFRS 7.

The IASB tentatively decided:

a. to propose an amendment to paragraph IG14 accompanying IFRS 7 to make it consistent with paragraph 28 of IFRS 7; and

b. to include this proposed amendment in its next annual improvements cycle.

3. **Annual Improvements to IFRS Accounting Standards—Early application and due process**

The IASB discussed whether to permit early application of the proposed amendments. The IASB also discussed due process and whether to begin the balloting process.

The IASB tentatively decided to permit early application of the proposed amendments.

The IASB decided to allow a comment period of 90 days for the exposure draft.

4. **Amendments to the IFRS for SMEs Standard—International Tax Reform—Pillar Two Model Rules**

The IASB met to discuss narrow-scope amendments to Section 29 of the *IFRS for SMEs Accounting Standard* (‘Income Tax’), after its tentative decisions to finalise the amendments to IAS 12 *Income Taxes* proposed in the Exposure Draft *International Tax Reform—Pillar Two Model Rules* (see Supplementary IASB Update April 2023).
The IASB tentatively decided to propose amendments to the *IFRS for SMEs* Standard:

a. to introduce a temporary exception to the requirements in Section 29 of the Standard for an entity to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes;
b. to make the temporary exception mandatory;
c. not to specify how long the temporary exception will be in place;
d. to require an entity to disclose that it has applied the temporary exception; and
e. to require an entity to apply these amendments immediately upon their issuance and retrospectively in accordance with Section 10 of the Standard (‘Accounting Policies, Estimates and Errors’).

The IASB tentatively decided to propose amendments to the *IFRS for SMEs* Standard to require an entity:

a. to disclose separately its current tax expense (income) related to Pillar Two income taxes; and
b. to apply this disclosure requirement for annual reporting periods beginning on or after 1 January 2023.

The IASB tentatively decided:

a. to clarify that ‘other events’ in the disclosure objective in paragraph 29.38 of the *IFRS for SMEs* Standard covers Pillar Two legislation, including in periods when it has been enacted or substantively enacted but is not yet in effect.
b. to include this clarification in the body of the *IFRS for SMEs* Standard (not only in the Basis for Conclusions).
c. to introduce no new disclosure requirements in periods in which Pillar Two legislation has been enacted or substantively enacted but is not yet in effect.

The IASB tentatively decided to make consequential amendments to Section 35 of the Standard (‘Transition to the IFRS for SMEs’).

The IASB tentatively decided to allow a comment period of 45 days for the exposure draft of proposed amendments to the *IFRS for SMEs* Standard (subject to approval by the Due Process Oversight Committee).

**Next step**

The IASB plans to publish an exposure draft in the second quarter of 2023.

*For further information: [http://www.ifrs.org](http://www.ifrs.org)*

*Financial Reporting Council*

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