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

Research and standard-setting

1. Rate-regulated Activities
2. Equity Method
3. Primary Financial Statements
4. Second Comprehensive Review of the IFRS for SMEs Accounting Standard
Research and standard setting

1. Rate-regulated Activities

The IASB met to start the redeliberation of specific topics relating to the proposals on estimating uncertain future cash flows.

*Estimating uncertain future cash flows*

The IASB tentatively decided that the prospective Accounting Standard would:

a. retain the requirement proposed in the Exposure Draft that an entity estimate uncertain future cash flows using whichever of the two methods—the ‘most likely amount’ method or the ‘expected value’ method—the entity expects would better predict the cash flows;

b. require an entity to reassess the method of estimating uncertain future cash flows only if there is a significant change in facts and circumstances such that the entity no longer expects the method to better predict the cash flows;

c. clarify that when an entity uses the ‘expected value’ method to estimate uncertain future cash flows the entity should consider the entire range of outcomes, including those outcomes in which a regulatory asset or a regulatory liability would not exist, or would exist but produce no future cash flows; and

d. retain the proposal in the Exposure Draft not to require a separate impairment test for regulatory assets.

*Next step*

The IASB will continue to redeliberate the project proposals.

2. Equity Method

*Towards an Exposure Draft—Contingent consideration on acquisition of an investment in an associate, including subsequent measurement*

The IASB tentatively decided to propose that:

a. on acquisition of an investment in an associate, an investor would recognise contingent consideration as part of the cost of the investment and measure that contingent consideration at fair value; and

b. after the acquisition date:

   i. *for contingent consideration classified as equity*—an investor would account for its subsequent settlement within equity; and

   ii. *for other contingent consideration*—an investor would measure it at fair value at each reporting date and recognise changes in fair value in profit or loss.

*Next step*

The IASB will continue its discussions on the application questions within the scope of the project, including any implications of applying its tentative decisions to investments other than those in associates accounted for using the equity method.
3. Primary Financial Statements

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

- categories and subtotals; and

**Issues related to categories and subtotals**

The IASB tentatively decided to clarify that in the statement of profit or loss:

a. income and expenses arising from the derecognition of an asset or liability are classified in the same category as the income and expenses generated by that asset or liability immediately before derecognition;

b. income and expenses arising from a transaction or other event that changes the classification of income and expenses from an asset or liability (without affecting the recognition of the asset or liability) are classified in the category in which income and expenses were classified immediately before the transaction or other event;

c. if income and expenses described in (a) and (b) arise from a single transaction or other event that involves a group of assets and liabilities for which income and expenses were classified in different categories immediately before the transaction or other event:
   i. the gain or loss on the transaction or other event is classified in the operating category if any of the assets in the group generated income and expenses that were classified in the operating category; and
   ii. the gain or loss on the transaction or other event is classified in the investing category if all the assets in the group generated income and expenses that were classified in the investing category.

The IASB tentatively decided to confirm that specific entities would not present the subtotal ‘profit or loss before financing and income tax’. This prohibition would apply when an entity that provides financing to customers as a main business activity classifies in the operating category all income and expenses from liabilities that arise from transactions that involve only the raising of finance.

**Issues related to IAS 29 Financial Reporting in Hyperinflationary Economies and IAS 12 Income Taxes**

The IASB tentatively decided to:

a. clarify that the gain or loss on the net monetary position would be classified in the operating category in the statement of profit or loss when an entity applying IAS 29 presents it in a single line item.

b. clarify that the foreign exchange differences arising from assets and liabilities within the scope of IAS 12 that are recognised in profit or loss in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* would be classified in the income tax category in the statement of profit or loss, unless doing so would involve undue cost or effort.

c. make a consequential amendment to the requirement in paragraph 78 of IAS 12 for classifying foreign exchange differences on deferred tax assets and liabilities to align with the tentative decision in (b).
Next step

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

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

The IASB met:

- to discuss feedback on its Exposure Draft Third edition of the IFRS for SMEs Accounting Standard (Exposure Draft); and
- to decide whether to change the proposed amendments in the Exposure Draft that clarify the definition of public accountability.

Feedback on the Exposure Draft

The IASB discussed the feedback on the Exposure Draft and provided suggestions on questions for the SME Implementation Group (SMEIG) to consider.

Definition of Public Accountability

The IASB tentatively decided:

a. to confirm the proposed amendment to paragraph 1.3(b) of the IFRS for SMEs Accounting Standard (the Standard) to list banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks as examples of entities that often meet the second criterion of public accountability.
b. to make the same amendment to the description of public accountability in the prospective Standard Subsidiaries without Public Accountability: Disclosures.
c. to withdraw paragraph 1.3A of the Exposure Draft from the Standard, and not include it in the educational modules for the Standard and Basis for Conclusions on the Standard.
d. to explain in the Basis for Conclusions on the Standard its reasoning for deciding against further clarifying the role of local legislative and regulatory authorities in jurisdictions in the Preface to the IFRS for SMEs Accounting Standard.
e. to consider whether other suggestions for guidance on the definition of public accountability should be covered in the educational modules supporting the Standard when these modules are updated.

Next steps

On 13 July 2023, the staff will present the feedback from comment letters and outreach events at the SMEIG meeting. The staff will ask for SMEIG members’ views on specific topics identified from that feedback, following suggestions given by IASB members at the June IASB meeting.

After the SMEIG meeting, the IASB will discuss the project plan for redeliberating the proposals in the Exposure Draft.

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

Financial Reporting Council
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