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

**Research and Standard-Setting**

1. Dynamic Risk Management
2. Equity Method
3. Business Combinations—Disclosures, Goodwill and Impairment
4. Primary Financial Statements
5. Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

**Maintenance and consistent application**

1. Maintenance and consistent application
2. Application of the Own-use Exception to Some Physical Power Purchase Agreements—Exploring possible narrow-scope amendments to IFRS 9
3. Provisions—Targeted Improvements
Research and standard-setting

1. Dynamic Risk Management

The IASB met to continue its discussion on the Dynamic Risk Management (DRM) model. The IASB was also provided with a summary of its tentative decisions and a list of defined terms related to the project.

**Designation of hedged exposures in the current net open risk position**

The IASB discussed the qualifying criteria for determining an entity’s current net open risk position and whether financial assets and financial liabilities denominated in more than one currency could be designated in the same DRM model. The IASB tentatively decided that:

a. the requirement for underlying financial assets and financial liabilities denominated in different currencies to be allocated to separate DRM models continues to be necessary.

b. an entity is permitted to include hedged exposures in a current net open risk position if doing so is consistent with the entity’s risk management strategy. In the DRM model, ‘hedged exposures’ refers to the combination of the hedged items and the hedging instruments that are designated in a hedge accounting relationship when applying IFRS 9 *Financial Instruments*.

**Designated derivatives**

The IASB discussed whether non-linear derivatives (such as interest rate options) and ‘off-market’ derivatives (derivatives that have a non-zero fair value on initial designation) would be eligible to be designated derivatives in the DRM model.

The IASB tentatively decided that non-linear derivatives, except for net written options, would be eligible to be designated derivatives when their use is consistent with an entity’s risk management strategy.

The IASB also tentatively decided that off-market derivatives would be eligible to be designated derivatives when their use is consistent with an entity’s risk management strategy. However, only the fair value changes that arise after the date of initial designation are considered when measuring the DRM adjustment.

**Next step**

The IASB will continue its discussion on the topics identified in the project plan.

2. Equity Method

The IASB met to continue its discussions on application questions within the scope of the Equity Method project.
Towards an exposure draft—Impairment of investments in associates

The IASB tentatively decided to propose amendments to IAS 28 Investments in Associates and Joint Ventures:

a. to change the term ‘cost’ to ‘carrying amount’ in paragraph 41C of IAS 28.

b. to add as objective evidence of impairment a purchase price an investor pays for an additional interest in an associate, or a selling price for part of the interest, that is lower than the carrying amount of the investment in the associate at the date of the purchase or sale of that interest.

c. to remove the term ‘significant or prolonged’.

Towards an exposure draft—Implications of applying the IASB’s tentative decisions to application questions that were not selected

The IASB decided to expand the project’s scope by adding five application questions that are considered resolved by its tentative decisions made to date.

Next steps

The IASB will continue its discussions on the project, including on possible improvements to disclosure requirements; and on the implications of applying its tentative decisions to investments other than those in associates accounted for using the equity method.

Business Combinations—Disclosures, Goodwill and Impairment

The IASB met to discuss its project on Business Combinations—Disclosures, Goodwill and Impairment. In particular, the IASB discussed:

• changes to IAS 36 Impairment of Assets relating to the impairment test of cash-generating units containing goodwill (impairment test); and
• aspects of its package of proposed disclosure requirements for IFRS 3 Business Combinations.

3. Effectiveness of the impairment test

The IASB tentatively decided:

a. to replace ‘goodwill is monitored for internal management purposes’ in paragraph 80(a) of IAS 36 with ‘business associated with the goodwill is monitored for internal management purposes’;

b. to clarify the meaning of the proposed new wording for paragraph 80(a) by providing limited clarifications of what is meant by ‘monitoring’ a business associated with goodwill;

c. to clarify that ‘operating segment’ in paragraph 80(b) of IAS 36 is intended to show the highest level that can be used by an entity in the impairment test when applying paragraph 80(a);

d. to clarify why IAS 36 requires an entity to allocate goodwill to a cash-generating unit or a group of cash-generating units; and

e. to take no further action on any of the other suggestions from respondents to the Discussion Paper Business Combinations—Disclosures, Goodwill and Impairment for improving the effectiveness of the impairment test.
The IASB tentatively decided to require an entity to disclose the reportable segments in which cash-generating units containing goodwill are included.

The IASB also tentatively decided to explain the difference between management monitoring ‘strategically important’ business combinations for the purpose of subsequent performance disclosure and management monitoring a business associated with the goodwill for the purpose of impairment testing.

**Disclosure requirements for specific types of entities**

The IASB tentatively decided to propose the prospective IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures* be amended after its issue to require an eligible subsidiary to disclose quantitative information about expected synergies, subject to the same exemption proposed for an entity applying IFRS 3 in the project on Business Combinations—Disclosures, Goodwill and Impairment.

The IASB also tentatively decided to provide unlisted entities that apply full IFRS Accounting Standards with no exemptions from disclosing information about the subsequent performance of business combinations.

**Next steps**

The IASB will make tentative decisions on:

a. other aspects of the project’s intersection with the prospective IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures*;
b. what transition requirements to propose;
c. whether the package of proposals meets the project objective; and
d. whether to publish an exposure draft setting out its proposals.

4. **Primary Financial Statements**

The IASB met to discuss in relation to the prospective IFRS Accounting Standard (Standard):

- re-exposure criteria;
- transition and effective date; and
- due process requirements.

The Standard will replace IAS 1 *Presentation of Financial Statements*.

**Consideration of the re-exposure criteria**

The IASB considered the re-exposure criteria in the *Due Process Handbook*. The IASB decided to issue the Standard without re-exposing the proposals.

**Transition and effective date**

The IASB tentatively decided:

a. to require an entity to apply the Standard for annual periods beginning on or after 1 January 2027.
b. to confirm the proposal in the Exposure Draft to require an entity to apply the Standard retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

c. to confirm the proposal in the Exposure Draft to require an entity to present each of the required headings and subtotals in the Standard in its condensed interim financial statements in the first year of applying the Standard. This requirement would also apply to a first-time adopter of IFRS Accounting Standards.

d. to require an entity in the first year of applying the Standard to disclose a reconciliation between each line item in the statement of profit or loss presented by applying IAS 1 and each line item presented by applying the Standard. This disclosure would replace the disclosure required in paragraph 28(f) of IAS 8 and would be:
   i. required for the comparative period immediately preceding the period in which the Standard is first applied;
   ii. permitted but not required for the reporting period in which the Standard is first applied; and
   iii. permitted but not required for comparative periods presented other than the comparative period specified in subparagraph (i).

e. subject to drafting, to require an entity to disclose the reconciliation described in (d)(i) for line items in the statement of profit or loss presented in interim financial statements for interim periods in the first year of applying the Standard.

The IASB also decided to consider whether to provide transitional relief from restating amounts presented for additional comparative periods.

**Due process requirements**

All IASB members confirmed they were satisfied the IASB has complied with the applicable due process requirements and has undertaken sufficient consultation and analysis to begin the process for balloting the Standard. No members indicated that they intend to dissent from issuing the Standard.

**Next steps**

The IASB will begin the balloting process for the Standard. The IASB will discuss in a future meeting any sweep issues that arise in the drafting process.

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

The IASB met to discuss the prospective IFRS Accounting Standard Subsidiaries without Public Accountability: Disclosures.

**Effective date and transition**

The IASB discussed the effective date of, and transition to, the Accounting Standard.

The IASB tentatively decided:

a. to permit an eligible subsidiary to apply the Standard on 1 January 2027;

b. to permit an eligible subsidiary to apply the Standard early and to require a subsidiary that elects to do so to disclose that fact; and

c. to confirm the proposals (as set out in paragraphs 10–11 of the Exposure Draft Subsidiaries without Public Accountability: Disclosures) about the comparative information that an eligible
subsidiary would be required to provide when either electing to apply the Standard for the first time or electing not to apply the Standard in the current period.

The IASB also:

a. confirmed that disclosure requirements issued in other IFRS Accounting Standards since the Exposure Draft was developed remain applicable; and
b. decided to specify the disclosures an eligible subsidiary is required to make if it applies the Standard early but does not apply the IFRS Accounting Standard General Presentation and Disclosures early.

Due process

All IASB members confirmed they were satisfied the IASB has complied with the applicable due process requirements and has undertaken sufficient consultation and analysis to begin the process for balloting the Standard.

The IASB decided re-exposure of the proposals in the Exposure Draft as revised by its tentative decisions is not required.

Next step

The IASB expects to issue the Standard in the first half of 2024
1. Maintenance and consistent application

The IASB met:

- to receive an update on the June 2023 meeting of the IFRS Interpretations Committee (Committee); and
- to discuss a potential narrow-scope standard-setting project on how entities apply the own-use exception in IFRS 9 Financial Instruments to physical power purchase agreements (PPAs).

2. Application of the Own-use Exception to Some Physical Power Purchase Agreements—Exploring possible narrow-scope amendments to IFRS 9

At its June 2023 meeting the Committee recommended that the IASB undertake a narrow-scope standard-setting project to clarify how entities apply the own-use exception in IFRS 9 to physical PPAs for the delivery of renewable energy. The IASB discussed whether to add such a project to its work plan and, if so, what the scope and priority of that project could be. The IASB also considered stakeholders’ concerns about the accounting for virtual PPAs.

The IASB tentatively decided to add a project to the work plan to research whether narrow-scope amendments could be made to IFRS 9 to better reflect how financial statements are affected by PPAs in which the underlying non-financial item:

a. cannot be stored economically; and
b. is required to either be consumed or sold within a short time as determined by the market structure in which the item is bought and sold.

The IASB’s research will focus on:

a. applying the own-use exception in IFRS 9 to physical PPAs; and
b. applying the hedge accounting requirements in IFRS 9 using a virtual PPA as the hedging instrument.

3. Provisions—Targeted Improvements

The IASB met to discuss possible amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. These amendments relate to:

- discount rates for provisions; and
- costs to include in measuring a provision.

Costs to include in measuring a provision

The IASB tentatively decided to specify that:

a. the expenditure required to settle an obligation comprises the costs that relate directly to settling the obligation; and
b. the costs that relate directly to settling an obligation consist of both:
   i. the incremental costs of settling the obligation; and
ii. an allocation of other costs that relate directly to settling obligations of that type.

Next step

The IASB will continue discussing possible amendments to IAS 37.

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

Financial Reporting Council
July 2023