The topics discussed at the IASB’s October 2023 with respect to Research and Standard Setting meetings were on the following:

1. Rate-regulated
2. Equity Method
3. Primary Financial Statements
4. Second Comprehensive Review of the IFRS for SMEs Accounting Standard
5. Disclosure Initiative—Subsidiaries without Public Accountability
1. **Rate-regulated Activities**

The IASB met:

- to discuss whether to include guidance in the prospective Accounting Standard based on feedback from a survey on the direct (no direct) relationship concept. The feedback relates to capitalised borrowing costs, inflation and other items included in the regulatory capital base.

- to redeliberate the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (Exposure Draft) relating to the boundary of a regulatory agreement.

### Survey on the direct (no direct) relationship concept—Additional feedback

The IASB tentatively decided to include in the prospective Accounting Standard guidance on how to account for regulatory returns on an asset not yet available for use that compensate for borrowing costs an entity has capitalised. The guidance would illustrate how an entity accounts for such regulatory returns if:

a. the entity determines the capitalised borrowing costs at a higher level of aggregation than the individual asset level; or

b. a regulator determines the regulatory returns on a real basis.

### Boundary of a regulatory agreement

The IASB tentatively decided that the prospective Accounting Standard would:

a. retain the proposed guidance in the Exposure Draft on rights to renew or cancel a regulatory agreement. The IASB would clarify in the prospective Accounting Standard that those rights might be explicit or implicit.

b. retain the proposed guidance in the Exposure Draft on compensation for cancellation of a regulatory agreement. The IASB would clarify in the prospective Accounting Standard that the guidance also applies to other circumstances in which termination occurs.

c. include the principles in paragraph 35(c) of IFRS 15 *Revenue from Contracts with Customers* that relate to an entity’s right to payment for performance completed to date. An entity would use those principles to help it assess whether there exists an enforceable present right to receive, or an enforceable present obligation to pay, compensation on termination of a regulatory agreement for an amount comprising unrecovered regulatory assets and unfulfilled regulatory liabilities.

b. retain the proposed requirements in the Exposure Draft on reassessment of and changes to the boundary of a regulatory agreement.

The IASB also tentatively decided not to add more guidance on how an entity assesses its practical ability to renew, and other parties’ practical ability to cancel, a regulatory agreement.
Next step

The IASB will continue to redeliberate the project proposals, including whether to add more guidance on how an entity identifies and measures cash flows within the boundary of a regulatory agreement.

2. Equity Method

The IASB met to discuss whether its tentative decisions on application questions for investments in associates apply to investments other than those in associates accounted for using the equity method.

Towards an exposure draft—Implications of applying the IASB’s tentative decisions to investments in subsidiaries in separate financial statements

The IASB tentatively decided that its tentative decisions on application questions for investments in associates apply when a parent elects to use the equity method to account for its investments in subsidiaries in separate financial statements.

Towards an exposure draft—Implications of applying the IASB’s tentative decisions to investments in joint ventures

The IASB tentatively decided that its tentative decisions on application questions for investments in associates apply to investments in joint ventures.

Next step

The IASB will discuss possible improvements to disclosure requirements for investments other than those in associates accounted for using the equity method.

3. Primary Financial Statements

The IASB met to discuss sweep issues identified in drafting IFRS 18 Presentation and Disclosure in Financial Statements related to aggregation and disaggregation and other topics. The IASB tentatively decided:

a. to require an entity to present a line item for cost of sales separately from any other expenses classified by function in the statement of profit or loss only if the entity classifies operating expenses by function that include cost of sales.

b. to clarify that for the statement of financial position an entity uses:

   i. the characteristics of duration and timing of recovery and settlement to classify assets and liabilities as either current or non-current and the characteristic of liquidity to classify assets and liabilities by order of liquidity.
   
   ii. the characteristics of nature and function to aggregate assets and liabilities into separate line items. Other characteristics, like duration, liquidity, measurement basis, type and tax effects, assist an entity identifying the nature or function of the assets and liabilities.
c. to provide no transitional relief from retrospective application of IFRS 18 for any earlier periods than the annual period immediately preceding the initial period of application.

The IASB discussed and confirmed the drafting approaches for minor sweep issues, except in relation to the disclosure of specified expenses by nature by an entity that presents one or more function line items. The IASB tentatively decided to confirm that such an entity will be required to disclose in a single note the amounts for these expenses that are included in each line item in the operating category only. In addition, the entity will be required to include in the same note two disclosures for each specified expense:

a. the total for the specified expenses by nature, already required in IFRS Accounting Standards; and
b. an explanation of which line items outside the operating category include any difference between the total of the amounts included in the line items in the operating category and the total described in (a). Such an explanation is already required by a previous tentative decision in September 2021 to provide a qualitative explanation of the line item in which disclosed items are included.

Next step

The IASB will discuss other sweep issues at a future meeting.

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

The IASB met to redeliberate the proposals in the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard (Exposure Draft).

Proposed revised Section 23 Revenue from Contracts with Customers

The IASB tentatively decided to revise Section 23 of the IFRS for SMEs Accounting Standard (Standard) to reflect the principles in IFRS 15 Revenue from Contracts with Customers.

Simplification of the control model in Section 9 Consolidated and Separate Financial Statements

The IASB tentatively decided to clarify how an entity applies the rebuttable presumption in paragraph 9.5 of the Standard.

Recognition of development costs

The IASB tentatively decided to retain the requirements in the Standard for recognising development costs.

Recognition of borrowing costs

The IASB tentatively decided to retain the requirements in the Standard for recognising borrowing costs.
Recent amendments to full IFRS Accounting Standards

The IASB tentatively decided to expose for public comment a proposal to align the Standard with:

a. Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures; and
b. Lack of Exchangeability, which amended IAS 21 The Effects of Changes in Foreign Exchange Rates.

Next steps

The IASB will continue to redeliberate the proposals in the Exposure Draft as set out in the project plan.

The IASB will publish a second exposure draft as part of this second comprehensive review following its decisions.

5. Disclosure Initiative—Subsidiaries without Public Accountability

The IASB met to continue its discussion about some of the disclosure requirements proposed in its Exposure Draft Subsidiaries without Public Accountability: Disclosures. The IASB tentatively decided:

a. to withdraw the proposed requirements in paragraphs 33, 54(c), 56(b), 100(c), 101, 109, 158, 159 and 181(c) of the Exposure Draft;
b. to amend the proposed requirements in paragraphs 32, 53, 69(d), 76, 77, 128(d), 133, 146(e), 147(e), 152(d), 152(f), 154, 196(a) and 210 of the Exposure Draft to align their language with that used in the relevant disclosure requirements in the IFRS Accounting Standards in relation to which these proposals are reduced versions;
c. to amend paragraph 38 of the Exposure Draft so that the proposed disclosure requirement in that paragraph is more consistent with the requirement proposed in paragraph 37; and
d. to retain the language in the proposed requirements in paragraphs 36(e), 36(g), 92, 94, 98, 106(a) and 107(a) of the Exposure Draft.

Next step

The IASB will discuss any further sweep issues that arise in the drafting process.
For further information: http://www.ifrs.org

Financial Reporting Council
November 2023