Financial Reporting Council

MONTHLY UPDATES (May 2025) – What's new from the International Accounting Standards Board (IASB)

The topic discussed at the IASB's May 2025 meeting were on the following:

Contents

A. Research and standard-setting

1. Post-implementation Review of IFRS 16 Leases

The IASB met to discuss its forthcoming request for information on the Post-implementation Review of IFRS 16 *Leases*.

The IASB:

(a) approved the publication of the request for information for public comment; and
(b) set a 120-day comment period.

Next step

The IASB expects to publish the request for information in June 2025.

2. Rate-regulated Activities

The IASB met to discuss sweep issues identified in drafting the prospective IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (prospective Accounting Standard).

The IASB tentatively decided that the prospective Accounting Standard would:

(a) include no requirements for a minimum interest rate.
(b) include a requirement for an entity to disclose quantitative information, using time bands, about when it expects to recover regulatory assets and fulfil regulatory liabilities. The entity would be required to disaggregate the quantitative information between regulatory assets and regulatory liabilities for which the regulatory agreement:
  (i) provides or charges a regulatory interest rate; and
  (ii) does not provide or charge a regulatory interest rate.
(c) include a requirement for an entity to provide the quantitative information described in (b) using:
  (i) undiscounted cash flows; and
  (ii) reasonable and supportable assumptions about the timing of future cash flows that are consistent between periods.
(d) clarify that assumptions about market variables used in the estimates of future cash flows:
  (i) should be consistent with observable market prices at the measurement date; and
  (ii) should not take into account the effects of possible future changes in market variables.
(e) include transitional requirements for interim financial statements.
(f) include no requirement for an entity to disclose whether it receives regulatory returns on an asset not yet available for use.

Next step

The IASB will continue the balloting process for the prospective Accounting Standard.

3. Intangible Assets

The IASB met to discuss the objectives and direction of the project.

Project objectives

The IASB decided the objectives of the project are:

(a) to improve the usefulness of information entities provide about intangible items in their financial statements; and
(b) to update IAS 38 *Intangible Assets*, in particular to make it more suitable for newer types of intangible items and new ways of using them.

Project direction—Prioritisation of broad groups of topics

The IASB decided:

(a) to begin work on the project by exploring two initial streams in parallel, namely:
  (i) assessing user needs for information about recognised and unrecognised intangible assets and expenditure associated with them in the financial statements; and
  (ii) considering whether to update the definition of an intangible asset, associated guidance and some aspects of the recognition criteria, by initially using, as test cases, application issues related to newer types of intangible assets and new ways of using them; and then considering the effects of any potential amendments on the broader population of intangible assets;
(b) to explore, once work on the groups of topics listed in (a) has progressed sufficiently:
  (i) accounting for intangible assets held for investment, based on the intended use or purpose of holding an asset and using test cases that could include some carbon credits and cryptocurrencies;
  (ii) broader aspects of the recognition requirements in IAS 38; and
  (iii) improvements to the disclosure requirements related to recognised and unrecognised intangible assets and the expenditure associated with them; and
(c) to consider whether to explore, once work on the group of topics listed in (b)(ii)–(iii) has progressed sufficiently, topics related to improving:
  (i) the comparability of information about acquired and internally generated intangible assets; and
  (ii) the usefulness of information about intangible assets acquired in a business combination.

The IASB also tentatively decided:

(a) to explore improving measurement of intangible assets in the context of work on other groups of topics rather than as a separate topic;
(b) to consider whether to explore reporting a broader range of intangible items in the financial statements once work on other groups of topics has sufficiently progressed; and
(c) not to explore:

  (i) accounting for intangible assets covered by other IFRS Accounting Standards; or
  (ii) consistency of labels for intangible items.

Next step

The IASB will discuss a project plan for the initial streams of work.

4. Business Combinations—Disclosures, Goodwill and Impairment

The IASB met to discuss the proposals in its Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* to add, amend and remove disclosure requirements in IFRS 3 *Business Combinations*, except for the proposals relating to disclosures of performance and expected synergy information.

The IASB tentatively decided to retain the proposed disclosure objectives to guide its re deliberations of the proposed performance and expected synergy disclosure requirements in a future meeting.

For the proposals relating to the contribution of an acquired business, the IASB tentatively decided:

(a) to withdraw the proposal to specify that combined entity information is an accounting policy;
(b) to add a requirement for an entity to disclose the basis on which it has prepared combined entity information;
(c) to retain the proposal to explain the purpose of the requirement for combined entity information; and
(d) to retain the proposal not to provide application guidance on how to prepare combined entity information for the contribution of an acquired business.

For the proposals relating to the contribution of an acquired business, the IASB also tentatively decided to retain the proposal to specify that the amount of profit or loss is the amount of operating profit or loss as defined in IFRS 18 *Presentation and Disclosure in Financial Statements*.

The IASB also tentatively decided to retain the proposals:

(a) to replace the requirement to disclose the primary reasons for a business combination with a requirement to disclose the strategic rationale for a business combination; and
(b) to improve the quality of information an entity discloses about pension and financing liabilities assumed in a business combination by:
    (i) deleting the word 'major' from paragraph B64(i) of IFRS 3; and
    (ii) adding pension and financing liabilities as classes of liabilities assumed in the illustrative example in paragraph IE72 of the *Illustrative Examples on IFRS 3* Business Combinations; and
(c) to delete the disclosure requirements in IFRS 3 related to acquired receivables (paragraph B64(h)), subsequent deferred tax adjustments (paragraph B67(d)(iii)) and subsequent material gains or losses (paragraph B67(e)).

Next step

The IASB will continue redeliberating the proposals in the Exposure Draft.

5. Statement of Cash Flows and Related Matters

The IASB met to discuss:

- the topics to include in the project plan;
- the topics to exclude from the project plan;
- the project approach for topics related to financial institutions; and
- a draft timeline for work on the project.

The IASB decided that it will assess potential ways to improve:

(a) the disaggregation of cash flow information in the financial statements;
(b) the reporting of information about non-cash transactions in the financial statements;
(c) the transparency of information communicated about cash flow measures not specified in IFRS Accounting Standards;
(d) the consistent application of requirements to classify cash flows as operating, investing or financing; and
(e) the consistent application of the definition of 'cash equivalents'.

The IASB decided it will not:

(a) aim to redefine the operating, investing and financing categories;
(b) aim to align the classification of cash flows in the statement of cash flows with the classification of related income and expenses in the statement of profit or loss, which is set out in IFRS 18 *Presentation and Disclosure in Financial Statements*;
(c) define 'growth and maintenance capital expenditures';
(d) define the measures 'free cash flows' or 'net debt';
(e) expand the definition of 'cash and cash equivalents';
(f) develop new requirements for cash flow information by segment;
(g) develop specific requirements for offsetting cash flows;
(h) develop alternatives to a statement of cash flows; or
(i) amend the requirement in IAS 7 *Statement of Cash Flows* for an entity to present operating activities using the direct or the indirect method.

The IASB decided it will approach the statement of cash flows for financial institutions by considering:

(a) improvements to the statement of cash flows generally before deciding how any changes might apply to the requirements for financial institutions;
(b) exemptions for financial institutions from some or all of the requirements for presenting a statement of cash flows; and
(c) any presentation or supplementary disclosure requirements specific to financial institutions that might enhance the usefulness of information about cash flows for such entities.

Next step

The IASB will discuss potential ways to improve financial reporting for the selected topics.

B. Maintenance and consistent application

1. Translation to a Hyperinflationary Presentation Currency (IAS 21)

The IASB met to discuss stakeholder feedback on its Exposure Draft *Translation to a Hyperinflationary Presentation Currency*. The discussion covered:

- the project direction;
- the proposed translation method; and
- the proposed disclosure requirements and the proposed requirements for when an economy ceases to be hyperinflationary.

Project direction

The IASB tentatively decided not to include translation to a hyperinflationary presentation currency in its broader considerations around a possible project on hyperinflation.

Proposed translation method and preparing comparative information

The IASB tentatively decided to require an entity to translate amounts subject to translation, including comparative amounts, using the closing rate at the date of the most recent statement of financial position if:

(a) the entity's functional currency is the currency of a non-hyperinflationary economy and it presents its financial statements in the currency of a hyperinflationary economy; and
(b) the entity's presentation currency is the currency of a hyperinflationary economy and it translates the results and financial position of a foreign operation with the functional currency of a non-hyperinflationary economy.

The IASB also tentatively decided to introduce an exception for the entities described in (b) if such entities also have the functional currency of a hyperinflationary economy and apply IAS 29 *Financial Reporting in Hyperinflationary Economies*. Such entities would instead restate the comparative information of the foreign operation by applying the same change in the general price index as they apply to other corresponding figures, in accordance with IAS 29.

Disclosure and other aspects

The IASB tentatively decided:

(a) to require an entity that applies the proposed translation method to disclose:
    (i) the fact that all amounts in its financial statements or the results and financial position of its foreign operations have been translated at the closing rate at the date of the most recent statement of financial position; and
    (ii) the fact that its presentation currency has ceased to be the currency of a hyperinflationary economy, if applicable.
(b) to require an entity to disclose summarised financial information about the foreign operations to which it applied the proposed translation method;
(c) to require an entity that applies the exception from translating the comparative information of its foreign operation to label the comparative summarised financial information of the foreign operations to show that the entity prepared the information by applying the same change in the general price index as it applied to other corresponding figures; and

(d) to require an entity whose presentation currency has ceased to be hyperinflationary to apply paragraph 39 of IAS 21 *The Effects of Changes in Foreign Exchange Rates* prospectively to amounts arising after the end of its previous reporting period.

Next steps

The IASB will consider the disclosure requirements for subsidiaries that apply IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, the transition requirements and the effective date, and decide whether it is satisfied that the required due process steps have been completed.

For further information: http://www.ifrs.org
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May 2025