

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

The topics discussed at the IASB’s September 2025 meeting were on the following:

A. Research and standard-setting

- 1. Financial Instruments with Characteristics of Equity**
- 2. Amortised Cost Measurement**
- 3. Equity Method**
- 4. Statement of Cash Flows and Related Matters**

B. Maintenance and consistent application

- 1. Provisions—Targeted Improvements**

C. Strategy and governance

- 1. Fourth Agenda Consultation**

A. Research and standard-setting

1. Financial Instruments with Characteristics of Equity

The IASB met to continue redeliberating the proposed requirements in the Exposure Draft *Financial Instruments with Characteristics of Equity*. The IASB discussed proposed amendments to IAS 32 *Financial Instruments: Presentation* related to two classification topics:

- the reclassification of financial liabilities and equity instruments; and
- the effect of shareholder decision-making rights on the classification.

Proposed amendments—Reclassification of financial liabilities and equity instruments

The IASB tentatively decided to proceed with the proposed requirements on the reclassification of financial liabilities and equity instruments set out in the Exposure Draft, subject to some targeted refinements:

- (a) to clarify that the reclassification requirements would apply to changes in the substance of a contractual arrangement that do not:
 - (i) create or extinguish contractual rights or obligations; or
 - (ii) modify the contractual terms;
- (b) to further clarify that ‘circumstances external to the contractual arrangement’ are events that:
 - (i) arise after a financial instrument is classified; and
 - (ii) are significant to the entity’s operations, demonstrable to external parties and generally expected to occur infrequently; and
- (c) to require an entity to reclassify a financial instrument containing an obligation to deliver its own equity instruments from financial liability to equity when the substance of the contractual arrangement changes because a contractual term stops being effective.

Detailed feedback and proposed amendments—Shareholder discretion

The IASB discussed a summary of the feedback on the proposed requirements on shareholder discretion.

The IASB tentatively decided to proceed with the proposed factors-based approach set out in the Exposure Draft for assessing at initial recognition whether shareholder decisions are treated as entity decisions, subject to minor drafting improvements.

The IASB also tentatively decided to clarify the principles underlying the proposed factors-based approach, namely, that an entity applies judgement when considering:

- (a) the contractual terms of the financial instrument;
- (b) the facts and circumstances applicable to the reporting entity;
- (c) the capacity in which shareholders act when making decisions by applying the proposed factors and any other relevant factors;
- (d) the weightings to be applied to each factor, taking into account that no factor is conclusive on its own; and
- (e) the interaction of multiple shareholder decision-making rights and their effects on the classification of the financial instrument.

Next step

The IASB will continue to redeliberate the classification topics in the Exposure Draft.

2. Amortised Cost Measurement

The IASB met to start deliberating issues within the scope of the project.

Determining effective interest rate at initial recognition

The IASB discussed whether to clarify how an entity applies the requirements in IFRS 9 *Financial Instruments* on determining the effective interest rate (EIR) if a financial instrument has conditions attached to the contractual interest rate. Specifically, it discussed:

- (a) which conditional terms an entity is required to consider in estimating the expected cash flows for the purpose of calculating the EIR; and
- (b) which estimation methods an entity is required to use in calculating the EIR.

The IASB tentatively decided to take no further action on this matter.

Next step

The IASB will continue deliberating issues within the scope of the project.

3. Equity Method

The IASB met to start redeliberating the proposals in the Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)*.

Scope of the project—Consideration of additional application questions

The IASB decided to add to the scope of the project the application question ‘How does an investor recognise acquisition-related costs when applying the equity method?’.

The IASB decided not to add to the scope of the project an application question on obtaining significant influence over an associate that does not constitute a business.

The IASB also decided not to add to the scope of the project an application question on qualifying criteria for using the fair value option in accordance with paragraphs 18–19 of IAS 28.

Instead, the IASB decided to explore whether to clarify these paragraphs, which permit specified entities to measure investments within the scope of the Standard at fair value through profit or loss.

Changes in an investor’s ownership interest—Purchase of an additional interest

In considering the feedback on the proposed answer to the application question ‘How does an investor apply the equity method when purchasing an additional interest in an associate while retaining significant influence?’, the IASB decided:

- (a) to explore providing relief from the proposal in the Exposure Draft.
- (b) not to explore providing guidance on how to apply materiality to the proposal in the Exposure Draft.

Next step

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

4. Statement of Cash Flows and Related Matters

The IASB met to discuss how it could improve the disaggregation of cash flow information in the financial statements in response to stakeholder feedback.

The IASB tentatively decided to respond to the feedback by developing potential requirements:

- (a) to strengthen the link between:
 - (i) the statement of cash flows; and
 - (ii) information presented or disclosed in other parts of the financial statements in accordance with IFRS Accounting Standards other than IAS 7 *Statement of Cash Flows*; and
- (b) to improve the consistency of the presentation of cash flows from discontinued operations.

Next step

The IASB will continue to assess potential ways to improve financial reporting in relation to each of the topics in the project plan.

B. Maintenance and consistent application

1. Provisions—Targeted Improvements

The IASB met to redeliberate the proposals in the Exposure Draft *Provisions—Targeted Improvements* relating to the rate an entity uses to discount future expenditure to its present value.

Discount rates—Required rates

The IASB tentatively decided:

- (a) to retain the proposal to require an entity to discount a provision at a rate that reflects the time value of money—represented by a risk-free rate—with no adjustment for the effect of non-performance risk;
- (b) to add no application guidance to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* on how an entity determines an appropriate risk-free discount rate;
- (c) to clarify in IAS 37 that the best estimate of the expenditure required to settle an obligation is not reduced to reflect the effect of non-performance risk; and
- (d) to add no requirements on the use of real or nominal discount rates in measuring a provision.

Discount rates—Interaction with IFRS 3

The IASB tentatively decided to add to IFRS 3 *Business Combinations* an exception to its initial measurement principle that:

- (a) applies to provisions (other than contingent liabilities) within the scope of IAS 37; and
- (b) requires an acquirer to measure these provisions at the acquisition date in accordance with the measurement requirements in IAS 37, instead of at their acquisition date fair values.

Discount rates—Disclosure

The IASB tentatively decided:

- (a) to retain the proposal to require an entity applying IAS 37 to disclose:
 - (i) the discount rate(s) used in measuring a provision; and
 - (ii) the approach used to determine the rate(s);
- (b) to add no further disclosure requirements to IAS 37; and
- (c) to retain the proposals:
 - (i) to require subsidiaries applying IFRS 19 *Subsidiaries without Public Accountability: Disclosures* to disclose the discount rate(s) used in measuring a provision; but
 - (ii) not to require them to disclose the approach used to determine the rate(s).

Next step

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

C. Strategy and governance

(1) Fourth Agenda Consultation

The IASB met to discuss the project's direction.

The IASB decided to revise its approach to the Fourth Agenda Consultation by:

- (a) deferring its plans to publish a request for information in line with the proposal for a concurrent request for information in 2027 to align with the ISSB; and
- (b) extending the Third Agenda Consultation period until the conclusion of the concurrent agenda consultation in 2028 and using capacity becoming available during that time on existing and new projects.

Next step

The IASB will decide which projects to add to its pipeline.

***For further information: <http://www.ifrs.org>
Financial Reporting Council***

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