FINANCIAL REPORTING COUNCIL

MONTHLY UPDATES (September 2026)

What's new from the International Accounting Standards Board (IASB)

The topics discussed at the IASB's September 2026 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
5. Post-implementation Review of IFRS 9—Hedge Accounting

B. Maintenance and consistent application

1. Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 Income Taxes (IFRS 18)
2. Provisions—Targeted Improvements

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 the proposed amendments to IAS 32 *Financial Instruments: Presentation* and IFRS 18 *Presentation and Disclosure in Financial Statements* related to the classification and presentation of financial instruments containing obligations to purchase own equity instruments. Specifically, the IASB discussed:

(a) the debit entry on initial recognition of the financial liability;
(b) the recognition of gains or losses on remeasurement of the financial liability;
(c) the measurement of the financial liability; and
(d) other matters.

Obligations to purchase own equity instruments—Debit entry on initial recognition

The IASB tentatively decided to proceed with the proposed requirements related to the debit entry on initial recognition of the financial liability, subject to some drafting improvements and targeted refinements. These refinements would clarify that:

(a) an entity assesses whether an obligation issued over non-controlling interest currently gives the entity access to the returns associated with an ownership interest in accordance with the requirements in IFRS 10 *Consolidated Financial Statements*; and
(b) an entity whose obligation over non-controlling interest does not currently give it access to the returns associated with an ownership interest:
    (i) deducts the debit amount from non-controlling interest on initial recognition but does not derecognise non-controlling interest; and
    (ii) presents the debit amount as a separate line item, deducted from a gross line item for non-controlling interest in the statement of financial position, unless separate presentation is unnecessary for that statement to provide a useful structured summary as described in IFRS 18.

Obligations to purchase own equity instruments—Remeasurement gains or losses

The IASB tentatively decided to proceed, subject to minor drafting improvements, with the proposed clarification that an entity would recognise in profit or loss any gains or losses on remeasurement of the financial liability.

Obligations to purchase own equity instruments—Other matters

The IASB tentatively decided to proceed, subject to drafting improvements, with the proposed requirements related to:

(a) the instruments to which paragraph 23 of IAS 32 applies; and
(b) gross versus net settlement.

The IASB tentatively decided to proceed with the proposed requirements related to the expiry of written put options, subject to drafting improvements and a targeted refinement. The

targeted refinement would clarify that on expiry of the put option on non-controlling interest, an entity recognises in profit or loss the difference between:

(a) the carrying amount of the financial liability; and
(b) the initial amount by which non-controlling interest was reduced.

Next steps

The IASB will further discuss the measurement of the financial liability arising from obligations to purchase own equity instruments and will redeliberate the remaining topics in the Exposure Draft.

2. Amortised Cost Measurement

The IASB met to discuss:

- the application of the 10-per-cent test to specific financial instruments;
- the accounting for the effective interest rate of a modified financial instrument; and
- the accounting for costs or fees on modification of a financial instrument.

Application of the 10-per-cent test

The IASB discussed stakeholders' questions about applying the 10-per-cent test in paragraph B3.3.6 of IFRS 9 *Financial Instruments* to financial instruments that have options or contingent terms, and financial instruments that are revolving credit facilities.

The IASB tentatively decided to clarify that an entity applying the 10-per-cent test to a financial asset or financial liability:

(a) considers all contractual terms of the financial instrument.
(b) determines the contractual cash flows of a financial instrument that includes an option or contingent term on the basis that the option is exercised—or that the contingent event occurs—at the earliest possible date specified in the contract. The probability or estimated timing of the option being exercised, or the contingent event occurring, has no effect on determining those cash flows.

The IASB also tentatively decided to clarify that an entity applying the 10-per-cent test to a financial asset or financial liability that is a revolving credit facility determines the facility's contractual cash flows based on the contractual terms of the facility as a whole. In particular, the entity determines the contractual cash flows based on the maximum credit capacity over the remaining term of the facility, under the new and original contractual terms.

Accounting for the effective interest rate of a modified financial instrument

The IASB discussed stakeholders' questions about accounting for the effective interest rate of a modified financial instrument when the modification does not result in derecognition. The IASB tentatively decided to propose amending IFRS 9 to require that, when a modification of a financial instrument does not result in derecognition, an entity adjusts the effective interest rate to reflect a change in the contractual interest rate that provides consideration for the time value of money or for credit risk.

Accounting for costs or fees on modification of a financial instrument

The IASB discussed stakeholders' questions about accounting for costs or fees when a financial instrument is modified and the modification does not result in derecognition.

The IASB tentatively decided to clarify that:

(a) for the purposes of an entity applying paragraphs 5.4.3 and B3.3.6A of IFRS 9, the term 'costs or fees incurred' includes:
    (i) all fees and points paid or received between parties to the contract that are directly attributable to the modification of the financial instrument, including fees paid or received by either the borrower or the lender on the other's behalf; and
    (ii) transaction costs and all other premiums or discounts that are directly attributable to the modification of the financial instrument.
(b) if the modification of a financial asset or financial liability does not result in derecognition, an entity continues to recognise any unamortised costs or fees at the time of the modification as part of the gross carrying amount of the modified financial asset or the amortised cost of the modified financial liability. Those costs or fees are amortised over the remaining term of the modified financial instrument.

Next step

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

3. Equity Method

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

Transactions with associates—Implication for IAS 27 Separate Financial Statements

The IASB discussed the disclosure requirements in IAS 27 for an entity that uses the equity method to account for investments in subsidiaries, associates or joint ventures in its separate financial statements.

The IASB tentatively decided:

(a) to withdraw the proposal in the Exposure Draft that would require a parent to disclose gains or losses from 'downstream' transactions with subsidiaries accounted for using the equity method;
(b) to require a parent to disclose its accounting policy for recognising gains or losses from transactions with investments in subsidiaries, associates or joint ventures accounted for using the equity method in its separate financial statements; and
(c) not to add any other disclosure requirements to IAS 27 for separate financial statements.

The IASB discussed the disclosure requirements in IAS 27 for an entity that uses the equity method to account for investments in subsidiaries, associates or joint ventures in its separate financial statements.

The IASB tentatively decided:

(a) to withdraw the proposal in the Exposure Draft that would require a parent to disclose gains or losses from 'downstream' transactions with subsidiaries accounted for using the equity method;
(b) to require a parent to disclose its accounting policy for recognising gains or losses from transactions with investments in subsidiaries, associates or joint ventures accounted for using the equity method in its separate financial statements; and
(c) not to add any other disclosure requirements to IAS 27 for separate financial statements.

Sweep issues

The IASB tentatively decided to retain paragraph 55 of the Exposure Draft, which states that many of the procedures that are appropriate for applying the equity method are similar to the consolidation procedures described in IFRS 10 *Consolidated Financial Statements*.

The IASB tentatively decided to require an investor that uses the exemption from disclosing gains or losses from transactions with associates to disclose that it has done so.

The IASB tentatively decided:

(a) to require that, when an investor applies the undue cost or effort exemption on transition, the investor make the assessment either:
    (i) collectively for all gains and losses from past transactions with that associate for which a portion remains unrecognised at the transition date; or
    (ii) individually for each such gain or loss; and
(b) to require that, for associates for which an investor applies the undue cost or effort exemption, the investor apply its new accounting policy prospectively to gains and losses from transactions with those associates occurring after the transition date.

Transactions with associates—Implications for IFRS 19 Subsidiaries without Public Accountability: Disclosures

The IASB tentatively decided to require an eligible subsidiary that applies IFRS 19 to disclose its accounting policy for recognising gains or losses from transactions with associates and joint ventures.

The IASB tentatively decided not to require an eligible subsidiary that applies IFRS 19 to disclose:

(a) the gains or losses from 'downstream' transactions with its associates and joint ventures if the subsidiary chooses to recognise gains or losses in full;
(b) the gains or losses from 'upstream' and 'downstream' transactions with its associates and joint ventures if the subsidiary chooses to restrict the recognition of gains or losses; and
(c) the nature of transactions with associates and joint ventures and whether they are included in the disclosure of gains and losses.

The IASB tentatively decided to require an eligible subsidiary that applies IFRS 19 and chooses to restrict the recognition of gains or losses from transactions with associates and joint

ventures to disclose the amount of gains and losses restricted at the end of the period and where they are included in the statement of financial position.

The IASB tentatively decided not to require an eligible subsidiary that applies IFRS 19 to disclose the line items in the statement of comprehensive income in which the restricted gains and losses are recognised.

The IASB tentatively decided:

(a) to require an eligible subsidiary that applies IFRS 19 and prepares separate financial statements in accordance with IAS 27 to disclose the subsidiary's accounting policy for the recognition of gains or losses from transactions with subsidiaries, associates or joint ventures accounted for using the equity method; and
(b) to withdraw the proposal in the Exposure Draft to require an eligible subsidiary that is a parent that uses the equity method to account for its investments in subsidiaries to disclose gains or losses from 'downstream' transactions with those subsidiaries.

The IASB tentatively decided:

(a) not to add to IFRS 19 the disclosure objective to be added to paragraph 20 of IFRS 12 *Disclosure of Interests in Other Entities*; and
(b) not to require an eligible subsidiary that applies IFRS 19 to disclose a reconciliation between the opening and closing balance of restricted gains and losses.

Effective date and early application

The IASB considered the effective date of the revised IAS 28.

The IASB tentatively decided to require an investor to apply the revised IAS 28 for annual reporting periods beginning on or after 1 January 2029, with early application permitted, on the premise that the revised IAS 28 is issued in the first half of 2027. If an investor applies the revised IAS 28 before the effective date, the investor would be required to disclose that it has done so.

Due process

The IASB discussed the re-exposure criteria and due process requirements in the *Due Process Handbook*.

The IASB decided to issue the revised IAS 28 without re-exposure.

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 revised IAS 28.

The IASB decided to begin the balloting process.

Next steps

The IASB will begin the balloting process for the revised IAS 28. The IASB will discuss sweep issues that arise in the drafting process.

4. Statement of Cash Flows and Related Matters

The IASB met to discuss:

- potential requirements for classification of acquisition-related payments, in particular:
    - payments of pre-existing debt;
    - contingent and deferred consideration; and
    - transaction costs; and
- potential disclosure requirements for information about specified changes in specific assets and liabilities.

Classification of acquisition-related payments

The IASB tentatively decided to propose amending the requirements in paragraph 39 of IAS 7 *Statement of Cash Flows* to state that 'cash flows arising from obtaining or losing control' include only payments of items included in 'consideration transferred' as described in paragraph 37 of IFRS 3 *Business Combinations*. As a result, in the statement of cash flows:

(a) payments of deferred and contingent consideration arising from a business combination would be classified as investing activities.

(b) payments of pre-existing debt of the acquiree in a business combination would be classified as financing activities.

(c) payments of transaction costs arising in a business combination would be classified as operating activities.

Specified changes in specific assets and liabilities

The IASB tentatively decided to propose:

(a) introducing a disclosure objective in IAS 7 that requires an entity to disclose specified non-cash changes in assets and liabilities and that enables users of financial statements to better understand the relationship between:
    (i) amounts reported in an indirect method reconciliation for changes in assets and liabilities; and
    (ii) the same assets and liabilities presented in the statement of financial position.

(b) requiring an entity to satisfy the disclosure objective by disclosing—for each line item in the statement of financial position that includes assets and liabilities included in the indirect reconciliation—the amounts of non-cash changes from:
    (i) translating the results and financial position of foreign operations;
    (ii) obtaining or losing control of subsidiaries or other businesses; and
    (iii) reclassifying assets and liabilities in the statement of financial position.

(c) requiring an entity to provide the information in (b) in a table.

(d) not providing an exemption from the general requirement for an entity to disclose material information beyond that specified in (b).

Next step

The IASB will continue to consider how to improve financial reporting for the topics in the project plan.

5. Post-implementation Review of IFRS 9—Hedge Accounting

The IASB met to discuss its forthcoming request for information on the Post-implementation Review of IFRS 9—Hedge Accounting.

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 this month.

B. Maintenance and consistent application

1. Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 Income Taxes (IFRS 18)

The IASB met to discuss remaining aspects of the proposed amendments to IFRS 18 *Presentation and Disclosure in Financial Statements*.

The proposed amendments would require an entity to classify, in the income taxes category of the statement of profit or loss, tax charges imposed by a government as a direct substitute for income taxes. The IASB tentatively decided to amend IFRS 19 *Subsidiaries without Public Accountability: Disclosures* to require an eligible subsidiary that applies IFRS 19 and classifies tax charges other than income taxes in the income taxes category to disclose:

(a) the nature and amount of those tax charges and the bases for their calculation; and
(b) the effect of those tax charges for each item disclosed in the reconciliation required by paragraph 123(c) of IFRS 18.

The IASB tentatively decided:

(a) to require an entity to apply the proposed amendments retrospectively in accordance with IAS 8 *Basis of Preparation of Financial Statements*; and
(b) to provide no exemption or exception from retrospective application of the proposed amendments for first-time adopters.

The IASB set a 120-day comment period for the exposure draft.

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 exposure draft.

Next step

The IASB expects to publish the exposure draft in the fourth quarter of 2026.

2. Provisions—Targeted Improvements

The IASB met to continue redeliberating the proposals in the Exposure Draft *Provisions—Targeted Improvements*, which proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Recognition—Consequences of omitting paragraph 14Q

At its May 2026 meeting, the IASB tentatively decided to omit from IAS 37 a requirement proposed in paragraph 14Q of the Exposure Draft. At this meeting, it discussed the consequences of omitting that requirement. The primary consequence is a need to consider whether to omit or move a supporting requirement proposed in paragraph 14R of the Exposure Draft.

The IASB tentatively decided to relocate that supporting requirement from the requirements the past-event condition for recognising a provision to those supporting the supporting obligation condition.

Recognition—Other aspects of the past-event condition

The IASB discussed other aspects of the proposals relating to the past-event condition for recognising a provision.

The IASB tentatively decided:

(a) to make no changes to the requirements proposed for threshold-triggered costs; and
(b) to retain in IAS 37 the statement that no provision is recognised for costs that need to be incurred to operate in the future.

Other matters

The IASB discussed other aspects relating to executory contracts, which are excluded from the scope of IAS 37 unless they are onerous.

The IASB tentatively decided to retain the proposal to update the wording of the definition of an executory contract in IAS 37 to align it with the wording in the *Conceptual Framework for Financial Reporting*.

The IASB also tentatively decided:

(a) to retain the scope exclusion for executory contracts in paragraph 3 of IAS 37; and
(b) to add to that paragraph a sentence linking the scope exclusion to the explanation of the transfer condition proposed in paragraph 14L of the Exposure Draft.

Next step

The IASB will continue redeliberating the proposals

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

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