

IFRS Developments

IASB issues narrow-scope amendments to five IFRS accounting standards

What you need to know

- ▶ The IASB has published nine narrow scope amendments to five IFRS accounting standards.
- ▶ The amendments apply to annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted.

Introduction

On 18 July 2024, the International Accounting Standards Board (the IASB) published nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards.

The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 *First-time Adoption of International Financial Reporting Standards*; IFRS 7 *Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7*; IFRS 9 *Financial Instruments*; IFRS 10 *Consolidated Financial Statements*; and IAS 7 *Statement of Cash Flows*.

Background

In accordance with the IASB's due process, proposed amendments to IFRS accounting standards that are sufficiently minor or narrow in scope are packaged together as 'annual improvements' and exposed in one document, even though the amendments are unrelated. Annual improvements are limited to changes that either clarify the wording in an IFRS accounting standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements of the IFRS accounting standards.

The amendments apply to annual reporting periods beginning on or after 1 January 2026 and earlier application is permitted.

Hedge Accounting by a First-time Adopter (Amendments to IFRS 1)

Paragraphs B5 and B6 of IFRS 1 have been amended to include cross references to the qualifying criteria for hedge accounting in paragraph 6.4.1(a), (b) and (c) of IFRS 9. The amendments are intended to address potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9.

Gain or Loss on Derecognition (Amendments to IFRS 7)

Paragraph B38 of IFRS 7 has been amended to update the language on unobservable inputs and to include a cross reference to paragraphs 72 and 73 of IFRS 13 *Fair Value Measurement*.

Introduction (Amendments to Guidance on implementing IFRS 7)

Paragraph IG1 of the *Guidance on implementing IFRS 7* has been amended to clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, nor does it create additional requirements.

Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Guidance on implementing IFRS 7)

Paragraph IG14 of the *Guidance on implementing IFRS 7* has been amended mainly to make the wording consistent with the requirements in paragraph 28 of IFRS 7 and with the concepts and terminology used in IFRS 9 and IFRS 13.

Credit Risk Disclosures (Amendments to Guidance on implementing IFRS 7)

Paragraph IG20B of the *Guidance on implementing IFRS 7* has been amended to simplify the explanation of which aspects of the IFRS requirements are not illustrated in the example.

Lessee Derecognition of Lease Liabilities (Amendments to IFRS 9)

Paragraph 2.1 of IFRS 9 has been amended to clarify that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss. However, the amendment does not address how a lessee distinguishes between a lease modification as defined in IFRS 16 *Leases* and an extinguishment of a lease liability in accordance with IFRS 9.

Transaction Price (Amendments to IFRS 9)

Paragraph 5.1.3 of IFRS 9 has been amended to replace the reference to 'transaction price as defined by IFRS 15 *Revenue from Contracts with Customers*' with 'the amount determined by applying IFRS 15'. The use of the term 'transaction price' in relation to IFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of IFRS 9.

Determination of a 'De Facto Agent' (Amendments to IFRS 10)

Paragraph B74 of IFRS 10 has been amended to clarify that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor. The amendment is intended to remove the inconsistency with the requirement in paragraph B73 for an entity to use judgement to determine whether other parties are acting as de facto agents.

Cost Method (Amendments to IAS 7)

Paragraph 37 of IAS 7 has been amended to replace the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

How we see it

The amendments are narrow in scope, however, they relate to a number of different IFRS accounting standards. Entities will need to consider the extent of the impact to ensure that any changes to accounting policies are implemented from the effective date.

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