

A woman with short brown hair, wearing a light-colored blazer over a white top, is looking down at a tablet computer she is holding. She is standing in a factory or industrial setting. In the background, there is a large black robotic arm with yellow accents, and various industrial equipment and shelving units. The scene is brightly lit with overhead lights.

IFRS Core Tools

IFRS Update of  
standards and  
interpretations  
in issue at  
30 June 2023

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# Introduction

Entities reporting under International Financial Reporting Standards (IFRS) continue to face a steady flow of new standards and interpretations. The resulting changes range from significant amendments of fundamental principles to some minor changes from the annual improvements process (AIP). They will affect different areas of accounting, such as recognition, measurement, presentation and disclosure.

Some of the changes have implications that go beyond matters of accounting, also potentially impacting the information systems of many entities. Furthermore, the changes may impact business decisions, such as the creation of joint arrangements or the structuring of particular transactions.

The challenge for preparers is to gain an understanding of what lies ahead.

## Purpose of this publication

This publication consists of four sections:

**Section 1** provides a high-level overview of the key requirements of each pronouncement issued by the International Accounting Standards Board (IASB or the Board) and the IFRS Interpretations Committee (IFRS IC) as at 30 June 2023 that will be effective for the first-time for reporting periods ended at that date or thereafter. This overview provides a summary of the transitional requirements and a brief discussion of the potential impact that the changes may have on an entity's financial statements.

A table comparing mandatory application for different year ends is presented at the beginning of Section 1. In the table, the pronouncements are presented in order of their effective dates. Note that many pronouncements contain provisions that would allow entities to adopt in earlier periods.

When a standard or interpretation has been issued but has yet to be applied by an entity, IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires the entity to either disclose any known (or reasonably estimable) information relevant to understanding the possible impact that the new pronouncement will have on the financial statements, or indicate the reason for not doing so. The table at the beginning of Section 1 is helpful in identifying the pronouncements that fall within the scope of this disclosure requirement.

**Section 2** provides a summary of the agenda decisions published in the *IFRIC Update*<sup>1</sup> since 1 January 2022. For agenda decisions published before 1 January 2022, please refer to previous editions of *IFRS Update*. In some agenda decisions, the IFRS IC refers to the existing pronouncements that provide adequate guidance. These agenda decisions provide a view on the application of the pronouncements and

fall within 'other accounting literature and accepted industry practices' in paragraph 12 of IAS 8. IFRS standards are required to be applied reflecting the explanatory material contained in agenda decisions.

**Section 3** sets out the IASB work programme as at 30 June 2023.

**Section 4** provides a selection of useful IFRS publications, videos and podcasts that EY published between 1 January 2021 and 30 June 2023.

## IFRS Core Tools

EY's *IFRS Core Tools*<sup>2</sup> provide the starting point for assessing the impact of changes to IFRS. Our *IFRS Core Tools* include a number of practical building blocks that can help the user to navigate the changing landscape of IFRS. In addition to *IFRS Update*, EY's *IFRS Core Tools* include the publications described below.

### International GAAP® Disclosure Checklist

Our 2023 edition of *International GAAP® Disclosure Checklist* captures disclosure requirements applicable to periods ended 31 December 2023, and disclosures that are permitted to be adopted early. Our 2023 edition of *International GAAP® Disclosure Checklist for Interim Condensed Financial Statements* captures disclosure requirements applicable to interim reports of entities with a year-end of 31 December 2023, and disclosures that are permitted to be adopted early. These disclosure requirements are for all pronouncements issued as at 28 February 2023. This tool assists preparers to comply with the presentation and disclosure requirements of IFRS in their interim and year-end IFRS financial statements. Previous editions of this tool for earlier period ends are available on EY's *IFRS Core Tools* webpage.

### Good Group (International) Limited

*Good Group (International) Limited* is a set of illustrative financial statements, incorporating presentation and disclosure requirements that are in issue as at 30 June 2022 and effective for the year ended 31 December 2022. *Good Group (International) Limited - Illustrative interim condensed financial statements* for the period ended 30 June 2023, based on IFRS in issue at 28 February 2023, supplements *Good Group (International) Limited - Illustrative financial statements*. Among other things, these illustrative financial statements can assist in understanding the impact accounting changes may have on the financial statements.

<sup>1</sup> [IFRS - IFRS® Interpretations Committee Updates](#)

<sup>2</sup> EY's Core Tools - [http://www.ey.com/en\\_gl/ifrs-technical-resources](http://www.ey.com/en_gl/ifrs-technical-resources).

*Good Group (International) Limited* is supplemented by illustrative financial statements that are aimed at specific sectors and circumstances. These include:

- ▶ [Good Group \(International\) Limited - Agriculture: Supplement to Illustrative Consolidated Financial Statements](#)
- ▶ [Good First-time Adopter \(International\) Limited](#)
- ▶ [Good Investment Fund Limited \(Equity\)](#)
- ▶ [Good Investment Fund Limited \(Liability\)](#)
- ▶ [Good Real Estate Group 2021](#)
- ▶ [Good Mining \(International\) Limited \(December 2021\)](#)
- ▶ [Good Petroleum \(International\) Limited](#)
- ▶ [Good Bank \(International\) Limited \(December 2022\)](#)
- ▶ [Good Life Insurance \(International\) Limited](#)
- ▶ [Good General Insurance \(International\) Limited](#)

#### **Also available from EY:**

##### **Other EY publications**

References to other EY publications that contain further details and discussion on these topics are included throughout the *IFRS Update*, all of which can be downloaded from our website.

International GAAP® 2023<sup>3</sup>

Our *International GAAP® 2023* is a comprehensive guide to interpreting and implementing IFRS.<sup>4</sup> It includes pronouncements mentioned in this publication that were issued prior to September 2022, and it provides examples that illustrate how the requirements of those pronouncements are applied.

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<sup>3</sup> International GAAP® is a registered trademark of Ernst & Young LLP (UK).

<sup>4</sup> [International GAAP® 2023 - The global perspective on IFRS | EY - Global](#).

# Section 1: New pronouncements issued as at 30 June 2023

**Table of mandatory application**

New pronouncement	Page	Effective date*	First time applied in annual periods ending on the last day of these months**											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<i>IFRS 17 Insurance Contracts</i>	5	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
<i>Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2</i>	7	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
<i>Definition of Accounting Estimates - Amendments to IAS 8</i>	8	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12</i>	8	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
<i>International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12</i>	9	Note 1	2024	2024	2024	2024	2023	2023	2023	2023	2023	2023	2023	2023
<i>Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1</i>	10	1 Jan 2024	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2024
<i>Lease Liability in a Sale and Leaseback - Amendments to IFRS 16</i>	11	1 Jan 2024	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2024
<i>Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7</i>	11	1 Jan 2024	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2024
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28</i>	12	Note 2												

\* Effective for annual periods beginning on or after this date.

\*\* Assuming that an entity has not early adopted the pronouncement according to specific provisions in the standard, interpretation or amendment.

Note 1: The amendments are effective immediately upon issuance. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

Note 2: In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.





## IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2023.

### Background

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*.

In June 2020, the IASB issued amendments to IFRS 17. These amendments included changing the effective date to 2023.

In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyse implementation-related questions. The TRG met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria.

### Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

### Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach)
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are as follows:

- ▶ The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)

- ▶ A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss based on insurance contract services provided over the coverage period
- ▶ Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period
- ▶ The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- ▶ The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- ▶ Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- ▶ Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- ▶ A loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognises a recovery of a loss on initial recognition of an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses
- ▶ Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held
- ▶ Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts



## Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- ▶ *Modified retrospective approach* - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application
- ▶ *Fair value approach* - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date)

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

## Impact

IFRS 17, together with IFRS 9, will result in profound changes to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected.

## Finalisation of the amendment to IFRS 17

In December 2021, the IASB amended IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.

If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies IFRS 17 (i.e., from transition date to the date of initial application of IFRS 17).

## Other EY publications

*Insurance Accounting Alert (March 2023)*  
EYG no. 002010-23Gbl

*Market updates on impact of IFRS 17 and IFRS 9 (March 2023)*  
EYG no. 001901-23Gbl

*Disclosure of expected impacts of IFRS 17 and IFRS 9 prior to initial application (November 2022)*  
EYG no. 009961-22Gbl

*Insurance Accounting Alert (September 2022)*  
EYG no. 008213-22Gbl

*Insurance Accounting Alert (June 2022)*  
EYG no. 005612-22Gbl

*Insurance Accounting Alert (March 2022)*  
EYG no. 002403-22Gbl

*Insurance Accounting Alert (February 2022)*  
EYG no. 001597-22Gbl

*Insurance Accounting Alert (December 2021)*  
EYG no. 010712-21Gbl

*Good Life Insurance (International) Limited (November 2021)*  
EYG No. 010140-21Gbl

*Insurance Accounting Alert (July 2021)* EYG no. 006570-21Gbl

*IASB issues amendments to IFRS 17 (June 2020)*  
EYG No. 004475-20Gbl

*Good General Insurance (International) Limited (November 2020)* EYG No. 007724-20Gbl

*Fourth meeting of the IASB's IFRS 17 Transition Resource Group (April 2019)* EYG No. 001926-19Gbl

*Third technical discussion of the IASB's IFRS 17 Transition Resource Group (October 2018)* EYG No. 011564-18Gbl

*Second technical discussion of the IASB's IFRS 17 Transition Resource Group (May 2018)* EYG No. 02735-183Gbl

*First technical discussion of the IASB's IFRS 17 Transition Resource Group (February 2018)* EYG No. 00865-183Gbl



## **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

Effective for annual periods beginning on or after 1 January 2023.

### **Key requirements**

In February 2021, the Board issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- ▶ Replacing the requirement for entities to disclose their 'significant accounting policies' with a requirement to disclose 'material accounting policy information'
- And
- ▶ Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

### **Replacement of the term 'significant' with 'material'**

In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board.

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and their nature.

Examples of circumstances in which an entity is likely to consider accounting policy information to be material have also been added.

### **Disclosure of standardised information**

Although standardised information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed.

The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information.

### **Disclosure of immaterial information**

The amendments to IAS 1 require that if an entity decides to disclose accounting policy information that is not material, it needs to ensure that this immaterial information does not obscure material information.

### **Illustrative examples**

The amended PS provides two examples to illustrate how an entity makes materiality judgements about accounting policy information disclosures.

### **Transition**

Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed.

Since the amendments to the PS provide non-mandatory guidance on the application of the definition of material to accounting policy information, the Board concluded that transition requirements and an effective date for these amendments were not necessary.

### **Impact**

The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard.

Entities should carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

### **Other EY publications**

*Applying IFRS: Disclosure of accounting policy information* (September 2022) EYG No. 007960-22Gbl

*IFRS Developments Issue 187: The Disclosure Initiative - IASB amends the accounting policy requirements* (February 2021) EYG No. 001327-21Gbl





## **Definition of Accounting Estimates - Amendments to IAS 8**

Effective for annual periods beginning on or after 1 January 2023.

### **Key requirements**

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

### **Changes in accounting estimates**

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

### **Illustrative examples**

The amendments include two illustrative examples to help stakeholders understand how to apply the new definition of accounting estimates.

### **Transition**

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

### **Impact**

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

### **Other EY publications**

*IFRS Developments Issue 186: The IASB defines accounting estimates* (February 2021) EYG No. 001259-21Gb1

## **Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

Effective for annual periods beginning on or after 1 January 2023.

### **Key requirements**

In May 2021, the Board issued amendments to IAS 12 *Income Taxes*, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

### **Determining the tax base of assets and liabilities**

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

### **Changes to the initial recognition exception**

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

### **Transition**

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

### **Other EY publications**

*IFRS Developments Issue 191: IASB clarifies deferred tax accounting for leases and decommissioning obligations* (May 2021) EYG No. 004619-21Gb1



## **International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12**

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later.

### **Key requirements**

In May 2023, the Board issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as ‘Pillar Two legislation’ and ‘Pillar Two income taxes’, respectively.

### **Disclosures**

The amendments require an entity to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective.

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity’s exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

### **Transition**

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon issue of the amendments.

The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

### **Other EY publications**


*IFRS Developments Issue 218: Amendments to IAS 12: International Tax Reform Pillar Two Model Rules (May 2023) EYG No. 005193-23Gbl*

*IFRS Developments Issue 214: Accounting for Pillar Two income taxes before IAS 12 is amended (April 2023) EYG No. 03721-23Gbl*

*IFRS Developments Issue 211: International Tax Reform–Pillar Two Model Rules: Proposed amendments to IAS 12 (January 2023) EYG No. 000670-23Gbl*

*IFRS Developments Issue 210: IASB project on International Tax Reform–Pillar Two Model Rules (December 2022) EYG No. 010707-22Gbl*

*IFRS Developments Issue 203: OECD BEPS Pillar Two - Global Anti-Base Erosion Rules: Accounting implications (July 2022) EYG No. 006235-22Gbl*



## **Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1**

Effective for annual periods beginning on or after 1 January 2024.

### **Key requirements**

In January 2020 and October 2022, the Board issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement
- ▶ That a right to defer settlement must exist at the end of the reporting period
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- ▶ Disclosures

### **Right to defer settlement**

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Furthermore, the Board specified that the requirements in paragraph 72B apply only to liabilities arising from loan arrangements.

### **Existence at the end of the reporting period**

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies to covenants which the entity is required to comply with on or before the reporting date regardless of whether the lender tests for compliance at that date or at a later date.

### **Management expectations**

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance. However, in these circumstances an entity may need to disclose information about the timing of settlement to enable users to understand the impact on its financial position.

### **Meaning of the term 'settlement'**

The Board added paragraphs 76A and 76B to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

### **Disclosures**

IAS 1.76ZA has been added to require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities as well as any facts and circumstances that indicate the entity may have difficulty complying with the covenants.

### **Transition**

The amendments must be applied prospectively. Early application is permitted and must be disclosed. However, an entity that applies the 2020 amendments early is also required to apply the 2022 amendments, and vice versa.

### **Impact**

The combined impact of the 2020 amendments and the 2022 amendments will have implications for practice. Entities will, therefore, need to carefully consider the impact of the amendments on existing and planned loan agreements. In this context, it is important to highlight that the amendments must be applied retrospectively.

### **Other EY publications**

*IFRS Developments Issue 209: The IASB amends the requirements for classification of non-current liabilities with covenants* (November 2022) EYG No. 009933-22Gbl

*IFRS Developments Issue 159: Amendments to classification of liabilities as current or non-current* (Updated July 2020) EYG No. 000391-20Gbl



## **Lease Liability in a Sale and Leaseback - Amendments to IFRS 16**

Effective for annual periods beginning on or after 1 January 2024.

### **Key requirements**

In September 2022, the Board issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16).

The amendment to IFRS 16 *Leases* specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy in accordance with IAS 8 that results in information that is relevant and reliable.

### **Transition**

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.

### **Other EY publications**

*IFRS Developments Issue 206: IASB amends IFRS 16 for lease liability measurement in a sale and leaseback transactions* (September 2022) EYG No. 008269-22Gbl

## **Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

Effective for annual periods beginning on or after 1 January 2024.

### **Key requirements**

In May 2023, the Board issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*.

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

### **Characteristics**

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

### **Disclosure requirements**

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are included as an example of other factors that might be relevant to disclose.

### **Transition**

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments provide some transition reliefs regarding comparative and quantitative information as at the beginning of the annual reporting period and interim disclosures.

### **Other EY publications**

*IFRS Developments Issue 217: Supplier finance arrangements - new disclosure requirements* (May 2023) EYG No. 005172-23Gbl





## ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28***

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. Key requirements

The amendments address the conflict between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 *Business combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

### **Transition**

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

### **Impact**

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.



## Section 2: IFRS Interpretations Committee's agenda decisions since 1 January 2022

Certain items deliberated by the IFRS IC are published within the 'Committee agenda decisions' section of the IASB's *IFRIC Update*. Agenda decisions are issues that the IFRS IC decides not to add to its agenda and include the reasons for not doing so. For some of these items, the IFRS IC includes further information and explanatory material about how the standards should be applied. Before an agenda decision is published, the Board is asked whether it objects to the agenda decision. If four or more Board members object, the agenda decision will not be published and the Board decides how to proceed.

Whilst agenda decisions (including any explanatory material contained within them) do not add to or change requirements in IFRS standards, the explanatory material derives its authority from IFRS standards. Accordingly, an entity is required to apply IFRS standards, reflecting the explanatory material in an applicable agenda decision.

The table below provides an overview of the topics that the IFRS IC decided not to take onto its agenda for the period from 1 January 2022 to 30 June 2023. For agenda decisions published before 1 January 2022, please refer to previous editions of *IFRS Update*. All items considered by the IFRS IC during its meetings, as well as the full text of its conclusions, can be found in the *IFRIC Update* on the IASB's website.<sup>5</sup>

According to the IFRS IC, 'the process for publishing an agenda decision might often result in explanatory material that provides new information that was not otherwise available and could not otherwise reasonably have been expected to be obtained. Because of this, an entity might determine that it needs to change an accounting policy as a result of an agenda decision. The Board expects that an entity would be entitled to sufficient time to make that determination and implement any change (for example, an entity may need to obtain new information or adapt its systems to implement a change).'

Agenda decision	Relates to	Date
<a href="#">TLTRO III Transactions</a>	IFRS 9 <i>Financial Instruments</i> and IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	March 2022
<a href="#">Demand Deposits with Restrictions on Use arising from a Contract with a Third Party</a>	IAS 7 <i>Statement of Cash Flows</i>	April 2022
<a href="#">Principal versus Agent: Software Reseller</a>	IFRS 15 <i>Revenue from Contracts with Customers</i>	May 2022
<a href="#">Negative Low Emission Vehicle Credits</a>	IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	July 2022
<a href="#">Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity</a>	IAS 32 <i>Financial Instruments: Presentation</i>	July 2022
<a href="#">Transfer of Insurance Coverage under a Group of Annuity Contracts</a>	IFRS 17 <i>Insurance Contracts</i>	July 2022
<a href="#">Lessor Forgiveness of Lease Payments</a>	IFRS 9 <i>Financial Instruments</i> and IFRS 16 <i>Leases</i>	October 2022
<a href="#">Multi-currency Groups of Insurance Contracts</a>	IFRS 17 <i>Insurance Contracts</i> and IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	October 2022
<a href="#">Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition</a>	IFRS 2 <i>Share-based Payment</i> and IAS 32 <i>Financial Instruments: Presentation</i>	October 2022
<a href="#">Definition of a Lease—Substitution Rights</a>	IFRS 16 <i>Leases</i>	April 2023

<sup>5</sup> The *IFRIC Update* is available at <http://www.ifrs.org/news-and-events/updates/ifric-updates/>.

## Section 3: IASB work programme

The table below sets out the estimated timeline for the projects on the IASB's work plan as at 30 June 2023.

IASB projects	Next milestone	Expected date
<b>Application questions</b>		
<a href="#">Consolidation of a Non-hyperinflationary Subsidiary by a Hyperinflationary Parent (IAS 21 and IAS 29)</a>	Decide Project Direction	-
<a href="#">Guarantee over a Derivative Contract (IFRS 9)</a>	Tentative Agenda Decision Feedback	September 2023
<a href="#">Homes and Home Loans Provided to Employees</a>	Tentative Agenda Decision Feedback	September 2023
<a href="#">Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)</a>	Tentative Agenda Decision Feedback	September 2023
<a href="#">Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27)</a>	Tentative Agenda Decision Feedback	Q4 2023
<b>Maintenance projects</b>		
<a href="#">Amendments to the Classification and Measurement of Financial Instruments</a>	Exposure Draft Feedback	September 2023
<a href="#">Amendments to the IFRS for SMEs Accounting Standard—International Tax Reform—Pillar Two Model Rules</a>	Exposure Draft Feedback	August 2023
<a href="#">Annual Improvements to IFRS Accounting Standards—Cost Method (Amendments to IAS 7)</a>	Exposure Draft	September 2023
<a href="#">Annual Improvements to IFRS Accounting Standards—Credit Risk Disclosures (Amendments to Illustrative Examples accompanying IFRS 7)</a>	Exposure Draft	September 2023
<a href="#">Annual Improvements to IFRS Accounting Standards—Determination of a 'De Facto Agent' (Amendments to IFRS 10)</a>	Exposure Draft	September 2023
<a href="#">Annual Improvements to IFRS Accounting Standards—Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Illustrative Guidance accompanying IFRS 7)</a>	Exposure Draft	September 2023
<a href="#">Annual Improvements to IFRS Accounting Standards—Gain or Loss on Derecognition (Amendments to IFRS 7)</a>	Exposure Draft	September 2023
<a href="#">Annual Improvements to IFRS Accounting Standards—Hedge Accounting by a First-time Adopter (Amendments to IFRS 1)</a>	Exposure Draft	September 2023
<a href="#">Annual Improvements to IFRS Accounting Standards—Lessee Derecognition of Lease Liabilities (Amendments to IFRS 9)</a>	Exposure Draft	September 2023
<a href="#">Annual Improvements to IFRS Accounting Standards—Transaction Price (Amendments to IFRS 9)</a>	Exposure Draft	September 2023
<a href="#">Climate-related Risks in the Financial Statements</a>	Review research	September 2023
<a href="#">Lack of Exchangeability (Amendments to IAS 21)</a>	IFRS Accounting Standard Amendment	August 2023
<a href="#">Provisions—Targeted Improvements</a>	Decide Project Direction	H2 2023

IASB projects	Next milestone	Expected date
<b>Research projects</b>		
<a href="#">Business Combinations under Common Control</a>	Decide Project Direction	September 2023
<a href="#">Extractive Activities</a>	Decide Project Direction	September 2023
<a href="#">Post-implementation Review of IFRS 15 Revenue from Contracts with Customers</a>	Request for Information feedback	H1 2024
<a href="#">Post-implementation Review of IFRS 9–Impairment</a>	Request for Information feedback	Q4 2023
<b>Standard-setting and related projects</b>		
<a href="#">Business Combinations–Disclosures, Goodwill and Impairment</a>	Exposure Draft	H1 2024
<a href="#">Disclosure Initiative–Subsidiaries without Public Accountability: Disclosures</a>	IFRS Accounting Standard	2024
<a href="#">Dynamic Risk Management</a>	Exposure Draft	2025
<a href="#">Equity Method</a>	Exposure Draft	2024
<a href="#">Financial Instruments with Characteristics of Equity</a>	Exposure Draft	Q4 2023
<a href="#">Management Commentary</a>	Decide Project Direction	H2 2023
<a href="#">Primary Financial Statements</a>	IFRS Accounting Standard	2024
<a href="#">Rate-regulated Activities</a>	IFRS Accounting Standard	2025
<a href="#">Second Comprehensive Review of the IFRS for SMEs Accounting Standard</a>	IFRS Accounting Standard	2025

## Section 4: EY publications, videos and podcasts

The table below a selection of useful IFRS publications, videos and podcasts that EY published between 1 January 2021 and 30 June 2023.

### **EY Core Tools**

[International GAAP® 2023](#)

[Good Group \(International\) Limited - December 2022](#)

[Good Group \(International\) Limited Alternative Format - \(December 2021\)](#)

[Good Group: Interim Financial Statements - February 2023](#)

[International GAAP® Disclosure Checklist for Annual Financial Statements](#)

[International GAAP® Disclosure Checklist for Interim Financial Statements](#)

[IFRS Update: Standards and interpretations in issue 31 March 2023](#)

*Good Group (International) Limited is supplemented by illustrative financial statements that are aimed at specific sectors and circumstances, which are listed in the Introduction.*

### **Applying IFRS**

[IAS 34 interim reporting in 2023 - disclosures on IFRS 17 and IFRS 9](#)

[IFRS 9 Post Implementation Review - progress to date](#)

[Accounting for SPACs \(Updated January 2023\)](#)

[Accounting for climate change \(Updated December 2022\)](#)

[The IASB has outlined its proposed new dynamic risk management accounting model](#)

[Disclosure of accounting policy information](#)

[Financial instruments with characteristics of equity \(FICE\)](#)

[Accounting considerations for the war in Ukraine](#)

[IBOR Reform \(Updated December 2021\)](#)

[A closer look at IFRS 15, the revenue recognition standard \(Updated October 2021\)](#)

[Accounting by holders of crypto-assets \(Updated October 2021\)](#)

[Energy Transition: carbon capture and storage accounting considerations](#)

[Energy Transition - lease considerations in respect of power purchase agreements](#)

[Accounting for cloud computing costs](#)

[Impairment for lessees that plan to reduce the use of real estate](#)

### **IFRS Developments**

[218: Amendments to IAS 12: International Tax Reform Pillar Two Model Rules](#)

[217: Supplier finance arrangements - new disclosure requirements](#)

[216: IFRS IC agenda decision: Definition of a Lease – Substitution Rights \(IFRS 16 Leases\)](#)

[215: Hyperinflationary economies \(Updated April 2023\)](#)

[214: Accounting for Pillar Two income taxes before IAS 12 is amended](#)

[213: IASB's Exposure Draft of proposed amendments to the Classification and Measurement requirements of IFRS 9](#)

[212: New guidance for developing disclosure requirements](#)

[209: The IASB amends the requirements for classification of noncurrent liabilities with covenants](#)

[208: IASB considers IFRS IC Agenda Decision: cash received via electronic transfer](#)

[207: Hyperinflationary economies \(Updated October 2022\)](#)

[206: IASB amends IFRS 16 for lease liability measurement in a sale and leaseback transaction](#)

[205: IASB proposes to update the IFRS for SMEs Accounting Standard](#)

[204: Third Agenda Consultation - IASB issues Feedback Statement](#)

[203: OECD BEPS Pillar Two - Global Anti-Base Erosion Rules: Accounting implications](#)

[202: IASB concludes Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12](#)  
[200: Supplier finance arrangements - IASB proposes additional disclosure requirements](#)  
[199: Accounting for trees held to generate carbon offsets for use or sale](#)  
[196: IFRS Foundation establishes the International Sustainability Standards Board](#)  
[195: IFRS IC tentative agenda decision: cash received via electronic transfer](#)  
[194: Subsidiaries without public accountability: disclosures](#)  
[193: Costs necessary to sell inventories](#)  
[192: IASB proposes a new framework for management commentary](#)  
[191: IASB clarifies deferred tax accounting for leases and decommissioning](#)  
[188: Disclosure requirements in IFRS Standards - a pilot approach](#)  
[187: The Disclosure Initiative - IASB amends the accounting policy requirements](#)  
[186: The IASB defines accounting estimates](#)  
[184: IASB issues Exposure Draft on regulatory assets and regulatory liabilities](#)  
[183: Going concern - disclosure reminders issued by the IASB](#)  
[182: Agenda Decision on reverse factoring](#)

#### **Other publications**

[Insurance Accounting Alerts](#)  
[IFRS adopted by the European Union \(31 December 2022\)](#)  
[Interim reporting and IFRS 17](#)  
[US GAAP v. IFRS: The Basics](#)

#### **Videos**

[Applying IFRS - IBOR reform - Year-end considerations](#)  
[Expected credit losses \(ECL\) disclosures for banks](#)  
[Regulatory assets and regulatory liabilities](#)

#### **Podcasts**

[What to know about rehabilitation provisions in mining and metals](#)  
[How ESG risks and opportunities impact mining and metals](#)



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