IFRS Core Tools

IFRS Update of standards and interpretations in issue at 31 December 2023

Building a better working world

Contents

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 31 December 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*[1] 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 31 December 2023.

Section 4 provides a selection of useful IFRS publications, videos and podcasts that EY published between 1 January 2021 and 31 December 2023.

IFRS Core Tools

EY's *IFRS Core Tools*[2] 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 30 June 2024, and disclosures that are permitted to be adopted early. These disclosure requirements are for all pronouncements issued as at 31 August 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 2023 and effective for the year ended 31 December 2023. *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.

1 IFRS - IFRS® Interpretations Committee Updates

2 EY's Core Tools - 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 – Alternative Format
- 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 2023)
- 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[3]

Our *International GAAP® 2023* is a comprehensive guide to interpreting and implementing IFRS.[4] 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.

[3] International GAAP® is a registered trademark of Ernst & Young LLP (UK).

[4] International GAAP® 2023 - The global perspective on IFRS | EY - Global.

Section 1: New pronouncements issued as at 31 December 2023

Table of mandatory application

			First time applied in annual periods ending on the last day of these months**											
New pronouncement	Page	Effective date*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
IFRS 17 *Insurance Contracts*	5	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	7	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
Definition of Accounting Estimates - Amendments to IAS 8	8	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	8	1 Jan 2023	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2024	2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	9	Note 1	2024	2024	2024	2024	2023	2023	2023	2023	2023	2023	2023	2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	10	1 Jan 2024	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	11	1 Jan 2024	*2025*	*2025*	*2025*	*2025*	*2025*	*2025*	*2025*	*2025*	*2025*	*2025*	*2025*	*2024*
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	11	1 Jan 2024	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2025	2024
Lack of exchangeability – Amendments to IAS 21	12	1 Jan 2025	2026	2026	2026	2026	2026	2026	2026	2026	2026	2026	2026	2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	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. IFRS 17 replaces 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 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 were 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.

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).

Impact

IFRS 17, together with IFRS 9, results 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 going forwards. 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 previous models. Key performance indicators will also likely be affected.

Other EY publications

Insurance Accounting Alert (September 2023)
EYG no. 009015-23Gbl

Market update on impact of IFRS 17 and IFRS 9 (July 2023)
EYG no. 007242-23Gbl

IAS 34 interim reporting in 2023 – disclosures on IFRS 17 and IFRS 9 (May 2023) EYG no. 004314-23Gbl

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

Good Group (International) Limited December 2023 - Appendix 4 Material accounting policy information – an illustrative example

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. 001259-21Gbl

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. 004619-21Gbl

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

Applying IFRS – International Tax Reform – Pillar Two Disclosures (November 2023) EYG No. 011096-23Gbl

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 retrospectively. 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

Lack of exchangeability – Amendments to IAS 21

Effective for annual periods beginning on or after 1 January 2025.

Key requirements

In August 2023, the Board issued *Lack of Exchangeability* (Amendments to IAS 21).

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

Disclosure requirements

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

Transition

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.

When applying the amendments, an entity cannot restate comparative information.

Other EY publications

IFRS Developments Issue 220: Amendments to IAS 21: Lack of Exchangeability (September 2023) EYG No. 008283-23Gbl

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 31 December 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.[5]

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

5 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 31 December 2023.

IASB projects	Next milestone	Expected date
Application questions		
Climate-related Commitments (IAS 37)	Tentative Agenda Decision Feedback	March 2024
Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8)	Tentative Agenda Decision Feedback	March 2024
Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27)	Agenda Decision	January 2024
Payments Contingent on Continued Employment during Handover Periods (IFRS 3)	Tentative Agenda Decision Feedback	March 2024
Maintenance projects		
Addendum to the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard	Exposure Draft	Q2 2024
Amendments to the Classification and Measurement of Financial Instruments	Final Amendment	Q2 2024
Annual Improvements to IFRS Accounting Standards–Cost Method (Amendments to IAS 7)	Exposure Draft Feedback	February 2024
Annual Improvements to IFRS Accounting Standards–Derecognition of Lease Liabilities (Amendments to IFRS 9)	Exposure Draft Feedback	February 2024
Annual Improvements to IFRS Accounting Standards–Determination of a 'De Facto Agent' (Amendments to IFRS 10)	Exposure Draft Feedback	February 2024
Annual Improvements to IFRS Accounting Standards–Disclosure of Deferred Difference between Fair Value and Transaction Price (Amendments to Illustrative Guidance accompanying IFRS 7)	Exposure Draft Feedback	February 2024
Annual Improvements to IFRS Accounting Standards–Gain or Loss on Derecognition (Amendments to IFRS 7)	Exposure Draft Feedback	February 2024
Annual Improvements to IFRS Accounting Standards–Hedge Accounting by a First-time Adopter (Amendments to IFRS 1)	Exposure Draft Feedback	February 2024
Annual Improvements to IFRS Accounting Standards–Introduction and Credit Risk Disclosures (Amendments to Illustrative Examples accompanying IFRS 7)	Exposure Draft Feedback	February 2024
Annual Improvements to IFRS Accounting Standards–Transaction Price (Amendments to IFRS 9)	Exposure Draft Feedback	February 2024
Climate-related and Other Uncertainties in the Financial Statements	Decide project direction	Q2 2024
Power Purchase Agreements	Exposure Draft	Q2 2024

IASB projects	Next milestone	Expected date
Provisions—Targeted Improvements	Exposure Draft	H2 2024
Updating the Subsidiaries without Public Accountability: Disclosures Standard	Exposure Draft	H2 2024
Use of a Hyperinflationary Presentation Currency by a Non-hyperinflationary Entity (IAS 21)	Exposure Draft	H2 2024
Research projects		
Business Combinations under Common Control	Project Summary	Q2 2024
Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	Request for Information feedback	January 2024
Post-implementation Review of IFRS 9—Impairment	Project Summary	H2 2024
Standard-setting and related projects		
Business Combinations—Disclosures, Goodwill and Impairment	Exposure Draft	March 2024
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	IFRS Accounting Standard	Q2 2024
Dynamic Risk Management	Exposure Draft	H1 2025
Equity Method	Exposure Draft	H2 2024
Financial Instruments with Characteristics of Equity	Exposure Draft Feedback	Q2 2024
Management Commentary	Decide Project Direction	Q2 2024
Primary Financial Statements	IFRS Accounting Standard	Q2 2024
Rate-regulated Activities	IFRS Accounting Standard	2025
Second Comprehensive Review of the IFRS for SMEs Accounting Standard	IFRS for SMEs Accounting Standard	H2 2024

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 31 December 2023.

EY Core Tools

International GAAP® 2023

Good Group International Limited December 2023

Good Group (International) Limited - Alternative Format December 2023

Good Group: Interim Financial Statements – February 2023

International GAAP® Disclosure Checklist for Annual Financial Statements

International GAAP® Disclosure Checklist for Interim Financial Statements

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

IASB continues to develop its DRM accounting model

International Tax Reform - Pillar Two Disclosures

Accounting for Climate Change (Updated August 2023)

Accounting considerations related to economic volatility

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)

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)

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

221: Hyperinflationary economies (Updated October 2023)

220: Amendments to IAS 21: Lack of Exchangeability

219: IASB issues Request for Information for the PIR of IFRS 15

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

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 Alert September 2023

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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A global set of accounting and sustainability disclosure standards provides the global economy with one measure to assess and compare the financial position and performance of entities, and the sustainability-related factors affecting them. For entities applying or transitioning to International Financial Reporting Standards (IFRS) — which includes IFRS Accounting Standards and IFRS Sustainability Disclosure Standards (collectively, IFRS Standards) — authoritative and timely guidance is essential to navigating IFRS Standards that continue to develop and evolve. The EY Global Corporate Reporting Services Group has helped develop international resources — people and knowledge — to support the application and interpretation of IFRS accounting and sustainability disclosure standards. In doing so, the EY Global Corporate Reporting Services Group provides deep subject matter knowledge and broad sector experience to the market, including the latest insights from the global EY network.

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