HKFRS / IFRS UPDATE 2023/06

August 2023

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30 JUNE 2023 PERIOD-END HKFRS/IFRS ACCOUNTING STANDARDS UPDATE

The IASB has issued two new amendments to IFRS Accounting Standards in the first half of 2023. Appended to this *HKFRS/IFRS Update* is a newsletter published by BDO Global which contains a summary of IFRS Accounting Standards and amendments that are mandatorily effective from 1 January 2023 onwards. All the corresponding amendments to HKFRSs have the same effective dates as those amendments to IFRS Accounting Standards, except for one exception related to the Amendments to IAS 12 *Income Taxes*.

The Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules*, issued in May 2023 and as outlined in the table 'Standards and Amendments Mandatorily Effective from 1 January 2023' on page 3 of the Appendix, introduce a temporary mandatory exception to the requirements of IAS 12 from recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes. The scope exception and disclosure of the fact of application of the exception are effective immediately upon issue of the amendments and retrospectively. The other disclosure requirements are applicable for annual periods beginning on or after 1 January 2023. In July 2023, the HKICPA published the equivalent Amendments, in which the scope exception and disclosure of the fact of application of the exception are immediately effective upon the issue of the amendments on 21 July 2023.

Another amendment, as outlined in the table 'Standards and Amendments Mandatorily Effective from 1 January 2023' on pages 2-3 of the Appendix, is Amendment to IAS 1 *Presentation of Financial Statements*. This amendment changes the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on assessing whether accounting policy information is material (together referred to as 'Amendments to IAS 1'). The IASB has issued 2 Practice Statements of which the HKICPA has not adopted in Hong Kong until the HKICPA considered the IASB has completed its planned materiality-related project when IASB published the Amendments to IAS 1 in February 2021. In March 2021, the HKICPA issued HKFRS Practice Statement 2 *Making Materiality Judgements*, and revised the Statement in April 2021. HKFRS Practice Statement 2 is adopted from and equivalent to IFRS Practice Statement 2 of the same title, which was issued by the IASB in September 2017. The aim of Practice Statement 2 is to provide reporting entities with guidance on making materiality judgements when preparing general purpose financial statements in accordance with HKFRS or IFRS Accounting Standards, as applicable. A Practice Statement is non-mandatory guidance and it is not an accounting standard. Therefore, its application is not required to state compliance with HKFRS or IFRS Accounting Standards, as applicable and no mandatory adoption date is specified. An entity that chooses to apply the guidance in the Practice Statement is permitted to do so for financial statements prepared from the published statement or published amendments to the Statements. Where the Practice Statement 2 could provide additional information for entities making a materiality assessment, entities should apply the guidance carefully after a thorough examination of their particular fact and circumstance.

Other amendments in the table 'Standards and Amendments Mandatorily Effective from 1 January 2024' on page 3 of the Appendix is IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current*. As a consequence of the corresponding amendments to HKAS 1, the HKICPA updated HK Interpretation 5 (Revised) *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* (HK Int 5) in October 2020 and December 2022 and revised Questions & Answers for HK Int 5 in December 2022. The HKICPA concluded that these amendments do not change the conclusions in HK Int 5 when they are applied as a package.

The Appendix contains a summary of the IFRS Interpretation Committee agenda decisions in the first half of 2023 on pages 8 - 9. Entities are required to apply the approach set out in the agenda decisions and the implementation of any necessary changes in the accounting should be on a timely basis before entities are able to assert compliance with HKFRS/IFRS Accounting Standards.

The Appendix to this *Update* also summaries the IASB standard-setting projects, maintenance projects and research projects. The information is useful to keep you abreast of the current developments.

BDO'S SUPPORT AND ASSISTANCE ON HKFRS/IFRS ACCOUNTING STANDARDS

For any support and assistance on HKFRS/IFRS Accounting Standards, please talk to your usual BDO contact or email info@bdo.com.hk

Click **here** for more BDO publications on HKFRS/IFRS Accounting Standards.

30 JUNE 2023 PERIOD-END IFRS ACCOUNTING STANDARDS UPDATE

INTERNATIONAL FINANCIAL REPORTING BULLETIN

2023/07

APPENDIX

August 2023

BDO

BACKGROUND

The International Accounting Standards Board (IASB) issued several exposure drafts and amendments to existing IFRS Accounting Standards during the first half of 2023. The amendments and proposed changes are of varying levels of complexity.

This IFR Bulletin summarises the activities in standard setting as they relate to entities that apply IFRS Accounting Standards. It also includes summaries of standards that have been issued but are not yet effective. Entities must prepare for the implementation of these new standards and amendments and prepare disclosures of these future changes and known or reasonably estimable information about how the financial statements will be affected in the period of initial application (IAS 8.30).

EXECUTIVE SUMMARY

A new IFRS Accounting Standard, IFRS 17, and a number of amendments to IFRS Accounting Standards were effective on 1 January 2023.

Additionally, several new amendments to existing IFRS Accounting Standards are effective from 2023-2024.

This IFR Bulletin also contains summaries of recent publications and resources issued by BDO, which may assist entities in preparing their financial statements in accordance with IFRS Accounting Standards.

Information in this IFR Bulletin is current as of 30 June 2023. Although it is comprehensive, this summary is not exhaustive and does not include all standard setting activities of the IASB. For further information and guidance, please refer to BDO's Global IFRS Micro-site.

STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE ON OR AFTER 1 JANUARY 2023

IFRS ACCOUNTING STANDARDS	SUMMARY	MORE INFORMATION
IFRS 17 *Insurance Contracts*	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of: • Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract • Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and • Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the reporting period in profit or loss, or to recognise some in other comprehensive income. Subsequent to the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.	IFRS 17 At a Glance IFRB 2020/10 IASB Issues Amendments to IFRS 17, Insurance Contracts IFRB 2023/06 Implications of IFRS 17 for Non-insurers
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)	In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1	IFRB 2021/07 IASB issues amendments to IAS 1, IAS 8 and IFRS Practice Statement 2

IFRS ACCOUNTING STANDARDS	SUMMARY	MORE INFORMATION
	January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.	
Definition of Accounting Estimates (Amendment to IAS 8)	In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.	IFRB 2021/07 IASB issues amendments to IAS 1, IAS 8 and IFRS Practice Statement 2
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g., a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.	IFRB 2021/10 IASB issues amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12)	In December 2021, the Organisation for Economic Co-operation and Development (OECD) published Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS (Pillar Two model rules). In March 2022, the OECD released commentary and illustrative examples that elaborate on the application and operation of the rules and clarify certain terms. The Amendments create a temporary mandatory exception to the requirements of IAS 12 *Income Taxes* from recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes and provides for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes. The amendments issued in May 2023 are effective immediately and retrospectively in accordance with IAS 8, except for some disclosure requirements.	IFRB 2023/04 IASB issues Amendments to IAS 12 – *International Tax Reform - Pillar Two Model Rules*

STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE FROM 1 JANUARY 2024

IFRS ACCOUNTING STANDARDS	SUMMARY	MORE INFORMATION
Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	The IFRS Interpretations Committee issued an agenda decision in June 2020 – *Sale and leaseback with Variable Payments*. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in 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.	IFRB 2022/05 IASB Issues Amendments to IFRS 16 – *Lease Liability in a Sale and Leaseback*
IAS 1 *Presentation of Financial Statements* (Amendment – *Classification of Liabilities as Current or Non-Current*)	The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.	BDO E-learning course

IFRS ACCOUNTING STANDARDS	SUMMARY	MORE INFORMATION
IAS 1 *Presentation of Financial Statements* (*Amendment - Non-current Liabilities with Covenants*)	Subsequent to the release of amendments to IAS 1 *Classification of Liabilities as Current or Non-Current*, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current	IFRB 2022/07 IASB Issues Amendments to IAS 1 – *Non-Current Liabilities with Covenants*
IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* (Amendment – Supplier Finance Arrangements)	In May 2023, the IASB issued amendments to IAS 7 and IFRS 7. The amendments introduce additional disclosure requirements about an entity's supplier finance arrangements. The amendments also provide clarification on characteristics of supplier finance arrangements.	IFRB 2023/05 IASB Issues Amendments to IAS 7 & IFRS 7 – Supplier Finance Arrangements

IASB ACTIVITIES

New IFRS Accounting Standards and Amendments Issued in 2023

The following is a list of new IFRS Accounting Standards and amendments issued to existing IFRS Accounting Standards during 2023. A description of each item is included in the earlier section, organised by the effective date of each IFRS Accounting Standards and amendment.

IFRS Accounting Standards and amendments mandatorily effective for annual reporting periods beginning on or after 1 January 2024	MORE INFORMATION
International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12)	IFRB 2023/04 IASB issues Amendments to IAS 12 – *International Tax Reform - Pillar Two Model Rules*
IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* (Amendment – Supplier Finance Arrangements)	IFRB 2023/05 IASB Issues Amendments to IAS 7 & IFRS 7 - Supplier Finance Arrangements

Standard-setting Projects

The following is a list and brief description of standard-setting projects ongoing in 2023, which may eventually lead to the publication of new IFRS Accounting Standards or significant amendments to existing IFRS Accounting Standards.

PROJECT	SUMMARY	MORE INFORMATION
Business Combinations - Disclosures, Goodwill and Impairment	The IASB is redeliberating feedback on the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*. In December 2022, after considering the feedback, the IASB decided to add this project to its standard-setting programme. The IASB is now working towards developing proposals to include in an Exposure Draft. In May 2023, the IASB tentatively decided to not pursue the introduction of an amortisation model for goodwill, retaining the 'impairment only' approach, which is consistent with decisions made by the US standard setter, the FASB.	IASB project page BDO comment letter on Discussion Paper
Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures	In July 2021, the International Accounting Standards Board (IASB) published the Exposure Draft Subsidiaries without Public Accountability: Disclosures. The Exposure Draft sets out the IASB's proposals for a new IFRS Accounting Standard. The deadline for submitting comments on the Exposure Draft was 31 January 2022. The IASB will consider feedback on the Exposure Draft in developing the new IFRS Accounting Standard. The new IFRS Accounting	IASB project page IFRB 2021/12 IASB publishes Exposure Draft - *Subsidiaries without Public Accountability: Disclosures*

PROJECT	SUMMARY	MORE INFORMATION
	Standard will reduce disclosure requirements for subsidiaries that are not traded on a public market, or holds assets entrusted to them by their customers. This Standard will enable those subsidiaries to prepare full IFRS financial statements locally by using the information reported to their parent company but with reduced disclosures.	BDO comment letter on Exposure Draft
Disclosure Initiative - Targeted Standards-level Review of Disclosures	In March 2021, the IASB published the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*. The Exposure Draft sets out a proposed new approach to developing and drafting disclosure requirements in IFRS Accounting Standards as well as new disclosure requirements for IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*. The comment period for the Exposure Draft ended in January 2022. During the comment period, 50 companies participated in fieldwork by applying the proposed disclosure requirements for either or both of IFRS 13 and IAS 19. At its meeting in February 2022, the IASB discussed feedback from preparer fieldwork participants and users of financial statements. In March 2023 the IASB has completed its project and published Guidance for developing and drafting disclosure requirements in IFRS Accounting Standards (Guidance). This Guidance is designed to help the IASB develop IFRS Accounting Standards that would enable entities to make better judgements about which information is material and should be disclosed, thereby providing more useful information to investors.	IASB project page IFRB 2021/09 IASB publishes Exposure Draft - Disclosure Requirements in IFRS Standards – A Pilot Approach BDO comment letter on Exposure Draft
Dynamic Risk Management	The IASB developed and refined 'core areas' that are central to an accounting model (core model) that might enable investors to understand the effect of a company's dynamic risk management. The model's development reflects information gathered at meeting with banks that use dynamic risk management for repricing risk due to changes in interest rate. The project was added to the standard-setting programme in May 2022, and the IASB will discuss detailed project proposals at a future IASB meeting.	IASB project page
Equity method	The IASB concluded discussions on application questions, about the equity method as set out in IAS 28, for investments in associates. The IASB will continue its discussions on the project, including on the implications of applying its tentative decisions to investments other than those in associates accounted for using the equity method. ▪ At its April 2023 meeting, the IASB decided to move the Equity Method research project to its standard-setting work plan, work towards publishing an exposure draft as the next due process step and continue to use the expertise of its advisory bodies instead of establishing a consultative group. In July 2023, the IASB met to continue its discussions on application questions within the scope of the Equity Method project.	IASB project page
Financial Instruments with Characteristics of Equity	The IASB tentatively decided to explore making clarifying amendments to IAS 32 Financial Instruments: Presentation to address common accounting challenges that arise in practice when applying IAS 32. The IASB aims to address those challenges by clarifying some underlying principles in IAS 32 and adding application guidance to facilitate consistent application of those principles. In addition, it intends to further develop some presentation and disclosure requirements. The IASB'S tentative decisions were made after considering feedback on the Discussion Paper *Financial Instruments with Characteristics of Equity*, which was published in June 2018. The Discussion Paper set out the IASB's preferred approach to classification of a financial instrument, as a financial liability or an equity instrument, from an issuer's perspective. The IASB also explored enhanced presentation and disclosure requirements that would provide further information about financial instruments' effects on an issuer's financial position and financial performance. In May 2023, the IASB tentatively decided to propose consequential amendments to be made to the IFRS Accounting Standard Subsidiaries without Public Accountability after it has been issued.	IASB project page
Management Commentary	Management commentary is a narrative report that complements financial statements and is required in many jurisdictions by regulators. Alternative terms include management discussion and analysis ('MD&A'), strategic report, annual report, etc. In May 2021, the IASB published the Exposure Draft *Management Commentary*, which sets out the Board's proposals for a comprehensive new framework for preparing management commentary. The proposed framework sets out disclosure objectives for information about the	IASB project page BDO comment letter on Exposure Draft

PROJECT	SUMMARY	MORE INFORMATION
	company's business model, strategy, resources and relationships, risks, external environment and financial performance and position. The proposed framework would replace IFRS Practice Statement 1 *Management Commentary*. In March and April 2022, the IASB discussed feedback on the Exposure Draft *Management Commentary*, published in May 2021. The Exposure Draft sets out the IASB's proposals for a comprehensive overhaul of IFRS Practice Statement 1 *Management Commentary*. In December 2022, the ISSB decided to seek feedback in the request for information on its Agenda Consultation regarding a potential joint project with the IASB on connectivity in reporting, building on the IASB's Management Commentary project and the Integrated Reporting Framework.	
Primary Financial Statements	In December 2019, the IASB published an Exposure Draft, *General Presentation and Disclosures*. This Exposure Draft proposes replacing IAS 1 with a new standard, which would incorporate many aspects of IAS 1 without substantial changes, while introducing significant changes to certain requirements. These include the classification of items of income and expense into categories in the statement of comprehensive income, the requirement to disclose management performance measures ('MPMs') in the financial statements with reconciliations to figures in the financial statements as well as other changes. In June 2023, the IASB concluded its decision-making and tentatively decided: • To clarify certain items in the statement of profit or loss; • The effective date will be for annual reporting periods on or after 1 January 2027 with early application permitted; and • To require an entity, that has not applied the new Primary Financial Statements (PFS) standard before its effective date and presents subtotals which are labelled the same as required subtotals in the new PFS standard, to disclose the fact that subtotals presented may not be the same as subtotals had the requirements in the new PFS standard been applied.	IASB project page BDO comment letter on Exposure Draft
Rate-Regulated Activities	The IASB is exploring a project to develop an accounting model that will require rate-regulated companies to provide information about their incremental rights to add amounts and incremental obligations to deduct amounts, in determining the future rates to be charged to customers as a result of goods or services already supplies. An example of such operations includes many public utilities. In January 2021, the IASB published the Exposure Draft Regulatory Assets and Regulatory Liabilities, which proposes the requirement to recognise regulatory assets and regulatory liabilities in the balance sheet, and related regulatory income and regulatory expense in the income statement. The IASB is redeliberating proposals in the Exposure Draft Regulatory Assets and Regulatory Liabilities. If issued as a new IFRS Accounting Standard, the proposals would replace IFRS 14 Regulatory Deferral Accounts. The IASB discussed feedback on the Exposure Draft in October and November 2021. The IASB met during 2022 and continues to meet during 2023 to discuss redeliberation of the proposals in its Exposure Draft.	IASB project page IFRB 2021/04 IASB publishes Exposure Draft - *Regulatory Assets and Regulatory Liabilities* BDO comment letter on Exposure Draft
Second Comprehensive Review of the *IFRS for SMEs* Standard	The *IFRS for SMEs* have not been amended since 2015, with changes made at that time being effective for annual periods beginning on or after 1 January 2017. Since then, significant new IFRSs have become effective (e.g., IFRS 9, 15, 16, etc.) for full IFRS Accounting Standards, which has increased the recognition and measurement differences between full IFRS and the IFRS for SMEs. As part of the second comprehensive review of the *IFRS for SMEs* Standard, the IASB published a Request for Information (RFI) to seek views on whether and how to align the *IFRS for SMEs* Standard with full IFRS Standards. In September 2022, the International Accounting Standards Board (IASB) published the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard as part of its second comprehensive review of the Standard. The Exposure Draft proposes amendments to the IFRS for SMEs Accounting Standard to reflect improvements that have been made in full IFRS Accounting Standards (in the scope of the second comprehensive review) while keeping the Standard simple. Comments on the Exposure Draft were due by 7 March 2023. In June 2023, the IASB decided to make certain changes	IASB project page

PROJECT	SUMMARY	MORE INFORMATION
	to the proposed amendments that clarify the definition of public accountability.	

Maintenance Projects

The following is a list and brief description of maintenance projects ongoing in 2023, which are generally targeted or narrow-scope amendments to existing IFRS Accounting Standards. The IASB has many maintenance projects ongoing, and this is only a summary of some of the most significant projects. A complete list may be accessed here.

PROJECT	SUMMARY	MORE INFORMATION
Amendments to the Classification and Measurement of Financial Instruments	In May 2022, the IASB decided to add a maintenance project to its work plan to make narrow-scope amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures in response to the post-implementation review of the classification and measurement requirements. In October 2022, the IASB tentatively decided to make further amendments relating to the derecognition of financial liabilities through electronic cash transfers and the disclosure requirements for equity investments to which an entity applies the presentation option to present fair value changes in other comprehensive income. The IASB published the Exposure Draft, Amendments to the Classification and Measurement of Financial Instruments, in March 2023. The Exposure Draft was open for comment until 19 July 2023.	IASB project page BDO comment letter on Exposure Draft
Amendments to IFRS for SMEs Accounting Standards - International Tax Reform - Pillar Two Model Rules	On 1 June 2023 the International Accounting Standards Board (IASB) published the Exposure Draft *International Tax Reform—Pillar Two Model Rules—Proposed Amendments* to the IFRS for SMEs Standard. The IASB met on 3 May 2023 to discuss narrow-scope amendments to Section 29 of the *IFRS for SMEs* Accounting Standard ('Income Tax'), after its tentative decisions to finalise the amendments to IAS 12 *Income Taxes* proposed in the Exposure Draft *International Tax Reform—Pillar Two Model Rules*.	IASB project page IFRB 2023/04 - IASB Issues Amendments to IAS 12 - International Tax Reform - Pillar Two Model
Climate-related Risks in the Financial Statements	On 20 March 2023 the IASB met to commence its narrow-scope maintenance project on Climate-related Risks in the Financial Statements and to discuss the initial work it will do.	IASB project page
Lack of Exchangeability (Amendments to IAS 21)	At present, IAS 21 does not set out the exchange rate to be used when there is lack of exchangeability between two currencies e.g., when a currency cannot be converted into a foreign currency. In April 2021, the IASB published the Exposure Draft *Lack of Exchangeability*, which proposes amendments to IAS 21. The proposed amendments seek to help entities identify when a lack of exchangeability exists and to clarify the accounting to be applied in such cases. In February 2023, the IASB discussed its proposed amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates and tentatively decided: • to proceed with the proposed amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards; and • not to make amendments to IFRS 13 Fair Value Measurement.	IASB project page BDO comment letter on Exposure Draft
Provisions - Targeted Improvements	In April 2023, the IASB discussed possible amendments to the requirements and guidance supporting one criterion for recognising a provision—the criterion that an entity has a present obligation as a result of a past event.	IASB project page

Research Projects

The following is a list and brief description of research projects ongoing in 2023, which are projects in the early stage before the IASB develops a new IFRS Accounting Standard or an amendment. It is during the research stage that many significant and fundamental decisions are made about standard setting. The IASB has many research projects ongoing, and this is only a summary of some of the most significant projects. A complete list may be accessed here.

PROJECT	SUMMARY	MORE INFORMATION
Discussion Paper: Business Combinations under Common Control	IFRS 3 does not currently specify how an entity accounts for a business combination under common control ('BCUCC'), for example, an entity obtaining control of a company which has the same parent. In November 2020, the IASB issued a discussion paper exploring potential approaches that might be proposed to reduce diversity in practice and improve transparency. The comment period for the discussion paper ended on 1 September 2021. At its December 2021 and January 2022 meetings the International Accounting Standards Board (IASB) discussed feedback on the Discussion Paper. This feedback will help the IASB decide whether and, if so, how to develop detailed proposals based on the preliminary views in the Discussion Paper.	IASB project page BDO comment letter on Discussion Paper
Extractive Activities	The IASB is exploring whether to develop requirements or guidance to improve an entity's disclosures about its exploration and evaluation expenditure and activities. The IASB is also exploring whether to remove the temporary status of IFRS 6 *Exploration for and Evaluation of Mineral Resources*. The IASB is researching what information users of financial statements need about exploration and evaluation expenditure and activities, why they do not currently get that information, and the costs and benefits of requiring an entity to provide that information.	IASB project page
Post-implementation Review of IFRS 9 - Impairment	The IASB decided to begin the Post-implementation Review (PIR) of the IFRS 9 *Financial Instruments impairment* requirements in the second half of 2022. In May 2023, the IASB published the Request for Information to seek stakeholders' views on the impairment requirements in IFRS 9 and the related disclosures. The comment period closes on 27 September 2023.	IASB project page
Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*	The IASB began the PIR of IFRS 15 in the second half of 2022. In June 2023, the IASB published the Request for Information to seek stakeholders' views on the requirements in IFRS 15. The comment period closes on 27 October 2023.	IASB project page

IFRS INTERPRETATIONS COMMITTEE ACTIVITIES

The IFRS Interpretations Committee ('the Committee') publishes agenda decisions after it determines there is sufficient guidance within existing IFRS Accounting Standards requirements to determine the appropriate accounting treatment. The Committee may also issue authoritative interpretations in the form of 'IFRICs', the most recent of which is IFRIC 23 *Uncertainty over Income Tax Treatments,* which became effective for annual periods beginning on or after 1 January 2019.

IFRIC agenda decisions typically contain an explanation of how the requirements of IFRS Accounting Standards are applied to a particular fact pattern. Consequently, agenda decisions set out the required approach to be followed, not an optional one, and regulators and enforcers worldwide take this view.

In August 2020, the IFRS Foundation's Due Process Handbook was amended. As part of those amendments, it is noted explicitly that although agenda decisions cannot add or change requirements in IFRS Accounting Standards, they explain how the applicable principles and requirements in IFRS Accounting Standards apply to the transaction or fact pattern that is described in the agenda decision. Because this explanation is derived from the principles and requirements in IFRS Accounting Standards, it follows that to assert compliance with IFRS Accounting Standards entities are required to apply the approach set out in agenda decisions.

The amendments also clarified how agenda decisions should be implemented by entities. Firstly, because the explanatory material in an agenda decision might change an entity's understanding of how the principles and requirements in IFRS Accounting Standards are required to be applied, it may be determined that an agenda decision results in a change in accounting policy for that entity (subject to the question of whether the previous accounting approach was clearly an error). Section 8.6 of the Due Process Handbook also states that it is expected that an entity would be entitled to sufficient time to make the determination of the effect that an agenda decision has and to implement any necessary changes in its accounting. Therefore, while agenda decisions do not have effective dates or transitional provisions, an entity would not be required to implement an agenda decision before it has had sufficient time to assess its impact and implement the appropriate changes to systems and processes. While the question of what constitutes 'sufficient time' is a matter of judgement, the Due Process Handbook is clear that an entity would be expected to implement any changes on a timely basis. We would expect that entities would implement any changes in their next annual or interim financial statements other than in circumstances, for example, when an agenda decision is published only a few weeks before a reporting date and where a significant amount of work is required to implement the required changes. If an agenda decision is not being implemented in the next annual or interim financial statements, disclosures need to be made about the existence of the agenda decision and the reason(s) why it is not being implemented immediately.

The amendments made to the Due Process Handbook in August 2020 also require that, in addition to the approval of the Committee, agenda decisions must also receive approval by the IASB to be published. If four or more Board members object, an agenda decision is not published, and the Board decides how to proceed. All the agenda decisions below have been approved by the IFRS Interpretations Committee and there were no objections from IASB Board members to the agenda decision that was considered in 2022 in accordance with the revised Due Process Handbook. Consequently, they have all been published and are applicable for the purpose of financial statements prepared in accordance with IFRS Accounting Standards.

AGENDA DECISION	SUMMARY	MORE INFORMATION
Definition of a Lease - Substitution Rights (IFRS 16 *Leases*)	The Committee received a request about how to assess whether a contract contains a lease. The request asked about: • At what level should an entity assess whether a contract contains a lease—by considering each asset separately or all assets together—when the contract is for the use of more than one similar asset; and • How should an entity assess whether a contract contains a lease applying IFRS 16 when the supplier has particular substitution rights—i.e., the supplier: ▪ Has the practical ability to substitute alternative assets throughout the period of use; but ▪ Would not benefit economically from the exercise of its right to substitute the asset throughout the period of use. In the fact pattern described: • The customer can benefit from use of each asset (a battery) together with other resources (a bus) available to it. • Each battery is neither highly dependent on, nor highly interrelated with, the other batteries in the contract. • The supplier has the practical ability to substitute alternative assets throughout the period of use. • supplier is not expected to benefit economically from exercising its right to substitute a battery for at least the first three years of the contract. The Committee concluded: • The customer assesses whether the contract contains a lease—including evaluating whether the supplier's substitution right is substantive—for each potential separate lease component, i.e., for each battery. • As the supplier is not expected to benefit economically from exercising its right to substitute a battery for at least the first three years of the contract, the supplier's substitution right is not substantive throughout the period of use. • Therefore, each battery is an identified asset. • To assess whether the contract contains a lease, the customer would then apply the requirements in IFRS 16.B21–B30 to assess whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from use, and direct the use, of each battery.	Published Agenda decision

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