

# HKFRS / IFRS UPDATE 2022/01

January 2022

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## 31 DECEMBER 2021 YEAR-END HKFRS / IFRS UPDATE



Appended to this *HKFRS/IFRS Update* is a newsletter published by BDO Global which contains a summary of IFRSs and amendments that are mandatorily effective from 1 January 2021 onwards. All the corresponding amendments to HKFRSs have the same effective dates as those amendments to IFRSs. One exception to note is the amendment to HKFRS 16 *Leases - COVID-19-Related Rent Concessions beyond 30 June 2021* was issued on 9 April 2021 whereas the amendment to IFRS 16 was issued on 31 March 2021. The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. Application is also permitted in financial statements of earlier periods not yet authorised for issue when the amendments were published.

On pages 9 & 10 of the Appendix is the summary of the IFRS Interpretation Committee agenda decisions in 2021. 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.

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

While there were no new standards issued in 2021, the HKICPA issued HKFRS Practice Statement 2 *Making Materiality Judgements* in March 2021, 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, 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, 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 Statement.

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## **BDO'S SUPPORT AND ASSISTANCE ON HKFRS/IFRS**

For any support and assistance on HKFRS/IFRS, please talk to your usual BDO contact or email [info@bdo.com.hk](mailto:info@bdo.com.hk)

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APPENDIX

# 31 DECEMBER 2021 YEAR-END IFRS UPDATE

INTERNATIONAL FINANCIAL REPORTING BULLETIN

2022/01



## BACKGROUND

The International Accounting Standards Board (IASB) issued several exposure drafts and amendments to existing IFRS Accounting Standards (IFRS) during the year 2021. The amendments and proposed changes are of varying levels of complexity, with some relating to topics beyond accounting standards. With regards to sustainability reporting, a number of steps have been taken including the formation of the International Sustainability Standards Board (ISSB) by the IFRS Foundation.

This IFR Bulletin summarises the activities in standard setting as they relate to entities that apply IFRS. 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).

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.

Information in this IFR Bulletin is current as of 31 December 2021. 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](#).

### EXECUTIVE SUMMARY

A number of amendments to IFRS are effective on 1 January 2021.

Additionally, several new IFRSs and amendments to existing IFRSs are effective from 2022-2023, including IFRS 17.

One significant development during the second half of the year had been the establishment of the International Sustainability Standards Board ('ISSB') by the IFRS Foundation including the release of two prototype sustainability standards on climate and general disclosure requirements.

## STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE FROM 1 JANUARY 2021

IFRS	SUMMARY	MORE INFORMATION
IBOR Reform and its Effects on Financial Reporting - Phase 2	In August 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These amendments complement those made in 2019 ('IBOR - phase 1') and focus on the effects on entities when an existing interest rate benchmark is replaced with a new benchmark rate as a result of the reform.	<a href="#">IASB article</a>
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)	In May 2020, the IASB issued an amendment to IFRS 16 <i>COVID-19 Related Rent Concessions</i> . This amendment provided a practical expedient in accounting for reduction in lease payments on account of COVID-19. The 2020 practical expedient was available for reductions in lease payments affecting only payments originally due on or before 30 June 2021. On 31 March 2021, the IASB issued the amendment ' <i>COVID 19-Related Rent Concessions beyond 30 June 2021</i> ', which extended the eligibility period for the practical expedient from 30 June 2021 to 30 June 2022. This amendment is effective for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021.	<a href="#">IFRB 2021/08 COVID-19 Covid-19-Related Rent Concessions beyond 30 June 2021: Extension of Practical Expedient (Additional FAQs)</a>

## STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE FROM 1 JANUARY 2022

IFRS	SUMMARY	MORE INFORMATION
Annual Improvements to IFRS: 2018-2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> , IFRS 9 <i>Financial Instruments</i> , IAS 41 <i>Agriculture</i> and the Illustrative Examples accompanying IFRS 16 <i>Leases</i> .	<a href="#">BDO E-learning course</a>
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.	<a href="#">BDO E-learning course</a>
IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> (Amendment - Onerous Contracts - Cost of Fulfilling a Contract)	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	<a href="#">BDO E-learning course</a>
IAS 16 <i>Property, Plant and Equipment</i> (Amendment - Proceeds before Intended Use)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	<a href="#">BDO E-learning course</a>

## STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE FROM 1 JANUARY 2023

IFRS	SUMMARY	MORE INFORMATION
IFRS 17 <i>Insurance Contracts</i>	<p>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.</p> <p>In December 2021, the IASB amended IFRS 17 to add a transition option to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17 and IFRS 9 therefore improving the usefulness of comparative information for users of financial statements.</p>	<a href="#">IFRS 17 At a Glance</a> <a href="#">IASB article</a>
IAS 1 <i>Presentation of Financial Statements</i> (Amendment - Classification of Liabilities as Current or Non-Current)	<p>In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the COVID-19 pandemic. An exposure draft issued in November 2021 proposes to defer the effective date further (see the final paragraph of this section).</p> <p>These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.</p> <p>In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (the Committee) issued a tentative agenda decision, which analysed the applicability of the amendments to three scenarios. However, due to the feedback received and various concerns raised about the outcome of applying the amendment, the Committee did not finalise the tentative agenda decision and referred the matter to the IASB.</p>	<a href="#">December 2020 IFRIC update</a> <a href="#">BDO E-learning course</a> <a href="#">IASB Staff Paper</a>

IFRS	SUMMARY	MORE INFORMATION
	<p>The IASB, at its meeting held in June 2021, tentatively decided to amend the requirements in IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year to annual reporting periods beginning no earlier than on or after 1 January 2024.</p> <p>In November 2021, the IASB issued an exposure draft to modify the 2020 amendments - Non-Current Liabilities with Covenants. This exposure draft aims to address the concerns raised by stakeholders. For more information, see 'Maintenance Projects' section below for information on the exposure draft.</p>	<a href="#">IFRB 2021/13 IASB Issues Exposure Draft to Amend IAS 1 - Non-Current Liabilities with Covenants</a>
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 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.	<a href="#">IFRB 2021/07 IASB issues amendments to IAS 1, IAS 8 and IFRS Practice Statement 2</a>
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.	<a href="#">IFRB 2021/07 IASB issues amendments to IAS 1, IAS 8 and IFRS Practice Statement 2</a>
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.	<a href="#">IFRB 2021/10 IASB issues amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</a>

## IASB ACTIVITIES

### New IFRSs and Amendments Issued in 2021

The following is a list of new IFRSs and amendments issued to existing IFRS standards during 2021. A description of each item is included in the earlier section, organised by the effective date of each IFRS and amendment.

IFRS	MORE INFORMATION
Initial application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17)	<a href="#">IASB article</a> <a href="#">Exposure Draft: Initial Application of IFRS 17 and IFRS 9—Comparative Information</a> <a href="#">BDO comment letter on exposure draft</a>
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)	<a href="#">IFRB 2021/07 IASB issues amendments to IAS 1, IAS 8 and IFRS Practice Statement 2</a>
Definition of Accounting Estimates (Amendment to IAS 8)	<a href="#">IFRB 2021/07 IASB issues amendments to IAS 1, IAS 8 and IFRS Practice Statement 2</a>
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)	<a href="#">IFRB 2021/08 COVID-19 Covid-19-Related Rent Concessions beyond 30 June 2021: Extension of Practical Expedient (Additional FAQs)</a>
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	<a href="#">IFRB 2021/10 IASB issues amendments to IAS 12 - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</a>

## Standard-setting Projects

The following is a list and brief description of standard-setting projects ongoing in 2021, which may eventually lead to the publication of new IFRSs or significant amendments to existing IFRSs.

PROJECT	SUMMARY	MORE INFORMATION
Disclosure Initiative - Subsidiaries that are SMEs	The IASB is developing a reduced disclosure regime to be applied on a voluntary basis for subsidiaries that are SMEs but apply IFRS (e.g. a subsidiary of a public company that must also prepare financial statements for local purposes). In July 2021, the IASB published the Exposure Draft <i>Subsidiaries without Public Accountability: Disclosures</i> . Comments on the Exposure Draft are requested by 31 January 2022.	<a href="#">IASB project page</a> <a href="#">IFRB 2021/12 IASB publishes Exposure Draft - Subsidiaries without Public Accountability: Disclosures</a>
Disclosure Initiative - Targeted Standards-level Review of Disclosures	In March 2018 the IASB decided to pursue a project to perform a targeted standards-level review of disclosure requirements. In March 2021, the IASB published the Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i> . The Exposure Draft sets out a proposed new approach to developing and drafting disclosure requirements in IFRS Standards as well as new disclosure requirements for IFRS 13 <i>Fair Value Measurement</i> and IAS 19 <i>Employee Benefits</i> in accordance with the proposed approach. Comment requests on the Exposure Draft were due on 12 January 2022.	<a href="#">IASB project page</a> <a href="#">IFRB 2021/09 IASB publishes Exposure Draft - Disclosure Requirements in IFRS Standards - A Pilot Approach</a>
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 <i>Management Commentary</i> , 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 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 <i>Management Commentary</i> . Comments on the Exposure Draft were due on 23 November 2021.	<a href="#">IASB project page</a> <a href="#">BDO comment letter on Exposure Draft</a>
Primary Financial Statements	In December 2019, the IASB published an Exposure Draft, <i>General Presentation and Disclosures</i> . 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. The Exposure Draft's comment period ended on 30 September 2020. The IASB discussed the feedback on the Exposure Draft in December 2020 and January 2021. Since April 2021, the IASB have begun redeliberation on the proposals in the exposure draft and their redeliberations will continue into 2022.	<a href="#">IASB project page</a> <a href="#">BDO comment letter on Exposure Draft</a>
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 supplied. An example of such operations includes many public utilities. In January 2021, the IASB published the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> , 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. Comments on the Exposure Draft were due on 30 July 2021.	<a href="#">IASB project page</a> <a href="#">IFRB 2021/04 IASB publishes Exposure Draft - Regulatory Assets and Regulatory Liabilities</a> <a href="#">BDO comment letter on Exposure Draft</a>
Financial Instruments with Characteristics of Equity	This project aims to improve the information provided by companies by making clarifying amendments to IAS 32, which entities apply in determining whether instruments should be classified as equity or financial liabilities. The IASB expects to issue an exposure draft in 2022.	<a href="#">IASB project page</a>
Second Comprehensive Review of the IFRS for SMEs Standard	The <i>IFRS for SMEs</i> 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, 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 <i>IFRS for SMEs</i> Standard, the IASB published a Request for Information (RFI) to seek views on	<a href="#">IASB project page</a>

PROJECT	SUMMARY	MORE INFORMATION
	whether and how to align the <i>IFRS for SMEs</i> Standard with full IFRS Standards. The IASB expects to issue an exposure draft in 2022.	

## Maintenance Projects

The following is a list and brief description of maintenance projects ongoing in 2021, which are generally targeted or narrow-scope amendments to existing IFRS 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
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	<p>Following an IFRS Interpretations Committee agenda decision in June 2020, the IASB has proposed amendments to IFRS 16, which introduce new requirements for the initial recognition and subsequent measurement of lease liabilities in a sale and leaseback transaction when the lease payments include variable payments not based on an index or rate. The IASB published an <a href="#">exposure draft</a> in December 2020 with the comment period closing on 29 March 2021. At its May 2021 meeting, the IASB considered the feedback received on the Exposure Draft. At its September 2021 meeting, the IFRS Interpretations Committee discussed the project and provided advice on the project's direction considering that feedback.</p> <p>At its December 2021 meeting, the IASB tentatively decided the project's direction, which will be to issue an amendment to IFRS 16. The amendment will confirm some of the proposals included in the original exposure draft, with some changes.</p>	<p><a href="#">IASB project page</a></p> <p><a href="#">BDO comment letter on exposure draft</a></p>
Availability of a Refund (Amendments to IFRIC 14)	<p>In some circumstances, an entity with a defined benefit plan can recognise an asset if the plan has a surplus. The recognition and measurement of that asset depends on whether any economic benefits from the plan are available to the entity.</p> <p>In June 2015, the IASB published an Exposure Draft proposing amendments to IFRIC 14 <i>IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>. The proposed amendments addressed whether other parties' power to enhance benefits for plan members or wind up a plan affects the availability of a refund. However, the IASB decided not to finalise the proposed amendments to IFRIC 14. The IASB will consider the project's direction at a future meeting.</p>	<p><a href="#">IASB project page</a></p>
Lack of Exchangeability (Amendments to IAS 21)	<p>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 <i>Lack of Exchangeability</i>, 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. Comments on the Exposure Draft were due on 1 September 2021. The IASB will analyse feedback received in January 2022.</p>	<p><a href="#">IASB project page</a></p> <p><a href="#">BDO comment letter on Exposure Draft</a></p>
Non-current Liabilities with Covenants (Amendments to IAS 1)	<p>As explained in section 'Standards and Amendments Mandatorily effective from 1 January 2023', the IASB, at its June 2021 meeting, tentatively decided to amend the requirements in IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions.</p> <p>The IASB tentatively decided to amend the IAS 1 as follows:</p> <ul style="list-style-type: none"> <li>IAS 1 would specify that if the right to defer settlement for at least twelve months is subject to an entity complying with conditions after the reporting period, then those conditions do not affect whether the right to defer settlement exists at the end of the reporting period (the reporting date) for the purposes of classifying a liability as current or non-current.</li> <li>IAS 1 would require that an entity presents separately, in its statement of financial position, 'non-current liabilities subject to conditions' and disclose information about whether the entity would</li> </ul>	<p><a href="#">IASB Staff Paper</a></p> <p><a href="#">IASB Update June 2021</a></p> <p><a href="#">IFRB 2021/13 IASB issues Exposure Draft to amend IAS 1- Non-current Liabilities with Covenants</a></p>



PROJECT	SUMMARY	MORE INFORMATION
	<p>comply with conditions subject to testing in the next 12 months as at the reporting date.</p> <p>In November 2021, the IASB published the Exposure Draft <i>Non-current Liabilities with Covenants</i> (proposed amendments to IAS 1). The Exposure Draft aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions, in addition to addressing concerns about the classification of such a liability as current or non-current. The Exposure Draft is open for comments until 21 March 2022.</p>	
Supplier Finance Arrangements	<p>The IFRS Interpretations Committee issued an agenda decision <i>Supply Chain Financing Arrangements - Reverse Factoring</i> in December 2020. The agenda decision was in response to a submission from a credit rating agency on presentation and disclosure requirements related to supply chain financing arrangements.</p> <p>In the submission, the credit rating agency noted that fewer than 5% of the entities it rates disclose information about the use of supply chain finance arrangements and yet reports on the use of such arrangements would imply that a much higher percentage of entities are using these arrangements. Other investors and analysts, in comment letters responding to the tentative agenda decision and during outreach, also noted the lack of information in financial statements about supply chain finance arrangements and the need for further information to perform their analyses.</p> <p>In response, during its June 2021 meeting, the IASB tentatively decided to undertake the recommended narrow-scope standard setting project.</p> <p>In November 2021, the IASB published the Exposure Draft <i>Supplier Finance Arrangements</i> that proposes to amend IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to introduce new disclosure requirements relating to supplier finance arrangements. The Exposure Draft is open for comments until 28 March 2022.</p>	<p><a href="#">IASB Staff Paper</a></p> <p><a href="#">IASB Update June 2021</a></p> <p><a href="#">Exposure Draft: Supplier Finance Arrangements</a></p>

## Research Projects

The following is a list and brief description of research projects ongoing in 2021, which are projects in the early stage before the IASB develops a new IFRS 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 - Disclosures, Goodwill and Impairment	<p>Business combinations are significant transactions, which often given rise to material amounts of goodwill. IFRS's current 'impairment only' model for goodwill has been in place since 2004. This discussion paper explores how the IASB might improve the requirements for goodwill and impairment, including whether an alternative accounting model should be considered (e.g. amortising goodwill), improved disclosures and simplifications to the impairment test. The discussion paper was open for public comment until 31 December 2020. The IASB discussed the feedback on the discussion paper in its April 2021 meeting. The IASB expects to decide on the project's direction in the second half of 2022.</p>	<a href="#">IASB project page</a>

PROJECT	SUMMARY	MORE INFORMATION
Discussion Paper: Business Combinations under Common Control	<p>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 in order to reduce diversity in practice and improve transparency. The comment period for the discussion paper ended on 1 September 2021.</p> <p>At its December 2021 meeting, the IASB started to discuss the feedback it has received on the discussion paper. This feedback will help provide IASB with directions as to whether and how so to reach to the next stage of the project. The IASB will continue to analyse feedback in 2022 before deciding on the project direction.</p>	<a href="#">IASB project page</a>
Post-Implementation Review of IFRS 9 - Classification and Measurement	<p>As part of its due process, the IASB is required to perform a post-implementation review ('PIR') on each new IFRS or major amendments. These PIRs are part of that due process.</p> <p>The IASB completed its first phase of PIR for IFRS 9 (identifying matters to be examined) and has published a request for information (RFI). The RFI was published in September 2021 and is open for public comment until 28 January 2022. In the second phase of the PIR, the Board will consider the responses to the request for information and will present its findings.</p>	<a href="#">IASB project page</a>
Post-Implementation Review of IFRS 10, 11 and 12	<p>The PIR for IFRS 10, 11 and 12 resulted in a request for information (RFI) being published in December 2020. At its meeting in November 2021, the IASB met to decide whether to take further action arising from the PIR and whether to conclude the PIR. The IASB expects to issue a feedback statement in Q2 2022.</p>	<a href="#">IASB project page</a> <a href="#">BDO comment letter on RFI - PIR on IFRS 10, 11 and 12</a>
Equity Method	<p>IAS 28 <i>Investments in Associates and Joint Ventures</i> requires entities that are joint venturers with joint control of, or investors with significant influence over, an investee to apply the equity method. The IFRS Interpretations Committee (the Committee) received a number of queries on equity method accounting and its interaction with the accounting for other ways of holding interests. At its meeting in October 2021, the IASB decided to research the implications of differences between the principles in IAS 28 <i>Investments in Associates and Joint Ventures</i> and those in other IFRS standards relating to business combinations and consolidation before considering the applicable questions. The IASB expects to decide on the project's direction in March 2022.</p>	<a href="#">IASB project page</a>

## IFRS INTERPRETATIONS COMMITTEE ACTIVITIES

The IFRS Interpretations Committee ('the Committee') publishes agenda decisions after it determines there is sufficient guidance within existing IFRS 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 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 Standards, they explain how the applicable principles and requirements in IFRS 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 Standards, it follows that in order to assert compliance with IFRS 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 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 of 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 2021 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.

AGENDA DECISION	SUMMARY	MORE INFORMATION
Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 <i>Intangible Assets</i> )	Clarifies how an entity accounts for costs incurred towards configuration or customisation of a supplier's application software in a Software-as-a-Service (SaaS) arrangement under different scenarios.	<a href="#">March 2021 IFRIC Update</a> <a href="#">BDO E-learning course</a>
Hedging Variability in Cash Flows due to Real Interest Rates (IFRS 9 <i>Financial Instruments</i> )	Clarifies whether a hedge of the variability in cash flows arising from changes in the real interest rate, rather than the nominal interest rate, could be accounted for as a cash flow hedge.	<a href="#">April 2021 IFRIC Update</a> <a href="#">BDO E-learning course</a>
Attributing Benefit to Periods of Service (IAS 19 <i>Employee Benefits</i> )	Clarifies the periods of service to which an entity attributes benefit for a particular defined benefit plan in cases where employees are entitled to a lump sum benefit payment when they reach a specified retirement age and the amount of the retirement benefit is dependent on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service.	<a href="#">April 2021 IFRIC Update</a> <a href="#">BDO E-learning course</a>
Costs Necessary to Sell Inventories (IAS 2 <i>Inventories</i> )	Clarifies which costs an entity needs to include as the 'estimated costs necessary to make the sale' when determining the net realisable value of inventories, specifically whether an entity may consider only those costs that are incremental to the sale.	<a href="#">June 2021 IFRIC Update</a> <a href="#">BDO E-learning course</a>
Preparation of Financial Statements when an Entity is No Longer a Going Concern (IAS 10 <i>Events after the Reporting Period</i> )	Clarifies the following points with respect to an entity that is no longer a going concern: <ul style="list-style-type: none"> <li>Whether the entity can prepare financial statements for prior periods on a going concern basis if it was a going concern in those periods and has not previously prepared financial statements for those periods; and</li> <li>Whether the entity needs to restate comparative information to reflect the basis of accounting used in preparing the current period's financial statements if it had previously issued financial statements for the comparative period on a going concern basis.</li> </ul>	<a href="#">June 2021 IFRIC Update</a> <a href="#">BDO E-learning course</a>
Non-refundable Value Added Tax on Lease Payments (IFRS 16 <i>Leases</i> )	<p>The Committee received a question about how a lessee accounts for non-refundable value added taxes (VAT) charged on lease payments. The Committee performed outreach and concluded that there was limited evidence:</p> <ul style="list-style-type: none"> <li>a. that non-refundable VAT on lease payments is material to affected lessees; and</li> <li>b. of diversity in the way lessees in similar circumstances account for non-refundable VAT on lease payments.</li> </ul> <p>Therefore, the Committee decided not to add a standard-setting project to this work plan.</p>	<a href="#">September 2021 IFRIC update</a> <a href="#">BDO E-learning course</a>
Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition (IAS 32 <i>Financial Instruments: Presentation</i> )	<p>In response to a request about the application of IAS 32 in relation to the reclassification of warrants, the Committee observed that IAS 32 does not contain any general requirements for reclassifying financial liabilities and equity instruments after initial recognition when the instrument's contractual terms are unchanged.</p> <p>Reclassification by the issuer has been considered as one of the practical issues the Board is considering to address in its Financial Instruments with Characteristics of Equity (FICE) project. Therefore, the Committee decided not to add a standard-setting project to this work plan.</p>	<a href="#">September 2021 IFRIC update</a> <a href="#">BDO E-learning course</a>
Economic Benefits from Use of a Windfarm (IFRS 16 <i>Leases</i> )	<p>The Committee received a request about whether, applying paragraph B9(a) of IFRS 16, an electricity retailer (retailer) has the right to obtain substantially all the economic benefits from use of a windfarm throughout the term of an agreement with a windfarm generator (supplier).</p> <p>The Committee observed through its analysis that although the retailer has the right to obtain a portion of the economic benefits (the renewable energy credits) from use of the windfarm, it does not have the right to obtain substantially all the economic benefits from use of the windfarm because it has no right to obtain any of the electricity the windfarm produces throughout the period of the agreement. Consequently, the agreement does not contain a lease.</p>	<a href="#">November 2021 IFRIC update</a>



## OTHER IASB AND IFRS FOUNDATION ACTIVITIES

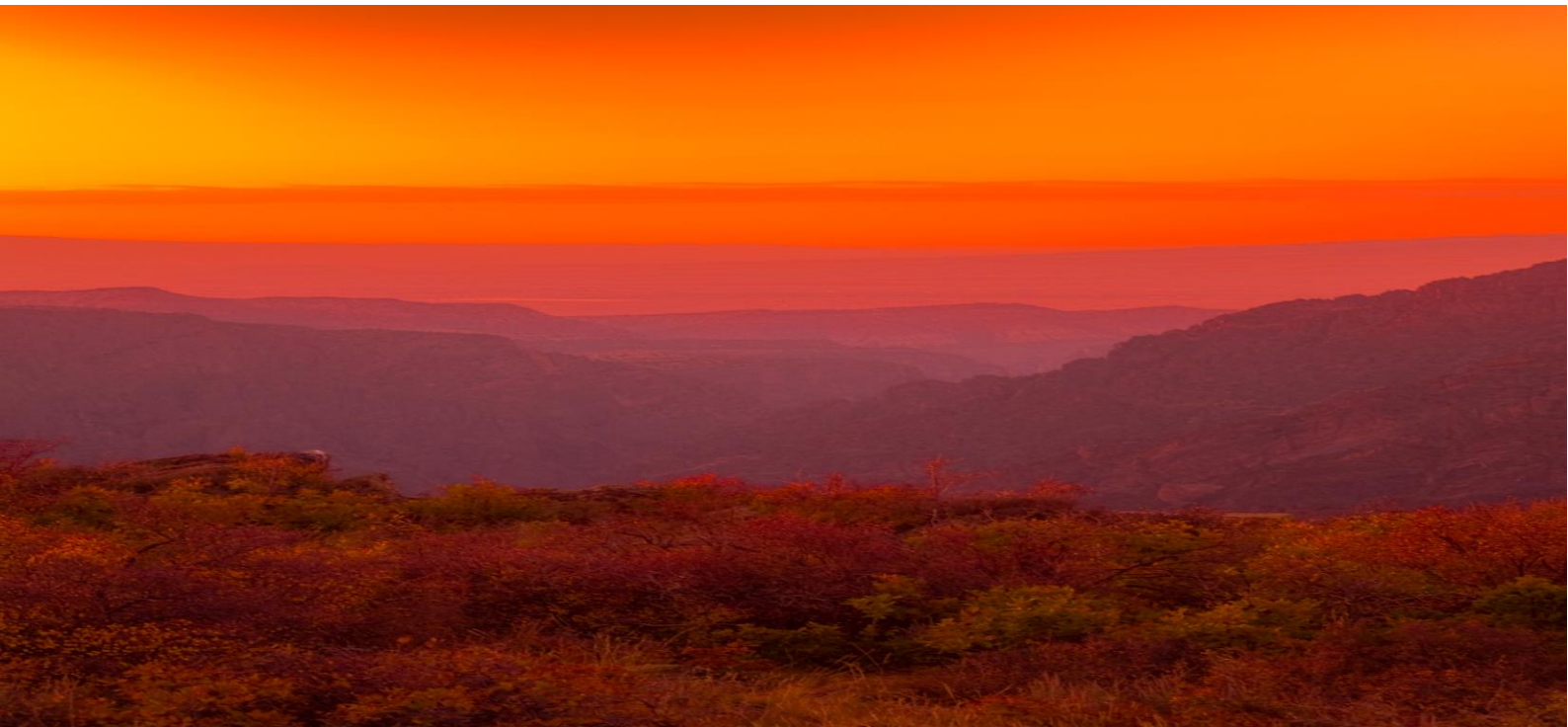
### Sustainability Reporting

On 30 September 2020, the Trustees of the IFRS Foundation published a [consultation paper](#) on Sustainability Reporting ('the paper'). The paper requested feedback on views of the IFRS Foundation Trustees on how the IFRS Foundation might contribute to the development of consistent global requirements, which would enhance the usefulness and comparability of information provided to stakeholders (e.g. investors, the corporate sector, central banks and market regulators).

The approach proposed in the consultation paper is for an International Sustainability Standards Board ('ISSB') to be created under the governance structure of the IFRS Foundation to sit alongside the IASB and develop global sustainability standards with an initial focus on climate-related risks. In April 2021, the Trustees of the IFRS Foundation published an [Exposure Draft](#) outlining the proposed amendments to the IFRS Foundation Constitution to accommodate the ISSB. Comments were due on 31 July 2021.

After considering feedback received on the consultation paper, the IFRS Foundation established the International Sustainability Standards Board ('ISSB') on 3 November 2021 along with the issue of two prototype sustainability standards on climate and general disclosure requirements. These prototype standards were developed by the Technical Readiness Working Group (TRWG) prior to the formation of the ISSB. More information on this announcement can be found [here](#).

Further information on the sustainability reporting project may be accessed [here](#) including a 31 December 2021 year-end Sustainability Reporting update to be published in January 2022.



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