

# HKFRS / IFRS UPDATE 2022/02

August 2022

[www.bdo.com.hk](http://www.bdo.com.hk)

## 30 JUNE 2022 PERIOD-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 2022 onwards. All the corresponding amendments to HKFRSs have the same effective dates as those amendments to IFRSs.

One amendment in the table "Standards and Amendments Mandatorily Effective from 1 January 2023" on page 3 of the Appendix is Amendment to IAS 1 *Presentation of Financial Statements* which change 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 when 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* which is equivalent to IFRS Practice Statement 2 before the changes in Amendments to IAS 1. In April 2021, the HKICPA adopted the Amendments to IAS 1 to HKFRS standards and Practice Statement 2. The aim of Practice Statement 2 is to provide 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 document and it is not an accounting standard. Therefore, entities are not required to comply with Practice Statements to state compliance with HKFRS/IFRS. A Practice Statement does not state effective date. Entities are allowed to apply the guidance in Practice Statements to financial statements prepared any time after the Practice Statement is published or amended. As highlighted above, Practice Statement 2 was amended in 2021 to update the guidance to align with the amendments to HKAS/IAS 1, e.g., added references to the new examples in the amended HKAS/IAS 1. The amended HKAS/IAS 1 is mandatorily effective from 1 January 2023.

Another amendment in the table "Standards and Amendments Mandatorily Effective from 1 January 2024" on page 4 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 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* (HK Int 5) and issued Questions & Answers for HK Int 5.

On pages 8 - 10 of the Appendix is the summary of the IFRS Interpretation Committee agenda decisions in first half of 2022. 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 summaries 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 the first half of 2022, Ukraine-Russia Conflict may cause various impacts on entities depending on their particular circumstances. Entities are recommended to assess the direct and indirect impacts, if any and determine how the impacts should be reflected in their financial statements. Climate-related matters financial reporting is a hot topic that should not be overlooked. BDO Global [IFR Bulletin 2020/14 Effects of Climate-Related Matters on Financial Statements](#) contains comprehensive guidance on reporting climate-related matters in financial statements.

---

## **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)

Click [here](#) for more BDO publications on HKFRS/IFRS.

---

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO to discuss these matters in the context of your particular circumstances. BDO, its directors, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.





APPENDIX

# 30 JUNE 2022 PERIOD-END IFRS UPDATE

INTERNATIONAL FINANCIAL REPORTING BULLETIN

2022/04

**BDO**



## BACKGROUND

Although no new standards were issued during the first half of 2022, the IASB continued to make progress on its standard setting and maintenance projects. A number of steps have been taken on the sustainability reporting project and considerable progress made towards developing IFRS Sustainability Disclosure Standards.

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).

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 30 June 2022. 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

Several new IFRSs and amendments to existing IFRSs are effective from 2022-2024, including IFRS 17.

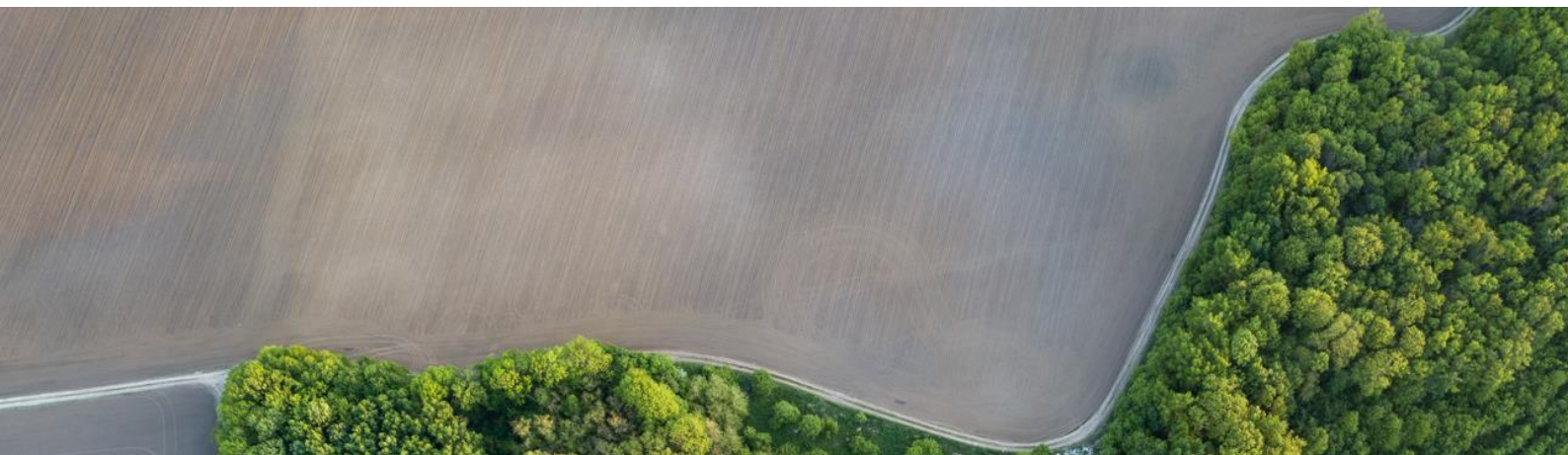
A number of developments have taken place in the sustainability reporting project during the first half of 2022, including issuance of two exposure drafts. The ISSB and standard setters for the EU and the US have all made significant progress in developing sustainability reporting standards.

## 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>	<p><a href="#">IFRS 17 At a Glance</a></p> <p><a href="#">IASB article</a></p>
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>



## STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE FROM 1 JANUARY 2024

IFRS	SUMMARY	MORE INFORMATION
IAS 1 <i>Presentation of Financial Statements</i> (Amendment - Classification of Liabilities as Current or Non-Current)	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).	
	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.	<a href="#">December 2020 IFRIC update</a> <a href="#">BDO E-learning course</a>
	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.	<a href="#">IASB Staff Paper</a>
	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 one year to annual reporting periods beginning no earlier than 1 January 2024.	
	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.	
	The IASB met on 20 June 2022 to discuss feedback on the Exposure Draft, which proposed amendments to IAS 1. The comment period for the Exposure Draft ended on 21 March 2022. The IASB also discussed how to proceed with the project. The effective date will be decided at a future meeting, but it will be no earlier than annual reporting periods beginning on or after 1 January 2024 to align with the effective date of the 2020 amendments. For more information, see 'Maintenance Projects' section below for information on the Exposure Draft.	<a href="#">IFRB 2021/13 IASB Issues Exposure Draft to Amend IAS 1 - Non-Current Liabilities with Covenants</a> <a href="#">BDO Comment letter on exposure draft</a>

## IASB ACTIVITIES

### New IFRSs and Amendments Issued during January - June 2022

There were no new IFRSs and amendments issued to existing IFRS standards during the period January - June 2022.

### Standard-setting Projects

The following is a list and brief description of standard-setting projects ongoing in 2022, which may eventually lead to the publication of new IFRSs or significant amendments to existing IFRSs.

PROJECT	SUMMARY	MORE INFORMATION
Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures	The IASB is developing a reduced disclosure regime permitting certain subsidiaries to apply IFRS Accounting Standards with reduced disclosures. The IASB concluded that issuing an IFRS Accounting Standard with reduced disclosure requirements would save costs for preparers, maintain the usefulness of financial statements to the users of eligible subsidiaries' financial statements by providing only disclosures designed for these users, while eliminating disclosures not designed for them; and be applied by subsidiaries without public accountability in jurisdictions that permit or	<a href="#">IASB project page</a> <a href="#">BDO comment letter on exposure draft</a>

PROJECT	SUMMARY	MORE INFORMATION
	require IFRS Accounting Standards to be applied when preparing their general purpose financial statements. The IASB met in June 2022 where it decided to proceed with its proposal for a new IFRS Accounting Standard as set out in the Exposure Draft <i>Subsidiaries without Public Accountability</i> .	
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. The comment period on the Exposure Draft ended in January 2022. In May 2022, the IASB discussed feedback provided in comment letters on the Exposure Draft as well as preliminary views on the next steps for this project. The IASB will decide the project direction at its meeting in September 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> <a href="#">BDO comment letter on exposure draft</a>
Dynamic Risk Management	The IASB is exploring whether it can develop an accounting model that will enable investors to understand the effect of a company's dynamic risk management (DRM) of repricing risk due to changes in interest rate (which is predominately used in the banking industry), and to evaluate the effectiveness of that risk management. The IASB developed the 'core areas' that are central to the model (core model), and following outreach with banks during 2020, the IASB tentatively decided to first make some refinements to the 'core areas' of the DRM model, which responded to the concerns raised and key challenges identified in the outreach. At its May 2022 meeting the Board decided to move this project to the standard-setting programme. The IASB intend to further develop the other areas of the model and work towards publishing an exposure draft.	<a href="#">IASB project page</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. At its June 2022 meeting the IASB continued its discussions on the project.	<a href="#">IASB project page</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> . The IASB met in April 2022 to complete its discussion of feedback received on the Exposure Draft. The IASB will decide the direction of the project at a future meeting.	<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 and Exposure Draft feedback was presented to the IASB in December 2020. The IASB discussed the feedback on the Exposure Draft in December 2020 and January 2021. In April 2021, the IASB began redeliberation on the proposals in the Exposure Draft relating to general requirements for additional line items and subtotals, and the use of columns for presenting management performance measures. In its June 2022 meeting the IASB tentatively decided to add a requirement for additional subtotals and line items, and to withdraw the proposal to prohibit the use of columns. The IASB will decide the time frame for issuing an IFRS Accounting Standard at a future meeting.	<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	<a href="#">IASB project page</a>



PROJECT	SUMMARY	MORE INFORMATION
	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 <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. The IASB discussed feedback on the Exposure Draft in October and November 2021. In its May 2022 meeting the IASB continued to redeliberate the scope of the proposals. The IASB will decide the time frame for issuing an IFRS Accounting Standard at a future meeting.	<a href="#">IFRB 2021/04 IASB publishes Exposure Draft - Regulatory Assets and Regulatory Liabilities</a>  <a href="#">BDO comment letter on Exposure Draft</a>
Second Comprehensive Review of the <i>IFRS for SMEs</i> 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 <i>IFRS for SMEs</i> . 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 whether and how to align the <i>IFRS for SMEs</i> Standard with full IFRS Standards. In light of the feedback received on the RFI and the recommendations of its consultation group, the IASB is working towards publishing an exposure draft, proposing amendments to the <i>IFRS for SMEs</i> Standard, which is expected to be issued in September 2022.	<a href="#">IASB project page</a>

## Maintenance Projects

The following is a list and brief description of maintenance projects ongoing in 2022, 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
Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9)	In September 2021, the IASB issued <i>Request for Information Post-implementation Review of IFRS 9—Classification and Measurement</i> . Feedback indicated that, in general, the requirements in IFRS 9 relating to assessing the contractual cash flows of financial assets work as intended. However, aspects of the requirements could be clarified to support consistent application, for example in the case of financial assets with ESG-linked features and contractually linked instruments.	<a href="#">IASB project page</a>
	In May 2022, the IASB decided to add a standard-setting project to its agenda to make narrow scope amendments to clarify the requirements for assessing a financial asset's contractual cash flow characteristics.	
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 <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. At the January 2022 meeting the IASB discussed feedback on the Exposure Draft. The IASB will decide the direction of the project at a future meeting.	<a href="#">IASB project page</a>  <a href="#">BDO comment letter on Exposure Draft</a>
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	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 exposure draft 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.	<a href="#">IASB project page</a>  <a href="#">BDO comment letter on exposure draft</a>



PROJECT	SUMMARY	MORE INFORMATION
	<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>At its February 2022 meeting, the IASB tentatively decided on transition requirements and effective date. The IASB also decided that the amendments do not require re-exposure. Amendments are expected to be issued in September 2022.</p>	
Non-current Liabilities with Covenants (Amendments to IAS 1)	<p>In November 2021, the IASB issued an exposure draft to modify the 2020 amendments - Non-Current Liabilities with Covenants. The Exposure Draft to amend <i>IAS 1 - Non-Current Liabilities with Covenants</i> aims to address the concerns raised by stakeholders.</p> <p>The IASB met on 20 June 2022 to discuss feedback on the Exposure Draft, which proposed amendments to IAS 1. Amendments are expected to be issued in the fourth quarter of 2022.</p>	<p><a href="#">IASB project page</a></p> <p><a href="#">IFRB 2021/13 IASB Issues Exposure Draft to Amend IAS 1 - Non-Current Liabilities with Covenants</a></p>
Provisions - Targeted Improvements	<p>Stakeholders have identified problems with particular aspects of IAS 37. The IASB issued a revised <i>Conceptual Framework for Financial Reporting</i> in 2018 and is now applying the concepts set out in that document to develop its proposals to amend IAS 37. The amendments are likely to include replacing IFRIC 21 with new application requirements for levies. The IASB has also gathered evidence of other possible problems with IAS 37. The IASB will decide the direction of the project at a future meeting.</p>	<p><a href="#">IASB project page</a></p>
Supplier finance arrangements (amendment to IAS 7 and IFRS 7)	<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 the comment letters 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 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures</i> to introduce new disclosure requirements. Feedback on the Exposure Draft was due 28 March 2022. The feedback received will be reviewed at the IASB's July 2022 meeting.</p>	<p><a href="#">IASB project page</a></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> <p><a href="#">BDO comment letter on exposure draft</a></p>

## Research Projects

The following is a list and brief description of research projects ongoing in 2022, 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 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 IASB discussed feedback on the Discussion</p>	<p><a href="#">IASB project page</a></p> <p><a href="#">BDO comment letter</a></p>

PROJECT	SUMMARY	MORE INFORMATION
	Paper at its December 2021 and January 2022 meetings. The IASB will consider the project's direction at a future meeting.	
Equity Method	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. The IASB is currently undertaking research to evaluate whether application questions with respect to the equity method can be addressed in consolidated and individual financial statements by identifying and explaining principles in IAS 28.	<a href="#">IASB project page</a>
Extractive Activities	In September 2021, the IASB made the decision to explore: 1) developing requirements or guidance to improve the disclosure objectives and requirements in IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> relating to a company's exploration and evaluation expenditure and activities; and 2) removing the temporary status of IFRS 6.  The IASB began a research project to explore these two items in March 2022.	<a href="#">IASB project page</a>
Discussion Paper: Business Combinations - Disclosures, Goodwill and Impairment	Business combinations are significant transactions, which often give 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 is discussing the feedback on the discussion paper. The IASB will consider the project's direction at its July 2022 meeting.	<a href="#">IASB project page</a> <a href="#">BDO comment letter</a>
Post-Implementation Review of IFRS 9 - Classification and Measurement	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.  The PIR for IFRS 9 is in its first phase, which involves the initial assessment of matters to be examined in the PIR. The IASB is performing outreach and other activities in the first half of 2021 in order to identify matters on which to consult publicly. The IASB has completed the first phase of the PIR and has published a request for information. The request for information (RFI) was published in September 2021 and the comment letter period was open until 28 January 2022.  In the second phase of the PIR, the IASB will consider the responses to the RFI and will present its findings. The IASB will issue a feedback statement in the last quarter of 2022.	<a href="#">IASB project page</a> <a href="#">BDO comment letter</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. The agenda decisions with a status of approved 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 January - June 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. For agenda decisions approved by the IFRS Interpretations Committee but awaiting approval from IASB Board members, the date of the IASB meeting where they are expected to be considered for approval is listed.

IFRS Interpretations Committee agenda decisions may be accessed as part of [BDO's IFRS FAQs](#).

AGENDA DECISION	SUMMARY	STATUS	MORE INFORMATION
TLTRO III Transactions (IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance)	Clarifies how an entity accounts for transactions within the scope of the European Central Bank's Targeted Longer-Term Refinancing Operations (TLTRO III) program are accounted for, including the initial recognition and measurement of the financial liability, treating a portion of a TLTRO III tranche as a government grant in IAS 20, calculating the effective interest rate at initial recognition of the financial liability, and subsequent measurement of the financial liability at amortised cost.	<a href="#">Approved</a>	<a href="#">February 2022 IFRIC Update</a>
Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 Statement of Cash Flows)	Clarifies whether an entity includes a demand deposit as a component of cash and cash equivalents in its statements of cash flows and financial position when the demand deposit is subject to contractual restrictions on use agreed with a third party.	<a href="#">Approved</a>	<a href="#">March 2022 IFRIC Update</a>
Principal versus Agent: Software Reseller (IFRS 15 Revenue from	Clarifies whether a reseller of software licenses in applying IFRS 15 is a principal or agent.	<a href="#">Approved</a>	<a href="#">April 2022 IFRIC Update</a>

AGENDA DECISION	SUMMARY	STATUS	MORE INFORMATION
Contracts with Customers)			
Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9 Financial Instruments)	Clarifies how an entity accounts for the recognition of cash received via an electronic transfer system as settlement for a financial asset, and whether the entity can derecognise the trade receivable and recognise cash on the date the cash transfer is initiated (its reporting date), rather than on the date the cash transfer is settled (after its reporting date).	<a href="#">Expected to be considered at September 2022 IASB meeting**</a>	<a href="#">June 2022 IFRIC Update</a>
Negative Low Emission Vehicle Credits (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)	Clarifies whether particular measures to encourage reductions in vehicle carbon emissions give rise to obligations that meet the definition of a liability in IAS 37.	<a href="#">To be considered at July 2022 IASB meeting**</a>	<a href="#">June 2022 IFRIC Update</a>
Special Purpose Acquisition Companies (SPAC): Classification of Public Shares as Financial Liabilities or Equity (IAS 32 Financial Instruments: Presentation)	Clarifies how an entity applies IAS 32 in relation to the classification of shares issued by a special purpose acquisition company (SPAC) as financial liabilities or equity. A SPAC is a listed entity that is established to acquire a yet to be identified target entity.	<a href="#">To be considered at July 2022 IASB meeting**</a>	<a href="#">June 2022 IFRIC Update</a>
Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17 Insurance Contracts)	Clarifies how an entity determines the amount of the contractual service margin for a group of annuity contracts to recognise in profit or loss in a period because of the transfer of insurance coverage for survival in that period.	<a href="#">To be considered at July 2022 IASB meeting**</a>	<a href="#">June 2022 IFRIC Update</a>

\*\*These agenda decisions were approved by the IFRS Interpretations Committee prior to 30 June 2022, however, they have not yet been finalised. In accordance with paragraph 8.7 of the IFRS Foundation's Due Process Handbook, the IASB will consider these agenda decision at a future meeting. If the IASB does not object to the agenda decisions, they will be published in an addendum a previous IFRIC Update.

## OTHER IASB, ISSB AND IFRS FOUNDATION ACTIVITIES

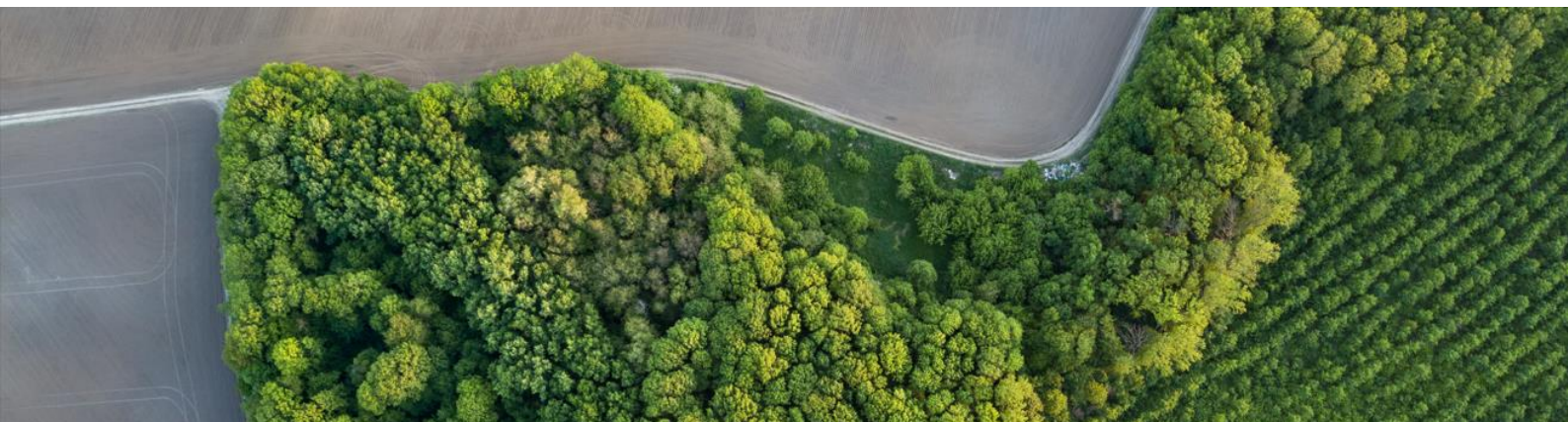
### Sustainability Reporting

The International Sustainability Standards Board (ISSB) was formed in November 2021 and is developing IFRS Sustainability Disclosure Standards to serve as a global baseline of sustainability disclosures for the capital markets. The ISSB issued two exposure drafts in 2022.

The European Union, United States and other jurisdictions are also developing sustainability reporting standards.

Further information on the sustainability reporting project may be accessed [here](#) including quarterly Sustainability Reporting Bulletins and other sustainability publications and training.





This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Neither BDO IFR Advisory Limited, and/or any other entity of BDO network, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

The BDO network (referred to as the 'BDO network' or the 'Network') is an international network of independent public accounting, tax and advisory firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereafter 'BDO member firms'). BDO International Limited is a UK company limited by guarantee. It is the governing entity of the BDO network.

Service provision within the BDO network in connection with corporate reporting and IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board and IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium.

Each of BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2022 BDO IFR Advisory Limited, a UK registered company limited by guarantee. All rights reserved.

[www.bdo.global](http://www.bdo.global)