HKFRS / IFRS UPDATE 2023/02

January 2023

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31 DECEMBER 2022 YEAR-END HKFRS/IFRS UPDATE

The IASB has issued several amendments to IFRSs in 2022. 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 two 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 the 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, 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. 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 4 of the Appendix are IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current* and *Non-current Liabilities with Covenants*. As a consequence of these 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.

On pages 9 - 12 of the Appendix is the summary of the IFRS Interpretations Committee agenda decisions in 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.

In addition to standards and amendments that are newly effective from 1 January 2022, entities are reminded to watch out for the effects arising from uncertainties in the current economic environment when they prepare their financial statements. Various evolving matters in current economic environment, including COVID-19 pandemic, supply chain challenges, Russia-Ukraine War, rising energy process, inflationary pressures, exchange rate volatility, and rising interest rates, may cause unprecedented uncertainties on entities depending on their particular circumstances. The related challenges on determining the appropriate financial reporting should not be underestimated. Our BDO publication - IFR Bulletin 2022/09 *Accounting in Times of Uncertainty* contains guidance on how entities may consider the accounting implications in current times of uncertainty when preparing financial statements.

BDO'S SUPPORT AND ASSISTANCE ON HKFRS/IFRS

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31 DECEMBER 2022 YEAR-END IFRS UPDATE

INTERNATIONAL FINANCIAL REPORTING BULLETIN

2023/01

APPENDIX

BDO

BACKGROUND

The International Accounting Standards Board (IASB) issued several exposure drafts and amendments to existing IFRS Accounting Standards (IFRS) during the year 2022. 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. 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 number of amendments to IFRS are effective on 1 January 2022.

Additionally, several new IFRSs and amendments to existing IFRSs are effective from 2023-2024, including IFRS 17.

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 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.

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 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and the Illustrative Examples accompanying IFRS 16 *Leases*.	BDO E-learning course
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 introduce an exception to the general recognition requirement for liabilities and contingent liabilities acquired in a business combination that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 12 Service Concession arrangements.	BDO E-learning course
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Amendment - Onerous Contracts - Cost of Fulfilling a Contract)	In May 2020, the IASB issued amendments to IAS 37, added paragraph 68A to specify which costs an entity includes in determining the cost of fulfilling a contract for the purposes of assess whether the contract is onerous. 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.	BDO E-learning course
IAS 16 *Property, Plant and Equipment* (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 rather than offset against the cost of the property.	BDO E-learning course

STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE FROM 1 JANUARY 2023

IFRS	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
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.	IFRB 2021/07 IASB issues amendments to IAS 1, IAS 8 and 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

STANDARDS AND AMENDMENTS MANDATORILY EFFECTIVE FROM 1 JANUARY 2024

IFRS	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 IFRB 2020/01 IASB Issues Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*
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*

IASB ACTIVITIES

New IFRSs and Amendments Issued in 2022

The following is a list of new IFRSs and amendments issued to existing IFRS standards during 2022. A description of each item is included in the earlier section, organised by the effective date of each IFRS and amendment.

IFRSs and amendments mandatorily effective for annual reporting periods beginning on or after 1 January 2024	MORE INFORMATION
Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	IFRB 2022/05 IASB Issues Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback
IAS 1 *Presentation of Financial Statements* (*Amendment – Non-current Liabilities with Covenants*)	IFRB 2022/07 IASB Issues Amendments to IAS 1 – *Non-Current Liabilities with Covenants*

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
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. The IASB has also tentatively decided to not pursue the introduction of an amortisation model for goodwill, retaining the 'impairment only' approach, which is consistent with recent 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 that would permit eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements in their financial statements. 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 IFRS Accounting Standard.	IASB project page IFRB 2021/12 IASB publishes Exposure Draft - *Subsidiaries without Public Accountability: 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 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.	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
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.	IASB project page

PROJECT	SUMMARY	MORE INFORMATION
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 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.	IASB project page BDO comment letter on Exposure Draft
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. The IASB is redeliberating proposals in the Exposure Draft.	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.	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, 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 are due by 7 March 2023.	IASB project page

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
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.	IASB project page
International Tax Reform – Pillar Two Model Rules	At its meeting in November 2022, the IASB tentatively decided to propose amendments to IAS 12 *Income Taxes*. The proposed amendments would introduce a temporary exception from accounting for deferred taxes arising from the implementation of the OECD's Pillar Two model rules, as well as targeted disclosures for affected entities. The IASB plans to publish its exposure draft in January 2023.	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. Comments on the Exposure Draft were due on 1 September 2021. The IASB considered comments at previous meetings and in December 2022 discussed how the project should proceed.	IASB project page BDO comment letter on Exposure Draft
Provisions – Targeted Improvements	The IASB is considering developing proposals to specify in IAS 37 whether the rate an entity uses to discount a provision should reflect non-performance risk—that is, the risk that the entity will not fulfil its obligation. The IASB reviewed the project's prospects for progress and concluded that efficient progress is possible. Therefore, the IASB decided to keep the project on its work plan.	IASB project page
Supplier Finance Arrangements	The IFRS Interpretations Committee issued an agenda decision *Supply Chain Financing Arrangements – Reverse Factoring* 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. 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. In response, during its June 2021 meeting, the IASB tentatively decided to undertake the recommended narrow-scope standard setting project. In November 2021, the IASB published the Exposure Draft *Supplier Finance Arrangements* 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 comments were due on 28 March 2022. In a prior meeting the IASB considered comments on the Exposure Draft, and in its November 2022 meeting discussed how the project should proceed, confirming that the project will be 'disclosure only' without any amendments to recognition or measurement requirements.	IASB Staff Paper IASB Update June 2021 Exposure Draft: *Supplier Finance Arrangements* BDO comment letter on Exposure Draft

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	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. 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
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 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 was 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. The IASB met on 23 November 2022 to discuss feedback from its Post-implementation Review of IFRS 9 Financial Instruments.	IASB project page BDO comment letter on Request for Information
Equity Method	IAS 28 *Investments in Associates and Joint Ventures* 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 Investments in Associates and Joint Ventures and those in other IFRS standards relating to business combinations and consolidation before considering the applicable questions. The IASB met on 14 December 2022 to continue its discussions of application questions on the equity method as set out in IAS 28 *Investments in Associates and Joint Ventures*.	IASB project page
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 PIR of the IFRS 9 *Financial Instruments impairment* requirements in the second half of 2022. In July 2022, the IASB discussed the project plan for the first phase of the PIR (identifying matters to be examined) and aims to publish a request for information in the first half of 2023.	IASB project page
Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*	The IASB decided to begin the PIR of IFRS 15 in the second half of 2022. The Committee discussed the PIR and provided their views on the implementation and ongoing application of IFRS 15, and suggested matters that the IASB should consider in the PIR. The IASB will consider this feedback and feedback from other stakeholders in identifying matters to include in the request for information in the second quarter of 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 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 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.

AGENDA DECISION	SUMMARY	MORE INFORMATION
TLTRO III Transactions (IFRS 9 *Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*)	The Committee received a request about how to account for the third programme of the targeted longer-term refinancing operations (TLTROs) of the European Central Bank (ECB). The TLTROs link the amount a participating bank can borrow and the interest rate the bank pays on each tranche of the operation to the volume and amount of loans it makes to non-financial corporations and households. The Committee concluded that IAS 20 provides an adequate basis for the bank to assess whether TLTRO III tranches contain a portion that is treated as a government grant in IAS 20 and, if so, how to account for that portion. Regarding the question of how conditionality related to the contractual interest rate is reflected in the estimates of expected future cash flows when calculating the effective interest rate at initial recognition or in the revisions of estimated future cash flows on subsequent measurement of the financial liability, the Committee concluded that the matters described in the request are part of a broader matter that, in isolation, are not possible to address in a cost-effective manner and should be reported to the IASB. The IASB should consider this matter as part of the post-implementation review of the classification and measurement requirements in IFRS 9. For these reasons, the Committee decided not to add a standard-setting project to the work plan.	February 2022 IFRIC Update
Demand Deposits with Restrictions on Use arising from a Contract with a Third Party (IAS 7 *Statement of Cash Flows*)	The Committee received a request about 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. The Committee concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash in IAS 7. In the fact pattern described in the request, the contractual restrictions on the use of the amounts held in the demand deposit do not change the nature of the deposit—the entity can access those amounts on demand. Therefore, the Committee concluded that the entity includes the demand deposit as a component of 'cash and cash equivalents' in its statement of cash flows. The Committee also clarified the presentation in the statement of financial position and the required disclosures. The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine whether to include demand deposits subject to contractual restrictions on use agreed with a third party as a component of cash and cash equivalents in its statements of cash flows and financial position. Consequently, the Committee decided not to add a standard-setting project to the work plan.	March 2022 IFRIC Update
Principal vs Agent: Software Reseller (IFRS 15 *Revenue from Contracts with Customers*)	The Committee received a request asking whether, in applying IFRS 15, a reseller of software licences is a principal or agent. The Committee observed that the conclusion as to whether the reseller is a principal or agent depends on the specific facts and circumstances, including the terms and conditions of the relevant contracts. The reseller would apply judgement in making its overall assessment of whether it is a principal or agent—including considering the relevance of the indicators to the assessment of control and the degree to which they provide evidence of control of the standard software licences before they are transferred to the customer—within the context of the framework and requirements set out in paragraphs B34-B38 of IFRS 15. The Committee also observed that the reseller would disclose (a) material accounting policy information in accordance with IAS 1 Presentation of Financial Statements, and (b) information required by IFRS 15, including about its performance obligations (paragraph 119) and the judgements made in applying IFRS 15 that significantly affect the determination of the amount and timing of revenue from contracts with customers (paragraph 123). The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for a reseller to determine whether—in the fact pattern described in the request—it is a	April 2022 IFRIC Update

AGENDA DECISION	SUMMARY	MORE INFORMATION
	principal or agent for the standard software licences provided to a customer. Consequently, the Committee decided not to add a standard-setting project to the work plan.	
Transfer of Insurance Coverage under a Group of Annuity Contracts (IFRS 17 *Insurance Contracts*)	The Committee received a request about a group of annuity contracts. The request asked how an entity determines the amount of the contractual service margin to recognise in profit or loss in a period because of the transfer of insurance coverage for survival in that period. The Committee concluded on the method to determine the quantity of the benefits of insurance coverage for survival provided under each annuity contract. The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an issuer of a group of annuity contracts as described in the request to determine the amount of the contractual service margin to recognise in profit or loss in a period because of the transfer of insurance coverage for survival in that period. Consequently, the Committee decided not to add a standard-setting project to the work plan.	June 2022 IFRIC Update
Multi-currency Groups of Insurance Contracts (IFRS 17 *Insurance Contracts* and IAS 21 *The Effects of Changes in Foreign Exchange Rates*)	The Committee received a request about how an entity accounts for insurance contracts with cash flows in more than one currency. The request asked: a) whether an entity considers currency exchange rate risks when applying IFRS 17 to identify portfolios of insurance contracts; and b) how an entity applies IAS 21 in conjunction with IFRS 17 in measuring a group of insurance contracts with cash flows in more than one currency (a multi-currency group of insurance contracts). In response to the request the Committee analysed the identification of portfolios of insurance contracts and concluded that, because paragraph 14 of IFRS 17 refers to ‘similar risks’ without specifying any particular types of risk, an entity is required to consider all risks—including currency exchange rate risks—when identifying portfolios of insurance contracts. In response to the request the Committee analysed how an entity applies IFRS 17 and IAS 21 to the measurement of groups of insurance contracts and concluded that an entity uses its judgement to develop and apply an accounting policy that determines on initial recognition the currency or currencies in which the group—including the contractual service margin—is denominated (currency denomination). The entity could determine that the group—including the contractual service margin—is denominated in a single currency or in the multiple currencies of the cash flows in the group. In the light of its analysis, the Committee considered whether to add to the work plan a standard-setting project on how to account for the foreign currency aspects of insurance contracts. The Committee observed that it has not obtained evidence that such a project would be sufficiently narrow in scope that the IASB or the Committee could address it in an efficient manner. Consequently, the Committee decided not to add a standard-setting project to the work plan.	September 2022 IFRIC Update
Negative Low Emission Vehicle Credits (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)	The Committee received a request asking whether particular measures to encourage reductions in vehicle carbon emissions give rise to obligations that meet the definition of a liability in IAS 37. The Committee concluded on the following topics: a) Outflow of resources embodying economic benefits b) The event that creates a present obligation c) No realistic alternative to settling an obligation d) The possibility of a constructive obligation e) Other IAS 37 requirements. The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine whether, in the fact pattern described in the request, it has an obligation that meets the definition of a liability in IAS 37. Consequently, the Committee decided not to add a standard-setting project to the work plan.	June 2022 IFRIC Update

AGENDA DECISION	SUMMARY	MORE INFORMATION
Lessor Forgiveness of Lease Payments (IFRS 9 *Financial Instruments* and IFRS 16 *Leases*)	The Committee received a request about a lessor's application of IFRS 9 and IFRS 16 in accounting for a rent concession. The Committee concluded that the lessor accounts for the rent concession described in the request on the date it is granted by applying: a) the derecognition requirements in IFRS 9 to forgiven lease payments that the lessor has recognised as an operating lease receivable; and b) the lease modification requirements in IFRS 16 to forgiven lease payments that the lessor has not recognised as an operating lease receivable. The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for a lessor to determine how to apply the expected credit loss model in IFRS 9 to an operating lease receivable and account for the rent concession described in the request. Consequently, the Committee decided not to add a standard-setting project to the work plan.	September 2022 IFRIC Update
SPAC: Accounting for Warrants at Acquisition	The Committee received a request about an entity's acquisition of a special purpose acquisition company (SPAC). The request asked how the entity accounts for warrants on acquiring the SPAC. The Committee concluded that the entity applies: a) IFRS 2 in accounting for instruments issued to acquire the stock exchange listing service; and b) IAS 32 in accounting for instruments issued to acquire cash and assume any liability related to the SPAC warrants—these instruments were not issued to acquire goods or services and are not in the scope of IFRS 2. The Committee notes additional considerations are applicable if the entity concludes that it does not assume the SPAC warrants as part of the acquisition. The Committee concluded that the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine how to account for warrants on acquiring a SPAC in the fact pattern the Committee discussed. Consequently, the Committee decided not to add a standard-setting project to the work plan.	September 2022 IFRIC Update
SPAC: Classification of Public Shares as Financial Liabilities or Equity (IAS 32 *Financial Instruments: Presentation*)	The Committee received a request about whether a SPAC, in applying IAS 32, classifies public shares it issues as financial liabilities or equity instruments. The Committee observed that IAS 32 includes no requirements on how to assess whether a decision of shareholders is treated as a decision of the entity. The Committee acknowledged that similar questions about shareholder decisions arise in other circumstances. Assessing whether a decision of shareholders is treated as a decision of the entity has been identified as one of the practice issues the International Accounting Standards Board (IASB) will consider in its Financial Instruments with Characteristics of Equity (FICE) project. The Committee concluded that the matter described in the request is, in isolation, too narrow for the IASB or the Committee to address in a cost-effective manner. Instead, the IASB should consider the matter as part of its broader discussions on the FICE project. For these reasons, the Committee decided not to add a standard-setting project to the work plan. The Committee nonetheless noted the importance of the SPAC disclosing information in the notes to its financial statements about the classification of its public shares.	June 2022 IFRIC Update