



# IFRS UPDATE

## MOORE IFRS NEWS

Issue 009 – September 2022

Moore IFRS News provides you with technical updates and tips in relation to IFRS financial Reporting.

## IFRS Update

### **IASB Publishes Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback**

The IASB has issued an [amendment to IFRS 16](#) relating to the subsequent measurement requirements for a sale and lease back that satisfies the requirements in IFRS 15 *Revenue from Contracts with Customers* to be recognised as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendment is applicable for years beginning on or after 1 January 2024 and will need to be applied retrospectively to any sale and leaseback arrangements entered into after the date of initial application of IFRS 16.

### **IASB Publishes proposals to update IFRS for SMEs**

The IASB has released [proposals to update the IFRS for SMEs](#) to reflect improvements to full IFRS Accounting standards as applicable to small and medium-sized entities. This represents the second comprehensive review of the requirements in this standard.

These amendments include:

- considerations of changes to the requirements of full IFRS that have been released since the first comprehensive review in 2015 and how they might apply to SMEs
- Other topics that have been brought to the attention of the IASB which could benefit from further simplification or clarification for SMEs

The deadline for comments is 7 March 2023.

Further details can be found in the IASB's [September 2022 IFRS for SME's Accounting Update](#), which includes a snapshot and Q&A on the new proposals and an update on the SME Implementation Group.

## IASB September 2022 Meeting

The Agenda for the September IASB meeting was:

- *Post implementation review (PIR) of IFRS 9 – classification and measurement*  
The IASB considered a number of issues not initially raised in the request for information on the PIR and decided to consider 'purchased or originated credit-impaired financial assets when analysing the feedback on the PIR.
- *Financial Instruments with the characteristics of Equity*  
The Board continued discussions on the accounting for financial instruments containing obligations for the entity to redeem its own equity instruments including written put options on non-controlling interests and made a number of tentative decisions. They also tentatively decided that written put options and forward purchase contracts over an entity's own equity instruments should be presented gross instead of net.
- *Post implementation review of IFRS 15 Revenue from Contracts with Customers*  
The Board discussed the objective, activities and anticipated timing of the Post implementation review of IFRS 15. It is expected to publish a request for information in the first half of 2023.
- *Rate Regulated Activities*  
The Board deliberated the interactions between its ED *Regulatory Assets and Regulatory Liabilities* and IFRIC 12 *Service Concessions*
- *Equity method*  
The Board continued to discuss:
  - How to measure the proportion of an investment derecognised on the disposal of an interest in an associate entity while retaining significant influence
  - How to apply the equity method to changes in the associates net assets that change the investors ownership interest
  - How should an investor recognise gains or losses on the sale of a subsidiary to an associate, applying the requirements of IFRS 10 and IAS 28
- *Contractual cash flow characteristics of financial assets*  
The Board tentatively decided to amend IFRS 9 to clarify when an asset has cash flows that are 'solely payments of principal and interest' including adding examples with specific fact patterns. They further considered factors to consider when dealing with non-recourse arrangements and contractually linked investments.
- *Goodwill and impairment*  
The Board continued to discuss preliminary views relating to disclosures about business combinations. In the next quarter they intend to decide whether to proceed with the preliminary view that it should retain the impairment-only model for impairment or whether to explore reintroducing amortisation of goodwill.
- *Extractive activities*  
The Board received an update on their research project on extractive activities. The project aims to

improve disclosures around exploration and evaluation expenditure and activities. No decisions were made.

- *Primary financial statements*

The Board continued their deliberations on the proposals in their *ED General Presentation and disclosures*. They considered a number of topics including presentation of operating expenses, unusual income and expenses, specified subtotals, classification of incremental expenses, investments in subsidiaries, associates and joint ventures; and entities with specified main business activities – associates and joint ventures.

- *Maintenance and consistent application*

- The Board discussed final issues relating to the proposed amendments to IAS 1 *Presentation of Financial Statements* in relation to Non-current liabilities with covenants. It intends to permit the amendments to be available for early adoption. The amendments are expected to be issued in the fourth quarter of 2022.
- The Board discussed the IFRIC feedback on *cash received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)* and have decided to consider a narrow-scope amendment as part of their post implementation review of IFRS 9.

- *Work plan*

The IASB now expects to consider in the second half of 2023 when to commence the post implementation reviews of the hedge accounting requirements of IFRS 9 and IFRS 16.

For further information refer to the [IASB Update](#). The IASB September Podcast has not yet been released.

## IFRIC September 2022 Meeting

At the September meeting IFRIC discussed:

- Feedback on tentative agenda decisions relating to:
  - *Multi-currency groups of insurance contracts*  
The [tentative agenda decision](#) is that it is not possible to do a narrow scope project to address this issue in an efficient manner, and as such, they have decided not to add it to their work-plan.
  - *Special Purpose Acquisition Companies (SPACs): Accounting of Warrants at Acquisition*  
The [tentative agenda decision](#) is that there is sufficient guidance in existing IFRS to provide an adequate basis for the entity to determine the appropriate accounting for these warrants and no further guidance was required.
  - *Lessor Forgiveness of Lease payments*  
The [tentative agenda decision](#) is that Lessors will apply derecognition requirements of IFRS 9 *Financial Instruments* for the forgiveness of lease payments already recognised in the operating lease receivable and the lease modification guidance in IFRS 16 *Leases* for payments not included in the operating lease receivable.

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IFRIC has concluded their deliberations on these agenda decision and they will be considered at the October IASB meeting. If the IASB does not object to the agenda decisions, the final agenda decisions will be published in October.

- Proposed amendments to IAS 21 The effects of Changes in Foreign Exchange Rates relating to determining the spot exchange rate when exchangeability is lacking.

There were no new agenda decisions discussed.

For further information refer to the [IFRIC Update](#). The IFRIC September Podcast has not yet been released.

## CONTACT US

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