

IFRS Accounting Standards: The Horizon

Financial Reporting Webinar Series



With You Today

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At a Glance

	Projects	Next milestone	Expected timing
Standard-setting and maintenance projects	Amendments to the Fair Value Option in IAS 28	N/A. Final amendments issued with an effective date of 1 Jan 2027	
	IFRS 20 <i>Regulatory Assets and Regulatory Liabilities</i>	N/A. Final standard issued with an effective date of 1 Jan 2029	
	Equity Method	Final amendments	H1 2027
	Financial Instruments with Characteristics of Equity	Final amendments	2027
	Provisions—Targeted Improvements	Final amendments	H1 2027
	Business Combinations—Disclosures, Goodwill and Impairment	Decide project direction	H2 2026
	Presentation of Taxes or Other Changes that Are Not Tax Expense or Tax Income Applying IAS 12	Decide project direction	H2 2026
	Risk Mitigation Accounting	Exposure draft feedback	H1 2027
	IFRS for SMEs Accounting Standard—Consolidation Exception	Exposure draft feedback	Q4 2026
	Amortised Cost Measurement	Exposure draft	2027
Post-implementation review projects	Statement of Cash Flows and Related Matters	Exposure draft	2027
	PIR of IFRS 16 <i>Leases</i>	Project summary and feedback statement	Q4 2026
Research project	PIR of IFRS 9—Hedge Accounting	Request for information	Q3 2026
	Intangible Assets	Decide project direction	H2 2026

Source: [IFRS accounting projects](#)

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Source: [IFRS accounting projects](#)

IAS 28 Amendments – Fair Value Option

Eligible companies can take advantage of the one-time opportunity to elect the fair value option when they transition to IFRS 18.



What's the issue?

- Eligible companies may elect to measure investments in associates and joint ventures at fair value through profit or loss (the 'fair value option').
- There is diversity in practice about how to apply the fair value option in IAS 28.



What's the change?

- Extend the fair value option to companies with a main business activity of investing in particular types of assets.
- Remove the example of an investment-linked insurance fund.
- More companies may now be eligible to elect the fair value option.



What's next?

- Applies the amendments to IAS 28 at the same time as it applies IFRS 18, effective for annual reporting periods beginning on or after 1 January 2027 (earlier application is permitted).
- Companies should act now to assess their eligibility under the amended fair value option.

Polling Question

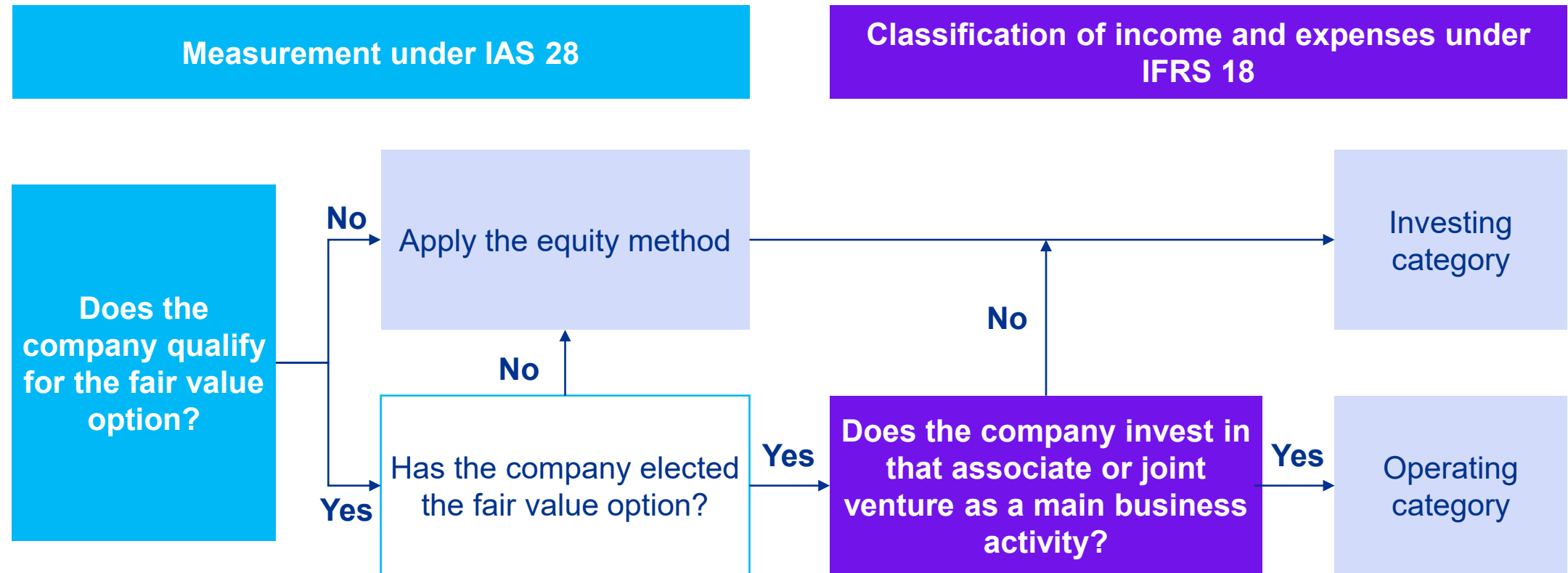


If a company elects the fair value option to measure an investment in an associate or a joint venture, how should the related income and expenses be classified in the statement of profit or loss under IFRS 18?

- A Investing category
- B Operating category
- C It depends

IAS 28 Amendments – Impacts on Presentation under IFRS 18

The way companies account for their investments in associates and joint ventures impacts how they classify the related income and expenses in the statement of profit or loss.



Proposed Amendments to IAS 28 – Equity Method

The proposed amendments to IAS 28 are to answer application questions, rather than a fundamental review of the equity method (i.e. one-line consolidation or as a measurement approach).



Change in an investor's ownership interest – purchases of an additional ownership interest

- Additional share of the fair value of the associate's or joint venture's identifiable assets and liabilities at the date of purchase
- **Optional relief from the above proposal:**
 - **Permit the investor to use an alternative measure if the investor reasonably expects that the effects of using that alternative measure would not result in a material difference in its financial statements (eligibility criterion)**
 - **Provide factors to be considered in assessing the eligibility criterion**
 - **Not to specify alternative measures to fair value that an investor is permitted to use**
- Bargain purchase gain from the purchase of an additional ownership interest recognised in profit or loss
- Unrecognised losses are not recognised when purchasing an additional ownership interest



Change in an investor's ownership interest – disposal of a portion of an investment in an associate

- Derecognise a portion of the carrying amount of the investment (calculated as the disposed ownership interest divided by the total ownership interest)
- Recognise the difference between the consideration received and the portion derecognised as a gain or loss in profit or loss



Other change in an investor's ownership interest

- **Account for other change in an investor's ownership interest as if the investor had purchased or disposed of an ownership interest (as set out above)**
- **No exemption for transactions to which an investor is not a party**



Source: [IFRS - Equity Method](#)

Measurement of the cost of an associate



- Consideration transferred measured at fair value
- Classification and subsequent measurement of contingent consideration under IFRS 3
- **Acquisition-related costs recognised as an expense (prospective application)**
- Costs incurred to issue equity or debt instrument to obtain significant influence accounted for in accordance with financial instruments standards
- Deferred tax effects related to adjusting the investor's share of the associate's identifiable assets and liabilities to fair value
- Measurement period requirements under IFRS 3

Transactions with associates



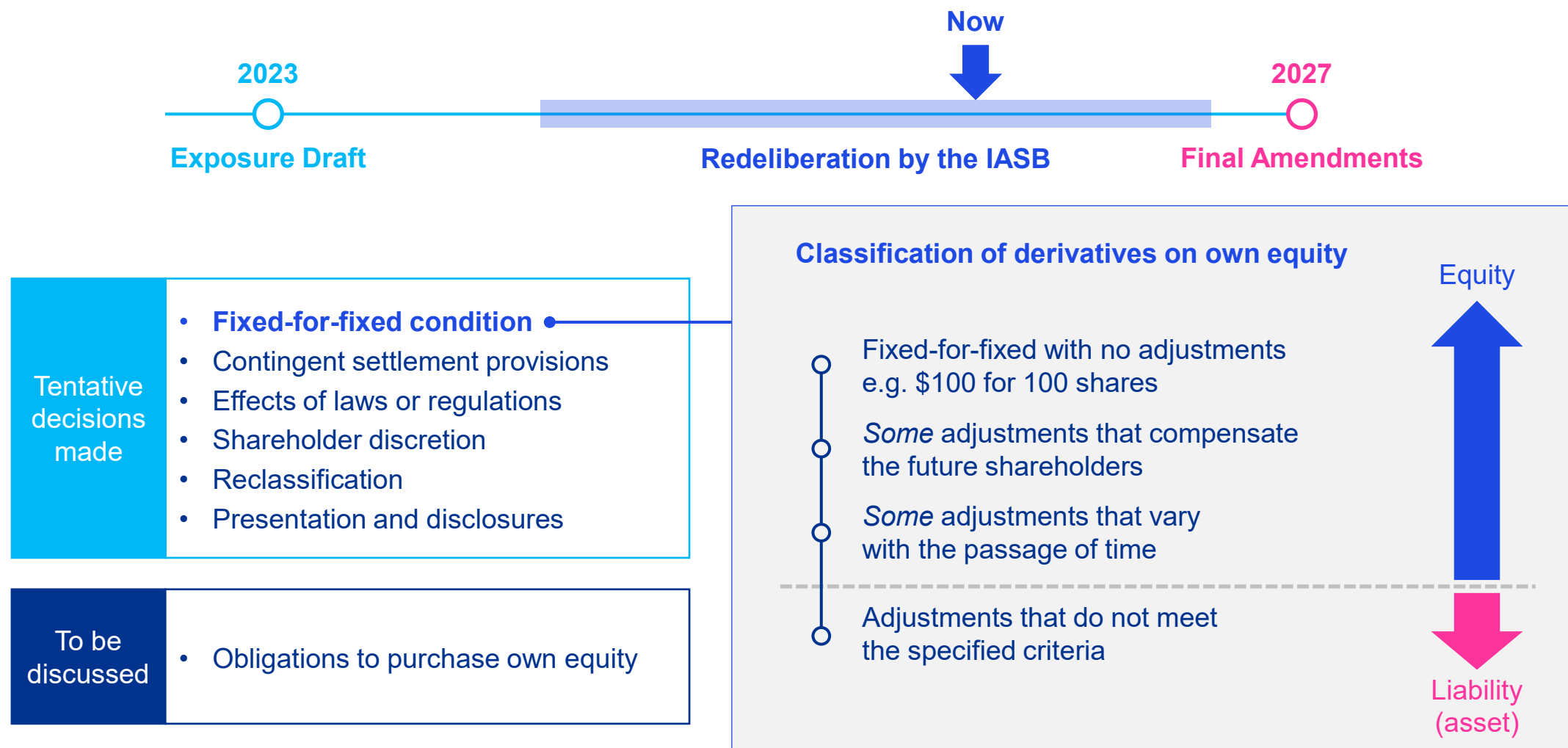
- **An accounting policy choice that permits an investor to choose either full or restricted recognition of gains or losses on all transactions with associates, except for gains or losses on transfer of business, which would be recognised in full**
- **Consistent application of the above accounting policy choice to transactions involving loss of control of a subsidiary that is not a business under IFRS 10**
- Additional disclosure requirements, including accounting policy and the information related to gains or loss on transactions with associates and joint ventures

Impairment of an investment in an associate

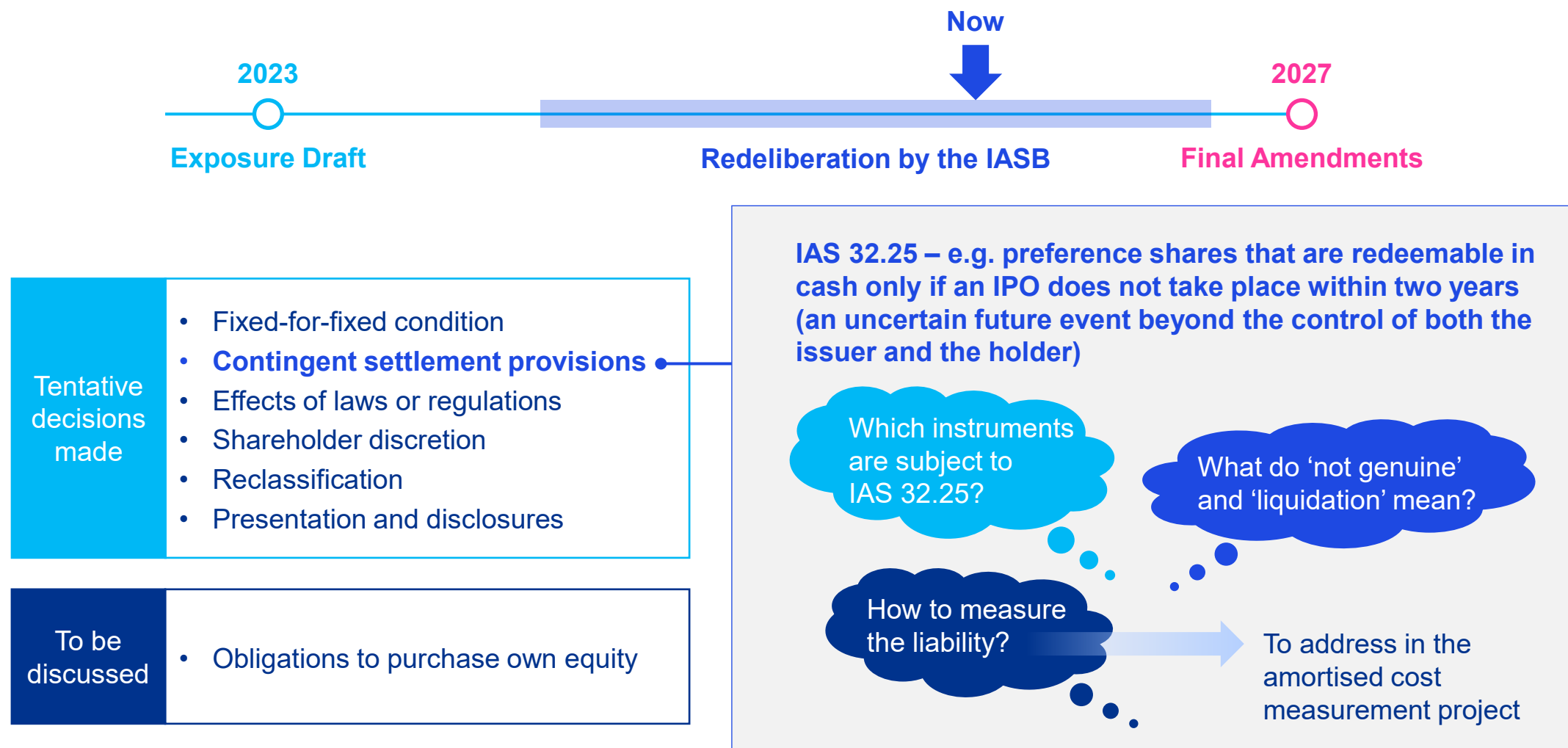


- Replace 'decline in the fair value of an investment ... below its cost' in paragraph 41C of IAS 28 with 'decline in the fair value ... to less than its carrying amount'
- Remove from IAS 28 the reference to a 'significant or prolonged' decline in fair value
- Explain that an investor considers observable price information – such as the quoted market price, the price paid to purchase an additional interest in the associate, or the price received to sell part of the interest – when the investor determines whether its net investment might be impaired
- Clarify that for a publicly traded associate, the investor considers the quoted market price at the reporting date

Financial Instruments with Characteristics of Equity (FICE)



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Provisions – Targeted Improvements: 3 Key Areas the IASB's Proposals Address



How to determine if a **present obligation** exists and **when to recognise** a provision



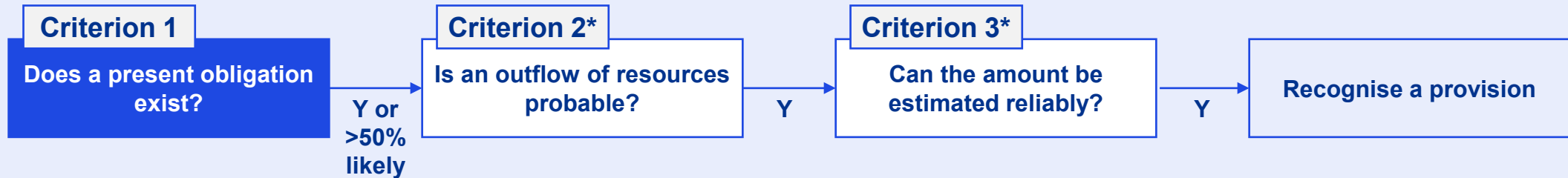
Which **costs** to include in measuring a provision



Which **rate** to use in **discounting** a long-term provision

When to Recognise a Provision

Current Requirements



Proposed Requirements



*The proposals generally do not impact Criterion 2 and Criterion 3.

Three New Tests for Present Obligations: Obligation Test

Does the company have an **obligation**?



Is there a **mechanism** that imposes a **responsibility** if the company obtains specific economic benefits or takes action?



Does the company owe that responsibility to **another party**?



Does the company have a **practical ability to avoid** discharging the responsibility if it obtains benefits or takes action?



Is the obligation to **transfer** an economic resource?



Does the obligation have the **potential** to require the company to transfer an **economic resource** to another party?



Is it a present obligation as a result of a **past event**?

Under the proposals, a company has a **present obligation as a result of a past event** if it has:



obtained **economic benefits** or **taken action**; and



consequently, will or may need to transfer an **economic resource**.



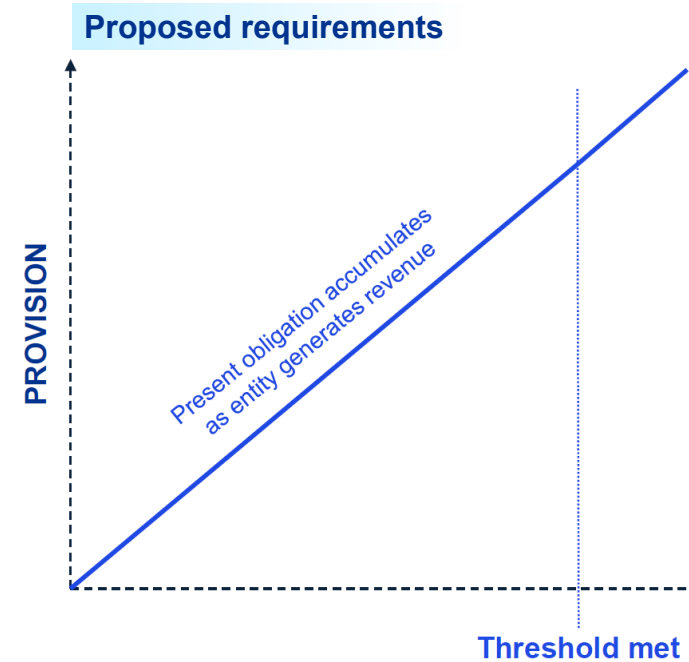
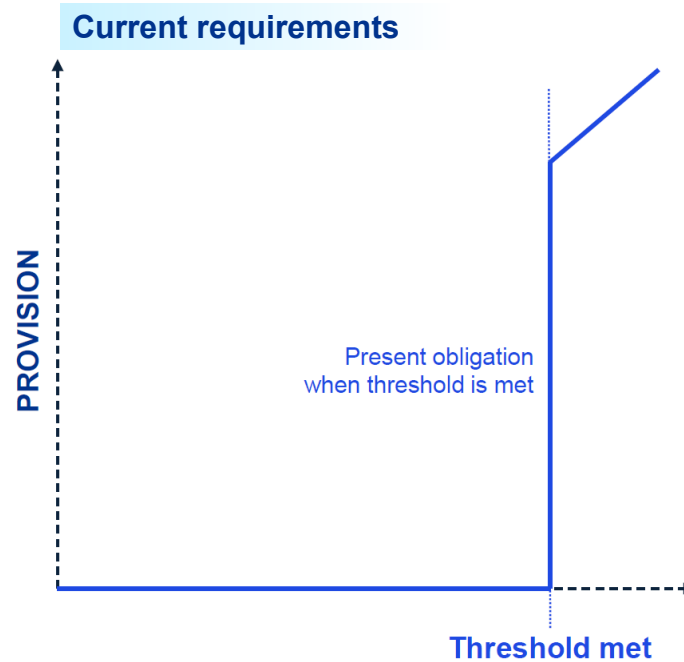
Under the proposals, if the economic benefits are obtained, or the action is taken, over time, the past-event condition is met, and the resulting present obligation accumulates, over that time.

Past Event Test – A Specific Threshold



Example

Legislation requires an entity to pay a levy of 2% of revenue generated in excess of HKD10 million in a calendar year. The entity concludes i) it is probable its revenue will exceed the threshold, and it will be required to pay the levy and ii) the amount of the obligation can be reliably estimated.



Past Event Test – Multiple Actions



Example

Legislation requires an entity to pay a levy of 2% of revenue generated in a financial year but the liability to pay the levy is only triggered if the entity is still operating in the market on the first day of the following year. The entity assessed that it is economically compelled to continue to operate in the future.

Current Requirements

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

Proposed Requirements

If an entity has an obligation to transfer an economic resource only if it takes two (or more) separate actions, the past-event condition is met when the entity has taken any of the actions and has no practical ability to avoid the remaining actions.

How to Measure a Provision

Which costs to include in measuring a provision? Only incremental costs?

Current Requirements

Not specified, mixed practice.

Proposed Requirements

Include all direct costs when measuring any provision. These costs would include:

- incremental costs; and
- an allocation of other costs that relate directly to settling the obligation.

For example, a provision for a legal claim would include payments to external lawyers and the claimant (incremental costs) AND an allocation of internal legal team payroll costs and other related costs.

Which rate to use in discounting a long-term provision? Risk-free rate or adjust for other risks such as non-performance risk?

Current Requirements

Not specified, mixed practice.

Proposed Requirements

Risk-free rate

Business Combinations—Disclosures, Goodwill and Impairment

Suggested package of performance and expected synergy disclosures

At acquisition

- ✓ Key objectives for a subset S E
- ✓ Targets for a subset S E
 - + Only currency unit targets
 - + How performance information is measured
- ✓ Expected synergies for all material BCs E
- ~~X Aggregated expected synergies for individually immaterial BCs~~ E
- + Statements that targets / expected synergies are management's expectation

Subset for performance information:

- ✓ 10% of revenue
- ~~X 10% of operating profit~~
- ✓ 10% of total assets
- ~~x Qualitative thresholds~~

Key

- ✓ Retain from Exposure Draft
 - ~~X Remove from Exposure Draft~~
 - + Add since Exposure Draft
- S Only required for a Subset
- E Exemption can be applied

Subsequently

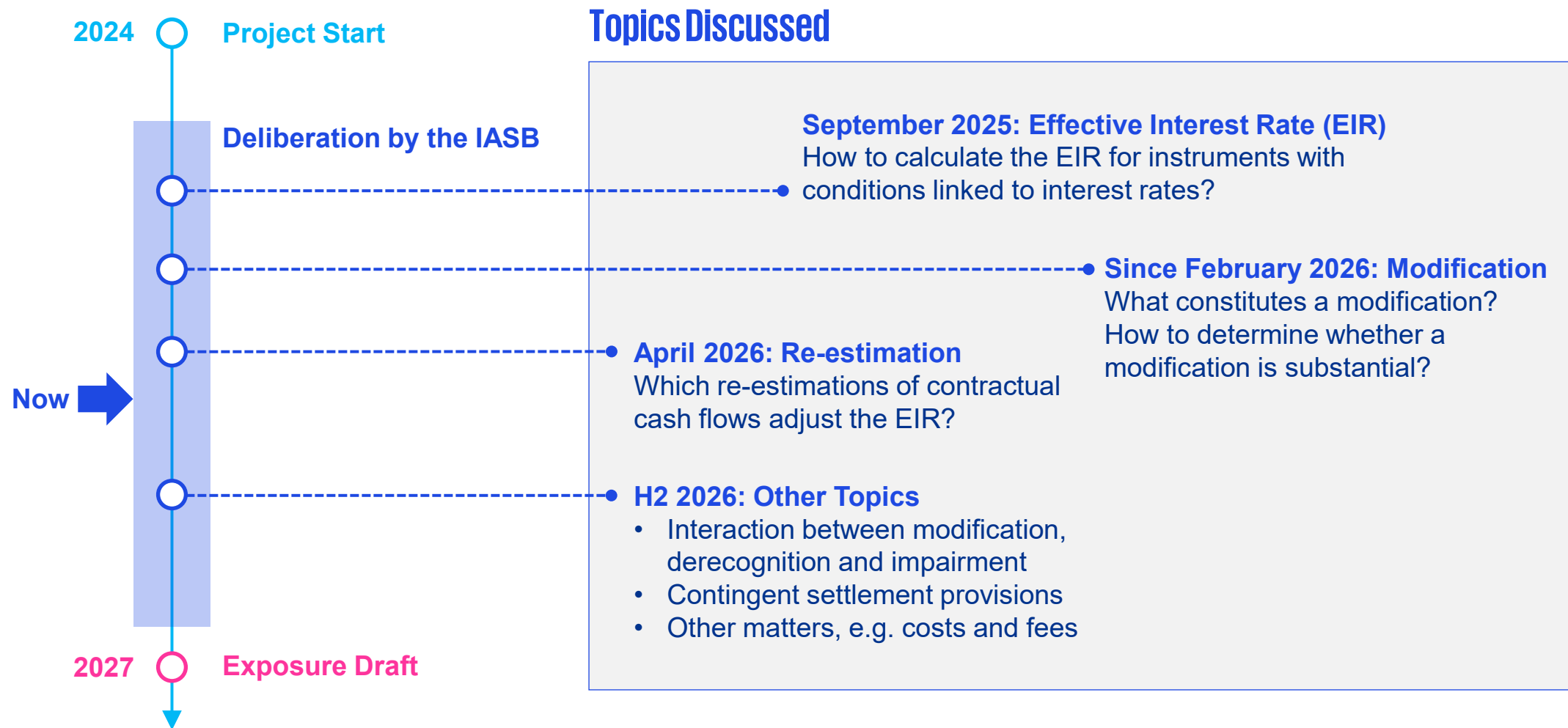
- ✓ Actual performance S
 - + Only performance against currency unit targets
 - + How performance information is measured
- ~~X Qualitative statement~~ E

Exemption

- ✓ If disclosure seriously prejudices any of the acquisition's KOTs; or
- + If disclosure breaches legal / regulatory requirements.

Source: [IFRS - Business Combinations—Disclosures, Goodwill and Impairment](#)

Amortised Cost Measurement



Post Implementation Review of IFRS 16 *Leases*

IFRS 16 is generally working as intended, no major changes are expected in response to stakeholder feedback despite some concerns on the potential inconsistent application and the lack of comparability between entities due to the significant judgement.

Work Plans

Action?

- ① Explore the feasibility of reducing costs relating to
 - remeasurement of the lease liability; and
 - discount rates
 - ② Information about lessees' lease-related cash flows
 - ③ Applying IFRS 16 and IFRS 9 to account for a rent concession
 - ④ Sale and leaseback in a corporate wrapper
-
- ⑤ Ongoing costs for lessees of applying IFRS 16
 - ⑥ Usefulness of information resulting from lessees' application of judgement
 - ⑦ Other issues related to sale and leaseback transactions
 - ⑧ Applying IFRS 16 and IAS 38 to identify leases
 - ⑨ Lessor accounting



Source: [IFRS - Post-implementation Review of IFRS 16 Leases](#)

Intangible Assets



Improve the **usefulness of information** about intangible items in financial statements

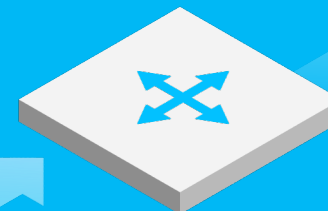
Make IAS 38 more suitable for **newer types** of intangible items and new ways of using them

Initial Streams

- User information needs
- Potential changes to aspects of definition and recognition requirements



Later Streams (subject to change)

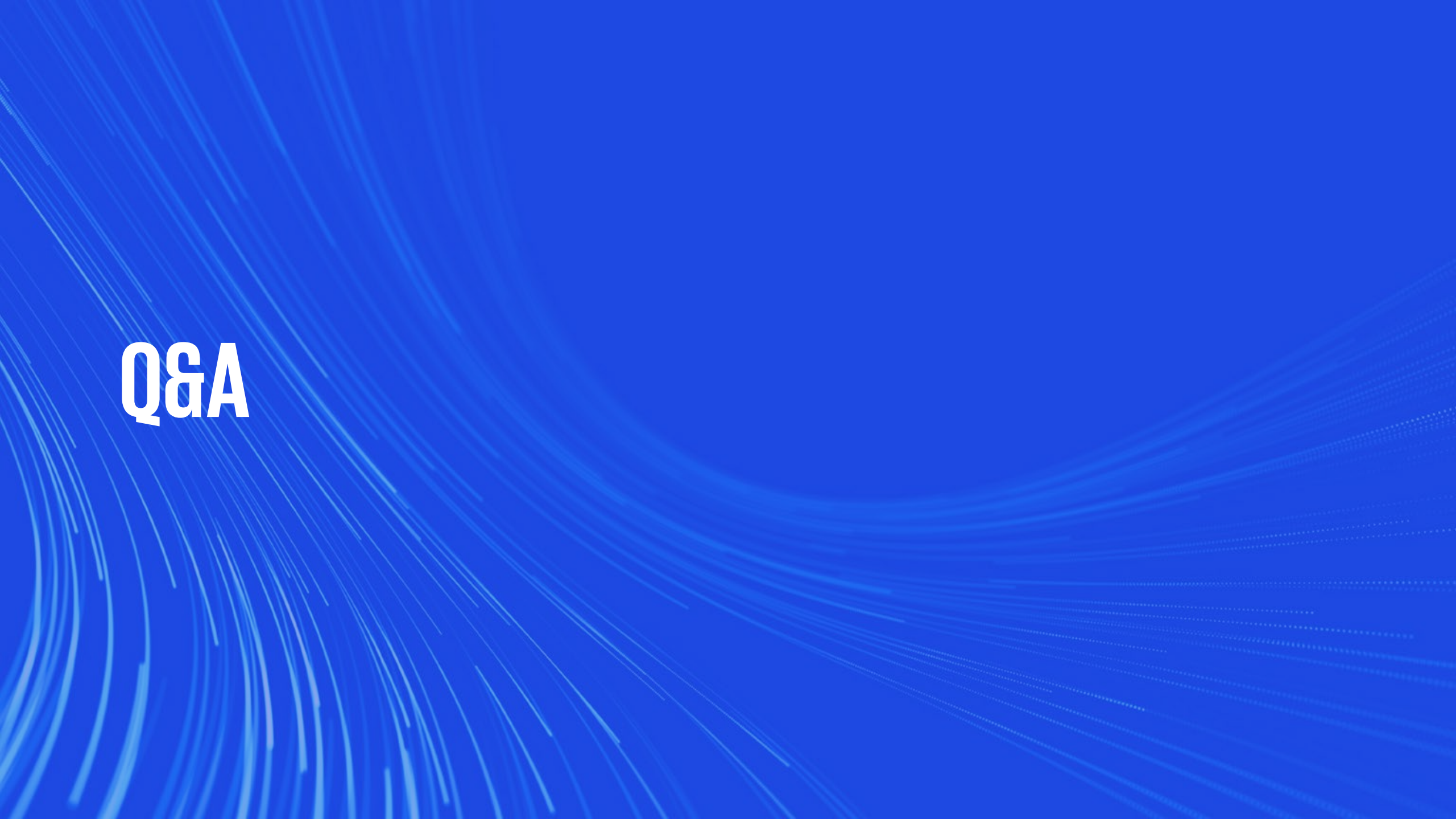


- Intangible assets held for investment
- Broader review of recognition
- Disclosures
- Acquired vs internally generated intangible assets



To be Considered

- Broader intangible items



Q&A

Fair value option for investments in associates and joint ventures



Regulatory assets and regulatory liabilities



Risk mitigation accounting



Applying the equity method



Changes to provisions on the horizon



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