Beyond the GAAP

Mazars' monthly newsletter on financial and sustainability reporting

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Editorial

At its monthly meeting in February 2023, the IASB continued its discussions on the Financial Instruments with Characteristics of Equity project (FICE) and reached a number of tentative decisions, which we discuss in detail in this issue. Readers will recall that this project, based on a discussion paper published in June 2018, is intended to clarify the principles of IAS 32, to address the issues of its practical application and to improve disclosures. The exposure draft is expected in the second half of 2023.

At its February 2023 meeting, the International Accounting Standards Board (IASB) tentatively decided that financial instruments containing obligations for an entity to redeem its own equity instruments, including written put options on non-controlling interests (NCI), may only be remeasured through profit or loss. If made final, this decision would go against the current practice of entities that recognise changes in the exercise price of these instruments in group equity.

IFRS Highlights

Preparations for PIR of IFRS 9 – Phase 2 – *Impairment*

In the second half of 2022, the IASB launched the second phase of its Post-implementation Review (PIR) of IFRS 9 – *Impairment*, which focuses on the principles for recognising expected credit losses. Readers will remember that the first phase of the PIR of IFRS 9 ended in December 2022 with the publication of a feedback statement (cf. Beyond the GAAP no. 172, December 2022).

At its February 2023 meeting, the IASB discussed feedback from stakeholders and decided on the topics to be included in its Request for Information (RFI), scheduled for publication in May 2023.

The RFI would cover the following topics:

- the general approach for recognising expected credit losses (ECLs); and, more specifically:
  - the added value of the approach for helping users of financial statements to understand changes in credit risk;
  - the cost/benefit ratio of applying the approach to specific transactions, such as intragroup loans;
- the concept of significant increases in credit risk; and, more specifically:
  - the use of judgement to assess whether there has been a significant increase in credit risk;
  - the range of practices used to assess such increase, and the potential reasons for any diversity of practices;
- the methods used to measure ECLs; and, more specifically:
  - the use of a forward-looking approach that incorporates multiple macroeconomic scenarios;
  - the measurement of ECLs in periods of increased economic uncertainty, including the use of post-model adjustments;
- how to apply the ECL requirements to purchased or originated credit-impaired financial assets;

- the simplified approach used for trade receivables, contract assets and lease receivables; and, more specifically:
  - the impact of the simplified approach;
  - the inclusion of forward-looking information in this approach;
- the accounting for loan commitments, collateral and other credit enhancements held, and financial guarantees issued;
- the interaction between the ECL requirements and the other requirements of IFRS 9 as well as other IFRS accounting standards;
- the effects of the transition reliefs provided by the IASB, and the balance between reducing costs for preparers and providing useful information to users of financial statements;
- the credit risk disclosure requirements in IFRS 7; and, more specifically:
  - whether the balance between comparability and relevance of information is appropriate for these disclosures;
  - whether they are compatible with digital reporting requirements.

Proposed amendments to IAS 7 and IFRS 7 on Supplier Finance Arrangements

At its February 2023 meeting, the IASB continued its redeliberations on the *Supplier Finance Arrangements* project, which, as readers may remember, is proposing additional disclosure requirements in the notes (cf. Beyond the GAAP no. 172, December 2022).

At this meeting, the IASB tentatively decided on the requirements for first-time application of the proposed amendments to IAS 7 and IFRS 7:

- the effective date of the amendments will be 1 January 2024 (with early application permitted), and not 1 January 2025 as originally planned;
- to balance out the earlier implementation, the following reliefs will be provided for the annual reporting period in which an entity first applies the amendments:
  - entities will not be required to disclose comparative information;
  - at the beginning of the annual reporting period, entities will not be required to disclose information on (i) the carrying amount of financial liabilities that form part of supplier finance arrangements for which the suppliers have already received payment from the finance providers; or (ii) the range of payment due dates for financial liabilities and trade payables, whether or not these are part of a supplier finance arrangement;
  - entities will not be required to apply the amendments to any interim financial statements presented within that year.

Publication of the final amendments is scheduled for May 2023.

Goodwill and Impairment project: disclosures on strategically important business combinations

At its February 2023 meeting, the IASB continued redeliberations on the *Disclosures, Goodwill and Impairment* Discussion Paper, focusing particularly on the disclosures required on strategically important business combinations.

Readers will remember (see Beyond the GAAP no. 169, September 2022) that the DP proposed the following disclosure requirements, using information used by management (a "management approach"):

- the objectives for the acquisition;
- the metrics and targets used to monitor whether the acquisition is meeting these objectives;
- for subsequent periods, the extent to which management's objectives are being met, using these metrics.

At its February meeting, the IASB reached the following tentative decisions:

- regarding the level of management used to identify the information required: this should be the "key management personnel" of the entity, as defined in IAS 24 (in the Discussion Paper, the IASB had proposed that this should be the "chief operating decision maker" as defined in IFRS 8);
- regarding the subsequent performance of the business combination:
  - information will be required for as long as the management continues to monitor whether it is meeting the objectives and targets set when the business combination was entered into;
  - if performance is not monitored, or if the management ceases to monitor performance before the end of the second full year following the business combination, the entity must disclose this and explain why;
  - furthermore, if the management ceases to monitor performance before the end of the second full year following the business combination, the entity must disclose information about actual performance using the metric set out in the year of acquisition, if this information is received by the management (e.g. when it is reviewing the entity's annual budget).

The IASB also tentatively decided to specify the level of detail required for some of these disclosures:

- disclosures about the targets for a business combination may be provided either as a point estimate or a range of values;
- an entity is only required to provide disclosures about its "key" objectives, i.e. those critical to the success of the business combination.

Over the coming months, the Board is expected to reach further tentative decisions regarding disclosures on business combinations and impairment testing under IAS 36. For an overview of the earlier stages of this project, see the In Brief article by Board member Rika Suzuki, published on the IASB's website on 31 January.

ISSB concludes discussions on draft IFRS Sustainability Disclosure Standards

At its February 2023 meeting, the International Sustainability Standards Board (ISSB) concluded its redeliberations on the content of the future standards IFRS S1 – *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 – *Climate-related Disclosures*, having now reached (tentative) decisions on all the major issues.

In this issue, we present the decisions reached by the ISSB over the past month; they will remain tentative until the final vote on the two standards, which is scheduled to

take place by the end of the second quarter of 2023.

The ISSB Update for the February 2023 meeting is available here. A press release has also been published (available here).

Draft IFRS S1 on general sustainability disclosure requirements

Regarding the sources of guidance that entities may use, the Board reached the following main decisions (which remain tentative at this stage):

- to amend the standard to permit (but not require) entities to use the most recent pronouncements on sustainability reporting from other standard-setting bodies when identifying sustainability-related risks and opportunities and the required disclosures, if this would help them to meet users' needs;
- to introduce the option (but not a requirement) for entities to draw on the Global Reporting Initiative Standards or European Sustainability Reporting Standards (ESRS), which will be listed in the appendices to IFRS S1, to help them identify relevant sustainability metrics to include in disclosures on sustainability-related risks and opportunities.

These sources of additional guidance may only be used if there is no relevant IFRS Sustainability Disclosure Standard on the topic in question. It is therefore not envisaged that the appendices to IFRS S1 will continue to exist in perpetuity.

If such additional guidance is used, the entity must ensure that:

- material information is not obscured by immaterial information disclosed in accordance with these sources;
- the general requirements of IFRS S1 are met;
- investors' information needs are met and the materiality principle is applied.

These key decisions on the content of sustainability reporting under IFRS standards are the culmination of several months of work by the ISSB in conjunction with the European Commission and the European Financial Reporting Advisory Group (EFRAG), to ensure maximum interoperability between their respective sets of standards and alignment of key climate-related disclosures.

The finishing touches are now being put to the IFRS standards ready for publication, and the first 12 ESRS are at a similar stage (for the latter, adoption scheduled in June 2023 by means of delegated acts). The collaboration will thus now focus on the precise terminology to be used in each framework.

The ISSB will also continue to collaborate with other bodies in other jurisdictions to improve interoperability of its standards and thus facilitate widespread adoption.

Tentative decisions relating to both IFRS S1 and IFRS S2

Regarding the schedule for initial application and transition provisions, the Board (tentatively) decided:

- that the two draft standards will be effective for financial periods commencing on or after 1 January 2024;
- to permit early application provided that (i) the entity applies both IFRS S1 and IFRS S2 at the same time and (ii) the entity discloses that fact;
- to permit the following reliefs for the first annual report:
  - an additional grace period after the publication of the financial statements before disclosures on

the financial impacts of sustainability issues are required;

- relief from the requirement to measure Scopes 1, 2 and 3 greenhouse gas (GHG) emissions in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* if the entity uses a different measurement basis for the period immediately preceding initial application of IFRS S2;
- relief from the requirement to publish Scope 3 GHG emissions.

Next steps before final vote on IFRS S1 and S2, and upcoming public consultation on ISSB's future priorities

Following several months of redeliberations to finalise the content of the draft IFRS S1 and S2 standards, the Board unanimously voted to move forward to the final balloting phase, in accordance with its due process, with a view to publishing the final versions of the two standards by the end of the second quarter of 2023. This decision was particularly welcomed by IOSCO (the International Organization of Securities Commissions) in a press release available here).

In the meantime, the ISSB will focus on developing additional guidance and training materials, as well as supporting implementation of the new standards. In particular, support needs have been identified for emerging and developing economies, as well as for smaller companies.

Finally, the ISSB will launch a public consultation on its future work plan in the second quarter of 2023. Some research projects have already been (tentatively) added to the work plan and stakeholders will be consulted on whether to retain these (see Beyond the GAAP no. 172 , December 2022).

European Highlights

Mandate renewed for EFRAG's FR TEG

In a press release published on its website on 24 February (available here), EFRAG has announced that the members of its Financial Reporting Technical Expert Group (FR TEG) have been reappointed for a further mandate, starting on 1 April 2023.

Jens Berger will be Acting Chair of the FR TEG until a new Chair is appointed.

Chiara Del Prete appointed Chair of EFRAG SR TEG

On 1 February 2023, the EFRAG Administrative Board appointed Chiara Del Prete as Chair of its Sustainability Reporting Technical Expert Group (SR TEG) for a three-year mandate. She had held the post of Acting Chair since May 2022, alongside her role as Chair of the FR TEG, which she took up in April 2019. EFRAG has subsequently launched a call for candidates for the role of FR TEG Chair, which is now vacant.

Chiara Del Prete will now devote her time fully to overseeing and managing EFRAG's sustainability reporting technical activities, which involve advising and making recommendations to the Sustainability Reporting Board (SRB). These activities support the SRB in its development of draft European Sustainability Reporting Standards or ESRS, a task assigned to EFRAG by the European Commission (EC) and for which the SRB is the key decision-making body.

EFRAG publishes summary report on "Where is Corporate Reporting Heading?" conference

On 15 February 2023, EFRAG published a summary report (available here) of the key points of its "Where is Corporate Reporting Heading?" conference, held in Brussels on 7 December 2022, in the context of EFRAG's 21st anniversary.

Discussions focused primarily on the recent changes in ESG reporting at the European and international levels, as well as the growing importance of connectivity with financial reporting.

EFRAG publishes educational materials on draft ESRS Set 1

On 3 March 2023, EFRAG published a series of educational videos on its website, focusing on the first set of draft ESRS that it submitted to the EC on 22 November 2022 (the so-called "sector-agnostic" standards).

The 12 draft standards are covered in a series of 20 videos, including (i) 10 short videos (around 4 to 7 minutes) giving an overview of key points, and (ii) 10 longer videos (around 12 to 29 minutes) providing more details on the technical content of each standard.

EFRAG has not yet published the Basis for conclusions for the draft standards, but these are expected to appear very soon.

Continuation of EFRAG discussions on ESRS Set 2

Deliberations within EFRAG SRB and SR TEG on the ESRS Set 2 continued in February, following on from the discussions that began once Set 1 had been submitted to the EC (cf. 'European Highlights' in Beyond the GAAP no. 172, December 2022, and Beyond the GAAP no. 173, January 2023).

The discussions focused on the methodological approach, structure and content of (i) the ESRS for listed SMEs, and (ii) sector-specific standards, based on a pilot in the mining sector, which should ultimately be integrated into a single standard that also covers coal mining and quarrying. In this context, the Global Reporting Initiative (GRI) presented its draft sector-specific standard on the same topic to the SRB & SR TEG members.

The draft sector classification standard for the ESRS framework ("SEC 1") and the draft Oil & Gas standard (upstream and downstream) were also discussed. A closer look was also taken at the research carried out on required disclosures for the Agriculture, Farming & Fishing sector.

Other key elements of the discussions at the February meeting included:

- a presentation by the EC to the SRB on its progress in finalising ESRS Set 1 ready for publication of the delegated acts, covering the following points:
  - the timetable for adoption, with the EC planning to adopt Set 1 in mid-June at the same time as publishing other sustainable finance legislation (or draft legislation), including the green Taxonomy delegated act that sets out the technical screening criteria for the other four environmental objectives;
  - confirmation that a public consultation on the draft delegated acts for Set 1 will be launched in April and will run for four weeks;
  - the importance placed by the EC on the usability, clarity, coherence and consistency of the first set of standards, particularly with regard to other European regulations;

- the analysis currently being carried out by the EC following feedback from the Member States, committees and other bodies consulted in accordance with the CSRD, as well as feedback submitted unprompted by other stakeholders. The EC noted that there was a unanimous demand for more guidance;
- the resultant need to put in place a framework, as soon as possible following publication of Set 1, to address this need and thus ensure consistent application of the ESRS;

- the SRB's decision to prioritise research on how the concept of the value chain should be applied to entities in the financial sector (i.e. how far up the value chain should one go when identifying the material impacts, risks and opportunities and thus, the required disclosures). The need for such research was specifically underlined by the European supervisory authorities (the EBA for banks, the EIOPA for insurers, and the ECB) in the opinions they submitted to the EC at end-January 2023. The SRB also emphasised the need to develop the sector-specific standard for the financial sector as a priority. However, it is now too late to include it in ESRS Set 2 (which is scheduled for adoption in June 2024) and it will thus be included in Set 3 (draft standard to be submitted to the EC by EFRAG in November 2024).

The SR TEG and the SRB are expected to vote on the draft SEC 1, Mining / Coal / Quarrying, and Oil & Gas standards in March, with a view to launching the public consultation on the three documents in early April.

Reorganization of European Platform on Sustainable Finance

On 8 February 2023, the EC announced the new composition of the European Platform on Sustainable Finance for the next two years, following a call for applications launched in October 2022. The composition is as follows:

- twenty-eight members, selected from the applications received (the list can be viewed here);
- seven permanent representatives of EU agencies and bodies that were reappointed directly and include, among others, the three European supervisory agencies: the European Banking authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Markets Authority (ESMA);
- the Chair (Helena Viñes Fiestas);
- fourteen observers:
  - nine EU institutions and international organisations, including the European Central Bank (ECB) and EFRAG;
  - five private-sector representatives.

Under its new mandate, the Platform will:

- advise the EC on the usability of the green Taxonomy, and the European sustainable finance framework more broadly;
- support the EC on the technical screening criteria (TSC) used to assess alignment of economic activities with the green Taxonomy;
- monitor capital flows into sustainable investments.

The stakeholder request mechanism will be launched in the first quarter of 2023, to enable stakeholders to submit suggestions (which must be based on scientific evidence) for (i) new activities that could be incorporated into the green Taxonomy or (ii) amendments that should be made to the TSC used for activities already covered by the Taxonomy.

FICE project: ongoing discussions of proposed amendments to IAS 32

In February 2023, the IASB continued its deliberations on the FICE project, which, as readers will recall, aims to clarify the principles of IAS 32, to address the problems of practical application of this standard and to improve the disclosures (see Beyond the GAAP no. 124, July-August 2018). Discussions focused on the main classification and presentation issues, and on the development of new disclosure requirements for equity instruments within the scope of IAS 32.

Classification and presentation of financial instruments issued by the entity

Fixed-for-fixed condition

In April 2020, the IASB had tentatively clarified the conditions under which derivatives on own equity could be considered to meet the "fixed-for-fixed" criterion for classification as equity. Under these conditions, an equity derivative met the 'fixed-for-fixed' criterion if the amount of cash (in the entity's functional currency) to be exchanged for each underlying unitary equity instrument was fixed or could vary only as a result of permitted adjustments:

- with a view to preserving the economic interests of the holders of the instrument in relation to those of the existing shareholders (known as "anti-dilution clauses");
- or due to the passage of time.

The IASB had also taken a tentative decision to classify as an equity instrument a contract that can be settled by exchanging a fixed number of non-derivative equity instruments for a fixed number of non-derivative equity instruments of another type (e.g. ordinary shares for preference shares or parent shares for subsidiary shares).

At its February 2023 meeting, the IASB decided on the application of this approach to the case of convertible bonds where the holder has a choice between two fixed conversion ratios with different types of own shares at group level.

The staff paper takes the example of bonds issued by subsidiary X for €1 million with a maturity date of June 2026, together with the right to convert the bonds, at any time before maturity, into either:

- 100 shares of company Y (the parent company of Y);
- or 1,100 shares of Subsidiary X.

The staff think that this fact pattern should not preclude equity classification insofar as:

- the outcomes are mutually exclusive and each would meet the fixed-for-fixed condition;
- any difference in value between X and Y shares is not taken into account in the application of the fixed-for-fixed condition to each class of own shares;
- it could be argued that in substance there are two transactions (in this instance, the exchange of a fixed amount of cash for a fixed number of X shares, or, alternatively, for a fixed number of Y shares), both of which would result in classification in equity.

In its tentative decision of February 2023, the IASB extended the scope of the “fixed-for-fixed" condition defined in April 2020 to the specific case presented above.

Reclassification of issued financial instruments as debt or equity instruments

In previous discussions in March and June 2022, the IASB had addressed reclassification of issued financial instruments as debt or equity instruments when the substance of the contractual terms changes without a modification to the contract.

The IASB had tentatively decided to add a principle in IAS 32 allowing reclassification from one class to another in situations when the change in substance arises from changes in circumstances outside the contract (e.g. a change in the entity's functional currency, a change in the entity's organisational structure such as the disposal of a subsidiary, or the early redemption of an instrument with mandatory interest payments linked to an instrument whose payments subsequently become discretionary).

At its February 2023 meeting, the IASB tentatively decided that the reclassification date for the instruments concerned would be the date of the change in circumstances and not the end of the corresponding accounting period. This date would therefore be consistent with the date when puttable instruments or instruments issued by limited-life entities must be reclassified (see IAS 32.16A-16F).

However, the IASB will ask a question in the forthcoming exposure draft to assess the practical considerations, given the potential operational difficulties anticipated (e.g. whether the exact date of the change in circumstances can be determined, and the measurement consequences of reclassification during, rather than at the end of, the accounting period).

The effects of laws on contractual terms

In December 2021, the IASB had tentatively decided that, in the debt/equity analysis of an instrument, it would only take account of:

- contractual clauses that are in addition to, or more specific than those established by applicable law, and which are explicitly included in the contract (criterion 1); or
- applicable laws that prevent the enforceability of a contractual right or a contractual obligation (criterion 2).

However, an entity's analysis should not take into account any legal obligations imposed on the parties without negotiation, whether or not explicitly included in the contract.

During its February 2023 meeting, the IASB tentatively decided to simplify the approach taken in December 2021 by retaining the first condition while removing the second, on the grounds that the enforceability of a contract is already explicitly required by the current standard (see IAS 32.13).

Shareholder discretion

In February 2022, the IASB had discussed the classification of a financial instrument with a contractual obligation to deliver cash at the discretion of the issuer’s shareholders.

The question was whether a shareholders' decision should be treated as a decision of the entity or rather as a decision by third parties external to the entity, to determine the extent to which the entity has an unconditional right to avoid delivering cash.

Because of the wide range of possible situations, the IASB had proposed a multi-factor approach aimed at framing the exercise of judgment in relation to specific facts and circumstances.

At its February 2023 meeting, the IASB discussed and clarified the different factors identified[1] :

- is the shareholders' decision routine in nature and made during the normal course of the entity's operating and corporate governance process?
- was the shareholders' decision initiated by the entity's governance body?
- does the shareholders' decision have a differential impact on certain classes of shareholders (e.g. holders of preference shares)?
- does the shareholders' decision allow them to demand the redemption of their shares (or the payment of a dividend) in cash or equivalent?

These are just some possible factors and are mentioned solely to help the entity exercise its judgment, which should be explained in the notes to the financial statements.

The IASB concluded that this approach had already been tentatively adopted in February 2022 (by a majority of 7 to 12); therefore, it was not necessary to make any further decisions.

Financial liabilities relating to obligations to redeem equity instruments

Remeasurement of financial liabilities relating to NCI puts

Further to the tentative decisions taken by the IASB in September 2022 (see Beyond the GAAP no. 169), the IASB clarified the accounting impacts of financial instruments containing obligations for an entity to redeem its own equity instruments (such as NCI puts).

The IASB tentatively decided to clarify that gains or losses arising from subsequent changes in the exercise price of these instruments should be recognised in profit or loss. This position is based in particular on the fact that:

- it is consistent with IAS 32.41 which requires a financial liability to be remeasured in profit or loss, even when it relates to a claim on the entity's residual net assets;
- the remeasurement of the debt cannot be considered as a transaction with owners in their capacity as owners, as this conclusion can only be reached at the time of the actual repurchase of the shares if the option is exercised at maturity and provided that the noncontrolling interests are not considered as acting as individual investors, rather than as shareholders of the entity;
- it is consistent with the July and September 2022 Board decisions on this project, which clarify that the debt is initially recognised against group equity and not directly against the noncontrolling interests, insofar as the issuance of the put option results in no change in the respective ownership percentages of the subsidiary between the parent and the non-controlling shareholders;
- it is consistent with the IASB agenda decision of September 2010 and the IFRIC draft interpretation of May 2012 on this subject, although these were not finalised at the time;
- any alternative approach, for example aiming to remeasure an NCI put option exercisable at the fair value of the

[1] According to the elements provided in the staff paper but not included in the IASB decision

underlying share through group equity, in order to resolve the difficulty of the "counter-intuitive" nature of a remeasurement in profit or loss, would imply a fundamental review of IAS 32 that would go beyond the limited revision mandate of the standard inherent in the FICE project.

Therefore, contrary to the arguments of some stakeholders during the 2010-2012 discussions, the IASB sees no contradiction between the provisions of IAS 32 and those of IFRS 10, although this should be made clear in the basis for the conclusion of future amendments.

If made final, this decision would go against the current practice of entities that remeasure NCI put options exercisable at the fair value of the underlying share through group equity, rather than in profit or loss.

After years of discussion and many twists and turns, the Board is now proposing a clear direction on this issue. The next step will be to gather the reactions and comments of stakeholders, including preparers and users of accounts, who will be invited to comment on the draft amendments, scheduled in the second half of 2023.

Further clarification on obligations to redeem equity instruments

The IASB has also tentatively decided to clarify that:

- an entity is required to use the same approach for initial and subsequent measurement of financial liabilities (either at amortised cost, or at fair value through profit or loss);
- this approach assumes that an entity would ignore the likelihood and estimated timing of the holder exercising the put option in initial and subsequent measurement (meaning that the maximum potential cash outflow, discounted to the earliest possible date of payment by the counterparty, should be recognised both at inception and thereafter);
- this approach also applies, in the same way, to financial liabilities qualified as such due to the existence of contingent settlement provisions related to uncertain future events (IAS 32.25): that is, the entity would ignore the probability and estimated timing of the contingent event (meaning that the maximum potential cash outflow, discounted to the earliest possible due date arising from the event, should be recognised both at inception and thereafter).

However, the IASB has not reached a decision on previously discussed measurement issues, such as the treatment of puts whose exercise price is equal to the minimum of the fair value of the underlying securities and a fixed amount. Considering the many practical questions that arise when measuring these specific puts, the staff suggest that these issues be dealt with outside the FICE project, possibly in the research project on amortised cost arising from Phase 1 of IFRS 9 PIR and added to the IASB's work plan in 2022.

Presentation of financial liabilities containing contractual obligations to pay amounts based on an entity's performance or changes in the entity's net assets

In December 2022, the IASB had taken a decision on the presentation of changes in the fair value of liabilities that represent a contractual obligation to pay the investor an amount that depends on the entity's performance or changes in its net assets (see Beyond the GAAP no. 172, December 2022).

The IASB had tentatively decided not to change the presentation requirements of IAS 32, but to require under IFRS 7 additional and separate disclosure in the notes of the total amount of gains or losses resulting from the remeasurement of this class of financial liabilities at fair value through profit or loss.

At its February 2023 meeting, the IASB clarified these additional disclosure requirements by tentatively deciding to delete a reference to IAS 1 in IAS 32.41 to avoid any perceived duplication of requirements through the introduction of additional line items in the statement of comprehensive income.

Presentation of equity instruments

At its February 2023 meeting, the IASB discussed how best to meet the needs of users of financial statements, particularly ordinary shareholders. The approach adopted consists of:

- clearly distinguishing the returns to ordinary shareholders;
- improving transparency about whether an entity has issued other instruments classified as equity.

The IASB tentatively decided to amend IAS 1 to require:

- the separate presentation in the statement of financial position of issued capital and reserves attributable to ordinary shareholders of the parent and issued capital and reserves attributable to other owners of the parent, respectively (IAS 1.54(r));
- the separate presentation in the statement of changes in equity of each class of equity instruments relating to ordinary shares and to other classes of equity instruments, respectively (IAS 1.108);
- the separate presentation of profit or loss and other comprehensive income (OCI) attributable to ordinary shareholders of the parent and to other owners of the parent, respectively (IAS 1.81B);
- the separate presentation, either in the statement of changes in equity or in the notes, of the amount of dividends distributed to ordinary shareholders and to other owners of the parent company, respectively, as well as the related amount of dividends per share (IAS 1.107).

The IASB has also asked the staff to consider further how the amounts attributable to ordinary shareholders would be disaggregated.

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[1] Where permitted under applicable country laws

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