

# Opening Remarks and Updates

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## Extract, IFRS® Discussion Group Report on the Meeting – May 27, 2020

### UPDATE ON PREVIOUS ITEMS DISCUSSED BY THE GROUP

#### **IFRS 3, IAS 12, and IFRIC 23: Uncertain Tax Position Acquired in a Business Combination**

At the [June 2019](#) IDG meeting, the Group recommended that the AcSB consider referring the issue of whether the exception described in paragraph 24 of IFRS 3 could be revised to include both current and deferred tax assets or liabilities to the IASB or the IFRS Interpretations Committee.

At the December 2019 IASB meeting, the IASB tentatively decided not to add an exception to its recognition principle for current assets and liabilities within the scope of IFRIC 23. Staff will continue monitoring future developments in this area.

#### **IFRS 16: Sale-leaseback Transaction with Variable Payments**

At its [September 2019](#) meeting, the Group recommended that the AcSB consider referring the issue of how to measure and present the liability related to fixed and variable lease payments in the financial statements to the IFRS Interpretations Committee.

Following the meeting, the IFRS Interpretations Committee received a submission of a similar fact pattern and discussed this issue at its [March 2020](#) meeting. The Committee has tentatively decided that the seller-lessee should recognize a lease liability<sup>1</sup> at the date of the transaction, even if all the payments for the leases are variable and do not depend on an index or rate. The Committee recommended the IASB amend IFRS 16 to specify how the seller-lessee applies IFRS 16's subsequent measurement requirements to the lease liability that arises in the sale and leaseback transaction.

The IASB subsequently discussed this matter at its April and May 2020 meetings. The IASB has decided to propose a narrow-scope amendment to IFRS 16, specifying how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in the sale and leaseback transaction. The IASB plans to publish the exposure draft in the third quarter of 2020.

Staff will continue monitoring future developments on this topic.

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<sup>1</sup> At its June 16, 2020 meeting, the IFRS Interpretations Committee decided to remove the reference to "lease" from the description of the liability in the final agenda decision.

## **IFRS 16 and IAS 37: Variable Lease Payments and Onerous Lease Provisions**

At its [September 2019](#) meeting, the Group recommended that the AcSB consider referring the issue of whether an onerous provision should be recognized for any variable payments not recognized in the lease liability either to the IASB or the IFRS Interpretations Committee.

The AcSB discussed this issue at its March meeting and will continue monitoring this issue to determine whether further action is warranted.

## **OTHER MATTERS**

### **Reminders on IASB® Documents for Comments**

#### **General Presentation and Disclosures (Primary Financial Statements)**

In December 2019, the IASB published its Exposure Draft, “General Presentation and Disclosures (Primary Financial Statements),” with comments due September 30, 2020. The IASB proposed new requirements for presentation and disclosure in financial statements, focusing on the statement of profit or loss. The proposals would result in a new IFRS Standard that sets out general presentation and disclosure requirements relevant to all companies, replacing IAS 1 *Presentation of Financial Statements*.

#### **Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendment to IAS 1)**

In January 2020, the IASB issued narrow-scope amendments to IAS 1 *Presentation of Financial Statements* to clarify how to classify debt and other liabilities as either current or non-current. The original effective date of the amendments was January 1, 2022. However, due to the COVID-19 pandemic, the IASB has published an exposure draft to propose a deferral of the effective date by one year. The deadline to comment on this exposure draft was June 3, 2020.

#### **Business Combinations- Disclosures, Goodwill and Impairment**

In March 2020, the IASB published the Discussion Paper, “Business Combinations—Disclosures, Goodwill and Impairment” with comments due December 31, 2020. The Discussion Paper sets out the IASB’s preliminary views on how companies can provide better information so that investors can more effectively hold companies to account for their decisions to acquire other businesses. The preliminary views focus on disclosure of information and on accounting for goodwill, including some simplifications for impairment testing.

(For opening remarks and updates, including other matters, listen to the [audio clip](#).)