



## IFRS on Point

### Financial Reporting Developments and Information from May 2021

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## International headlines

### **Board publishes Exposure Draft that proposes a revised Practice Statement on management commentary**

The International Accounting Standards Board (Board) has published Exposure Draft ED/2021/6 *Management Commentary* proposing to significantly update IFRS Practice Statement 1 *Management Commentary*. The deadline for submitting comments is 23 November 2021.

The proposed revised Practice Statement is divided into three parts:

- Part A (general requirements) specifies requirements for identifying management commentary and the related financial statements, for authorising management commentary and for including a statement of compliance. It also sets out the objective of management commentary
- Part B (areas of content) specifies six areas of content for management commentary and requires management commentary to provide information that meets disclosure objectives for each of those areas of content. It also includes the requirement that management commentary should focus on key matters
- Part C (selection and presentation of information) contains guidance on the selection of information to include in management commentary and the presentation of that information

The ED proposes that the revised Practice Statement would be effective for annual reporting periods beginning on or after the date of its issue. The Practice Statement would not be an IFRS Standard and its application would not be mandatory.

Please click to access the following:

- **Press release** on the IFRS Foundation website
- **Exposure Draft** on the IFRS Foundation website
- **Basis for Conclusions** on the IFRS Foundation website
- **Snapshot** document summarising the proposals on the IFRS Foundation website
- **IFRS in Focus** newsletter on IAS Plus

For more information please see the following websites:

[www.iasplus.com](http://www.iasplus.com)

[www.deloitte.com](http://www.deloitte.com)

### Board publishes amendments to IAS 12

The Board has published *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. The amendments introduce an exception to the initial recognition exemption in IAS 12. Applying the exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences, for example when a lease liability and the corresponding right-of-use asset is recognised.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early application of the amendments is permitted.

Please click to access the following:

- **Press release** on the IFRS Foundation website
- **IFRS in Focus** newsletter explaining the proposed amendments on IAS Plus

### Board meeting (May 2021)

The Board met via video conference on 24-27 May 2021. The following topics were discussed:

- Dynamic Risk Management
- Financial Instruments with Characteristics of Equity
- Goodwill and Impairment
- Primary Financial Statements
- Second Comprehensive Review of the *IFRS for SMEs* Standard
- Disclosure Initiative—Subsidiaries that are SMEs
- IFRS 17 Insurance *Contracts*
- Maintenance and consistent application

The discussion on IFRS 17 related to the presentation of comparative information on initial application of IFRS 17 and IFRS 9. Insurers have raised concerns about an accounting mismatch between financial assets and insurance contract liabilities that could arise from the continued application of IAS 39. The staff will bring back detailed proposals for the possible narrow-scope amendment at a future meeting.

Please click to access the following:

- **IASB Update** and **post-meeting podcast** on the IFRS Foundation website
- **Agenda and related agenda papers** on the IFRS Foundation website
- **Work plan analysis** on IAS Plus
- Detailed **meeting summaries** taken by Deloitte observers on IAS Plus

### Board to conduct fieldwork on ED/2021/3

In March 2021, the Board published Exposure Draft ED/2021/3 *Disclosure Requirements in IFRS Standards—A Pilot Approach (Proposed amendments to IFRS 13 and IAS 19)* that contains proposed guidance for itself when developing and drafting disclosure requirements in IFRS Standards in future as well as proposed amendments to IFRS 13 and IAS 19 that result from applying the proposed guidance to those standards. The Board is now inviting preparers of financial statements to participate in fieldwork to test the proposals in the ED.

Please click to access **more information** on the IFRS Foundation website.

### IFRS Foundation holds webinar on ED/2021/3

The IFRS Foundation held a live webinar on 19 May 2021 about ED/2021/3 *Disclosure Requirements in IFRS Standards—A Pilot Approach (Proposed amendments to IFRS 13 and IAS 19)*.

Please click to access the webcast through the **press release** on the IFRS Foundation website.

### IFRS Foundation appoints new Trustee

The IFRS Foundation has announced the appointment of Masamichi Kono as Trustee of the IFRS Foundation. His appointment will begin on 1 July 2021.

Please click to access the **press release** on the IFRS Foundation website.

### Report on the spring 2021 IFASS meeting

A report has been issued summarising the discussions at the meeting of the International Forum of Accounting Standard Setters (IFASS) held by remote participation on 8 and 9 March 2021.

The list of topics discussed at the meeting was:

- EFRAG Initiative on Non-Financial Reporting
- Disclosure Initiative—Subsidiaries that are SMEs
- Going Concern
- Separate Financial Statements
- Future of Corporate Reporting
- Post-Implementation Review of IFRS 10, IFRS 11 and IFRS 12
- International Financial Reporting for Non-Profit Organisations
- Agenda Consultation
- Business Combinations under Common Control
- Message from IASB Chair

Please click to access the **report** on IAS Plus.

### EFRAG draft comment letters on recent Board's proposals

- The European Financial Reporting Advisory Group (EFRAG) has issued a draft comment letter on ED/2021/3 *Disclosure Requirements in IFRS Standards—A Pilot Approach (Proposed amendments to IFRS 13 and IAS 19)*.

Please click to access the draft comment letter through the **press release** on the EFRAG website.

- EFRAG has also issued a draft comment letter on the Board's Request for Information—*Third Agenda Consultation* asking for views on the strategic direction and balance of the Board's activities, the criteria for identifying projects and which financial reporting issues it should prioritise.

Please click to access the draft comment letter through the **press release** on the EFRAG website.

### EFRAG to conduct field testing on ED/2021/3

EFRAG, in coordination with the Board, will conduct field testing on ED/2021/3 *Disclosure Requirements in IFRS Standards—A Pilot Approach*, and invites companies to participate in the field-testing.

Please click to access the following on the EFRAG website:

- **Press release**
- **Podcast** on the field testing

### Discounting in financial reporting

On 9 July 2021, the European Accounting Association (EAA), EFRAG and the Institute of Chartered Accountants of Scotland (ICAS) will host a webinar on discounting in financial reporting.

At the event, three studies on discount rates in financial reporting will be presented:

- The Theory and Practice of Discounting in Financial Reporting Under IFRS
- Discount rate in accounting: How practitioners depart the IFRS Maze – Towards the end of determinism in accounting
- Black Box Accounting: Discounting and disclosure practices of decommissioning liabilities

Please click to access **more information** on the EFRAG website.

### AASB staff paper comparing narrative reporting requirements

The staff of the Australian Accounting Standards Board (AASB) has published a paper titled *Comparison of Narrative Reporting Requirements Applicable to For-Profit Entities* that examines several aspects of narrative reporting requirements for for-profit entities in Australia and selected overseas jurisdictions through their comparison to the draft disclosure objectives included in ED/2021/6 *Management Commentary*.

Please click to access the **staff paper** on the AASB website.

### **IFAC encourages a building blocks approach for reporting sustainability-related information**

The International Federation of Accountants (IFAC) has published a revised building blocks approach to reporting sustainability information—enhancing its previously issued roadmap.

Please click to access the following on the IFAC website:

- **Enhancing Corporate Reporting: Sustainability Building Blocks**
- **Press release**

### **EC asks EFRAG to begin work on EU sustainability standards**

The European Commission (EC) has sent a letter to EFRAG to begin work on the European sustainability reporting standards envisioned in the draft Corporate Sustainability Reporting Directive (CSRD) published by the EC in April 2021. The letter notes that in order to meet the tight timeline the EC has set for itself, the development of draft sustainability standards will need to start before the new EFRAG governance structure is in place.

Please click to access the **letter** on the EFRAG website.

### **EC conference on the proposed Corporate Sustainability Reporting Directive and the way forward**

In May 2021, the EC held a high-level conference on the review of the non-financial reporting directive.

Please click to access the **recording** of the conference on the EC website.

At this conference, Jean-Paul Servais, Vice Chair of the International Organization of Securities Commissions (IOSCO) and Chair of the IFRS Foundation Monitoring Board explained why IOSCO believes in the IFRS Foundation Trustees' sustainability initiative and what IOSCO will do to support it.

Please click to access the **text of the speech** on the Belgian Financial Services and Market Authority (FSMA) website.

### **Strong support for ISSB at IOSCO roundtables**

To support its work on securities issuers' sustainability-related disclosures, IOSCO hosted two roundtables in April and May 2021. The objective was to engage in a dialogue with global stakeholders on IOSCO's priorities to enhance the reliability, comparability and consistency of sustainability-related disclosures and collect views on the practical implementation of a global system architecture for these disclosures. Participants of the roundtables expressed strong support for IOSCO's vision for an International Sustainability Standards Board (ISSB) under the IFRS Foundation.

Please click to access the **report of the key messages** on the IOSCO website

### **Second IVSC perspectives paper on ESG and business valuation**

The International Valuation Standards Council (IVSC) has published a second perspectives paper titled *A Framework to Assess ESG Value Creation* to analyse the impact of environmental, social and governance (ESG) factors on value creation and explore how such a framework may be incorporated into the capital allocation process and bring much needed financial discipline to ESG investments.

Please click to access **A Framework to Assess ESG Value Creation** on the IVSC website.

### **Other recent sustainability and integrated reporting developments**

- The US Securities and Exchange Commission (SEC) has:
  - Released a **statement on the review of climate-related disclosure** and its intention to enhance its focus on climate-related disclosure in public company filings
  - Announced the **creation of a Climate and ESG Task Force** that will develop initiatives to proactively identify ESG-related misconduct
  - Issued a **statement requesting input** from investors, registrants, and other market participants on whether current disclosures related to climate change adequately inform investors (see also Deloitte's related **Heads Up newsletter**)
  - Launched a **new page on its website** that brings together the latest SEC initiatives on environmental, social and governance issues, including climate change.
- The Center for Audit Quality (CAQ) of the American Institute of Certified Public Accountants (AICPA) has:
  - Examined the most recent publicly available ESG data for S&P 100 companies and published a **summary of its findings**
  - Published a **report on key actions for establishing effective governance over ESG reporting**
  - Published a **roadmap on ESG reporting and attestation**

- The US Financial Accounting Standards Board (FASB) has released a **staff educational paper** on the intersection of environmental, social, and governance matters with financial accounting standards
- IFAC has:
  - Published a **summary of its 2021 Chief Executive Forum** that offers links to the presentations of key speakers (one of them by Lee White, Executive Director of the IFRS Foundation, who **discussed the IFRS Trustees’ sustainability initiative**)
  - Issued a **joint statement** with the International Integrated Reporting Council (IIRC) regarding a vision for accelerating integrated reporting assurance
- The IIRC and the Sustainability Accounting Standards Board (SASB) have published a **joint article** on how an integrated report can be strengthened by using SASB Standards.
- The Global Reporting Initiative (GRI) and the SASB have published a joint publication **A Practical Guide to Sustainability Reporting Using GRI and SASB Standards.**
- The SASB has:
  - Published an updated **Climate Risk Technical Bulletin**, which shows how climate risks and opportunities manifest in unique ways across 77 industries
  - **Announced the availability** of Spanish translations of its standards
- The World Economic Forum (WEF) and the Value Balancing Alliance (VBA) have published a **joint statement** noting their intention to work together to achieve systematic change in the direction of global sustainability / ESG accounting and reporting standards.
- The World Business Council for Sustainable Development (WBCSD) has **announced the publication of a report** Corporate natural capital accounting—from building blocks to a path for standardization.
- The project task force on the reporting of non-financial risks and opportunities and the linkage to the business model of EFRAG hosted an **outreach event on 25 May** that aimed to get stakeholder feedback on its draft report’s key findings.
- The Association of Chartered Certified Accountants (ACCA) has **published a report** containing the results of a study that looked at climate change reporting by mining, oil and gas companies.
- Accounting for Sustainability (A4S) has published the **A4S Essential Guide to Valuations and Climate Change.**
- The Securities and Exchange Board of India (SEBI) has **announced to introduce new ESG reporting requirements** beginning with the 2022-23 financial year.
- The United Nation’s Sustainable Stock Exchanges (SSE) announced that:
  - The **Panama Stock Exchange** has issued ESG reporting guidelines for issuers
  - The **Budapest Stock Exchange** has published an ESG reporting guide

## Updates to Deloitte iGAAP manual

Available at [dart.deloitte.com/iGAAP](https://dart.deloitte.com/iGAAP) [on subscription only].

### Added Deloitte Guidance

Chapter	Reference	Deloitte guidance title
A10 Impairment of assets	<b>8.2.2.4-2</b>	Identification of cash-generating unit: flagship store
A10 Impairment of assets	<b>8.2.2.4-3</b>	Identification of cash-generating units in omni-channel retailing
A14 Revenue from contracts with customers	<b>7.2.1.2-4</b>	Late delivery penalties
A24 Consolidated financial statements	<b>11.1-1</b>	Financial instruments presented as non-controlling interests
B5 Embedded derivatives	<b>11-5</b>	For entities applying IFRS 17: Unbundling a non-foreign currency-related embedded derivative from an insurance host contract

## Amended Deloitte Guidance

Chapter	Reference	Deloitte guidance title
A10 Impairment of assets	<a href="#">8.2.2.4-1</a>	Identification of cash-generating units in the retail industry – example
A26 Investments in associates and joint ventures	<a href="#">4.4.16.2-1</a>	Recognition of an investor's share of the losses of an equity-method investee: additional investment via long-term loan – example

## Deloitte IFRS communications and publications

Issuance Date	Description
4 May 2021	<b><i>IFRS in Focus</i>—IFRS Foundation Trustees propose amendments to the IFRS Foundation Constitution to accommodate an International Sustainability Standards Board</b>
5 May 2021	<b><i>IFRS on Point</i>—April 2021</b>
7 May 2021	<b><i>IFRS in Focus</i>—IASB amends IAS 12 for deferred tax related to assets and liabilities arising from a single transaction</b>
17 May 2021	<b><i>A Closer Look</i>—Special purpose acquisition companies</b>
3 June 2021	<b><i>IFRS in Focus</i>—IASB proposes a revised Practice Statement on Management Commentary</b>

## Comment letters

	Description	Receiving party	Comment letter deadline
Comment letters issued	<b>Request for Information—Post-implementation review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities</b>	IASB	10/05/2021
	<b>Tentative Agenda Decision: Non-refundable Value Added Tax on Lease Payments (IFRS 16)</b>	IFRS IC	25/05/2021
	<b>Tentative Agenda Decision: Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition (IAS 32)</b>	IFRS IC	25/05/2021
Comment letters pending	<b>Proposed IFRS Taxonomy Update: PTU/2021/1—Disclosure of Accounting Policies and Definition of Accounting Estimates</b>	IASB	21/06/2021
	<b>Exposure Draft: ED/2021/5—Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards</b>	IFRS Foundation Trustees	29/07/2021
	<b>Exposure Draft: ED/2021/1—Regulatory Assets and Regulatory Liabilities</b>	IASB	30/07/2021
	<b>Discussion Paper DP/2020/2—Business Combinations under Common Control</b>	IASB	01/09/2021
	<b>Exposure Draft: ED/2021/4—Lack of Exchangeability</b>	IASB	01/09/2021
	<b>Request for Information—Third Agenda Consultation</b>	IASB	27/09/2021
	<b>Exposure Draft: ED/2021/3—Disclosure Requirements in IFRS Standards—A Pilot Approach</b>	IASB	21/10/2021
	<b>Exposure Draft: ED/2021/6—Management Commentary</b>	IASB	23/11/2021

## Effective dates

Click [here](#) for upcoming and recent effective dates.

The Deloitte Accounting Research Tool (DART) is a comprehensive online library of accounting and financial disclosures literature. **iGAAP on DART** allows access to the full IFRS Standards, linking to and from:

- Deloitte's authoritative, up-to-date, iGAAP manuals which provide guidance for reporting under IFRS Standards
- Model financial statements for entities reporting under IFRS Standards

To apply for a subscription to DART, click [here](#) to start the application process and select the iGAAP package.

For more information about DART, including pricing of the subscription packages, click [here](#).

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